



PRESS STATEMENT

27 February 2002

For immediate release

“THE REPUBLIC OF VANUATU WILL NOT COMMIT TO THE OECD’S HARMFUL TAX COMPETITION INITIATIVE”

The Vanuatu Government has declined to make a commitment to the Organisation for Economic Cooperation and Development (OECD) regarding its harmful tax competition initiative. The decision not to commit was taken by the Vanuatu Cabinet on Friday 22 February 2002.

The fact that significant OECD members (Switzerland, Luxembourg, Belgium and Portugal) have not committed to the standards being demanded of non-OECD states is an important reason behind Vanuatu’s decision.

In a letter dated 22 February 2002 to the Secretary General of the OECD, Donald Johnston, and the Chairman of the OECD’s Fiscal Affairs Committee, Gabriel Makhlouf, the Prime Minister of Vanuatu expressed that his government had very serious “reservations concerning various central aspects of this initiative”. He stated that, so far, Vanuatu had “demonstrated commitment to the principles of effective international cooperation and transparency”.

In recent years, Vanuatu has increased the regulatory supervision of its offshore banks and offshore entities as part of its commitment against money laundering. Vanuatu has also shown commitment to effective international cooperation by participating in good faith with the OECD in regional and bilateral discussions.

However, the Prime Minister expressed that, as a sovereign state, “Vanuatu declines to make the form of commitment sought by the OECD, on the following material grounds:

1. “Given that OECD member states have not committed to the standards that non-OECD states are being expected to implement, and given the economic distortions that the lack of a level playing field will create, absence of a mechanism to secure the implementation of one standard for exchange of information among all relevant parties (OECD and non-OECD member states) utilizing uniform implementation time lines;

2. “Absence of appropriate forms of recognition and/or compensation for cooperation which would be extended to jurisdictions achieving the specific standards of effective exchange of information;
3. “Absence of a mechanism to facilitate the participation of all parties in the ongoing process of achieving international cooperation on all matters pertaining to the OECD initiative; and
4. “Absence of a clear indication of the level of private and public sector compliance burden posed by the OECD Initiative *vis-à-vis* internationally recognised standards of transparency and international cooperation.”

The Prime Minister stated that the Government of Vanuatu remained willing to continue discussions with the OECD regarding the concerns outlined above, without any threats of defensive measures.

NOTE TO MEDIA

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