Globalist Assault on Tax Competition Rouses Opposition

As part of what experts call a war on tax competition and low taxes, a coalition of high-tax governments from around the world is working to erect a radical new planetary taxation regime that would further smother what remains of financial privacy and national sovereignty while seriously harming the global economy. The controversial plot, led by the Organization for Economic Cooperation and Development (OECD) and the G-20 group of governments and dictators, is already encountering opposition from lawmakers, industry, analysts, and liberty-minded non-profit organizations. However, with the Obama Treasury Department and other key players apparently already on board with much of the anti-tax-competition scheming, opponents are warning that Congress must get involved if the plan is to be stopped. Some critics say it is time to end U.S. funding for the "destructive" OECD, too.

The project targeting so-called "Base Erosion and Profit Shifting," or BEPS, officially aims to extract more taxes from multinational businesses and, ultimately, from consumers, workers, and investors. "BEPS is going to change the landscape of international tax," said vice president and international tax counsel Carol Doran Klein with the U.S. Council for International Business, which recently hosted a conference on the BEPS schemes in Washington that featured bureaucrats from the OECD and around the world. "If Congress wants to shape that landscape, they should be paying attention, following the discussions and making their views known. Congress staking out a position soon would be helpful." So far, the chairmen of the congressional tax committees have sent a letter to Obama's Treasury outlining some minor concerns, but little concrete action has been taken as the Obama administration and foreign governments plot to impose the draconian new tax rules on the planet.

"Basically, BEPS is the latest in the OECD's long line of attacks on tax competition," Brian Garst, director of policy with the pro-market Center for Freedom and Prosperity, told *The New American*. "In addition to providing an excuse for foreign governments to raid the coffers of U.S. companies, it's also putting at jeopardy their private or proprietary business information. Much of the information to be gathered in the proposed requirements has no legitimate tax purpose but if known could undermine their competitive advantage, and the governments requiring them can't be expected to protect it from falling into the hands of their competitors — and in some cases might see it spread deliberately to their own native enterprises. We're asking Congress to speak up on behalf of U.S. interests because the administration refuses to do so, and slow this process before it is too late so that at least some of the more egregious issues can be addressed. Although they have no direct control over the OECD, threatening the quarter of their organizational funds that come from the U.S. would make them sit up and listen."

In essence, the unelected (and untaxed) bureaucrats at the OECD are working, by their own admission, to drastically re-shape the global tax regime — with the goal of helping governments to extract even more wealth from the productive sector. The global bureaucrats, and the coalition of high-tax governments in the OECD that they serve, claim that businesses are not paying their "fair share" in taxes because some use *legal* tax-avoidance plans to escape some of the crushing burden. So, to solve the alleged problem, two years ago the OECD launched its BEPS project, which seeks to punish companies and low-tax nations to reward bloated welfare states struggling to confiscate more and more wealth. Using typical globalist rhetoric, the OECD described BEPS as "a global problem which requires global solutions." More detail on those "global solutions" is expected later this year, but analysts say the proposed Big Government solutions are aimed at "problems" that do not even exist.

Of course, businesses, like individuals, seek to minimize the burden of taxes, thereby allowing them to earn more, keep their prices low for consumers, and pay higher wages to employees. That natural impulse, under normal circumstances, leads governments and policymakers to keep taxes reasonable, or lose businesses, capital, and jobs to other jurisdictions with more sensible policies. This "tax competition" has always been a crucial incentive for politicians and bureaucrats to control their own impulses for perpetually higher taxes and bigger, more oppressive government. For consumers, citizens, taxpayers, investors, businesses, liberty, and economic growth, that is undoubtedly a positive force. For the Big Government bureaucrats at the OECD and its bloated member governments, however, that is a problem, because it limits somewhat their ability to confiscate outrageous amounts of wealth from those who produce it.

That is where the OECD and G-20 BEPS scheme comes in — part of the global war on what the OECD outrageously described as "harmful tax competition." The BEPS jihad by global bureaucrats and tax collectors officially got started in 2012 during a meeting of G-20 bosses in Mexico. Among the governments and dictatorships participating in the G-20 are the communist dictatorship ruling mainland China; Russia's Vladimir Putin; the socialist regimes ruling Brazil, Argentina, and South Africa; the Islamist rulers of Saudi Arabia and Turkey; and even the unaccountable super-state known as the European Union, which has also been known to terrorize its low-tax neighbors. Together, the G-20 coalition called on the OECD to wage war on BEPS, where businesses seek to reduce their tax liabilities by operating as much as possible in lower-tax jurisdictions.

Unsurprisingly, the OECD, widely described by experts as a "cartel" of bloated governments, was more than happy to comply — despite admitting openly that corporate taxes as a share of GDP have been increasing over time. "Base erosion constitutes a serious risk to tax revenues, tax sovereignty and tax fairness for OECD member countries and non-members alike," the untaxed, taxpayer-funded OECD bureaucrats complained a 2013 report on "addressing" BEPS. Later that year, the unelected Paris-based outfit, which receives about $100 million per year from U.S. taxpayers, released an "Action Plan" on BEPS identifying 15 areas of the global tax regime that supposedly needed to be addressed to keep welfare-state politicians happy. Finally, last year, the OECD released a series of reports dealing with some of those areas, with the rest expected later this year. And in June, the globalist outfit released a package of "model domestic legislation" to "help" governments comply with its demands. The technical jargon and opaque language have helped the scheme fly largely under the radar so far.

In a newly released white paper examining the BEPS schemes, however, Center for Freedom and

Prosperity policy director Brian Garst found that the OECD agenda would "create a privacy nightmare and stifle economic growth." Though the plotting has garnered little interest from U.S. policymakers so far, Garst argued that its ever expanding scope and its "profound implications for the global economy" means they should be paying attention. "It would also lead to an overall higher tax environment as politicians freed from the pressures of global tax competition inevitably raise rates," Garst explained in the section outlining threats to the global economy. "The prospect of there being less money to be spent by politicians [due to the effects of tax competition] is perceived as a problem to be solved, rather than as a positive for the global economy."

The OECD agenda also threatens privacy, according to Garst, potentially causing drastic harm to American companies operating around the world whose secrets could be swiped by foreign competition. "It requires disclosure of proprietary information that, were it to be made public, would likely aid competitors," the white paper explains, dismissing claims by the OECD that the private data would be kept confidential. "Such government assurances of privacy protection are contradicted by experience and the long history of leaks of taxpayer information. In the United States alone tax data has frequently been exposed thanks to inadequate safeguards, or even released by officials to attack political opponents." The best solution to the largely imagined "problem" of BEPS, Garst found, would be for governments to adopt a competitive tax code — not to impose a radical new international regulatory regime on the economy.

But to understand the OECD's crusade against BEPS and its significance, and why the outfit seeks massive amounts of information beyond what tax collectors actually require, Garst argued that the scheme must be understood within the context of the pro-high tax group's work in recent decades. The report cites the work of Andrew P. Moriss and Lotta Moberg, who in a comprehensive analysis outlined the OECD's transformation from an organization to promote global economic well-being into an outfit that seeks "to restrain both member and non-member countries from lowering taxes and to encourage lower tax jurisdictions to raise their rates." Indeed, OECD documents and statements over the years make it clear that, despite the overwhelmingly harmful effects of its tax-funded war against economic liberty and low taxes, the OECD wants to "harmonize" and drastically hike taxes worldwide.

The OECD also has a history of "moving the goalposts," and Garst's paper argues that the BEPS scheming will also expand and become worse over time. "Without regard to serious privacy concerns, the OECD is engaging in a global fishing expedition at the expense of the private sector. Rather than merely developing a standard for best practices, tax bureaucrats have concocted a massive and expensive undertaking with the goal of drastically expanding data collection to cover a wide swath of confidential business information," Garst concluded. "Given the history of the OECD and the stated motivations of its membership, it's easy to surmise that they are collecting this information in the hopes not merely of enforcing current tax law, but for use in creating yet more destructive taxes on businesses.... The BEPS project is a continuation of the OECD's well-documented effort to eliminate tax competition, and will likely follow the same pattern of consistently moving goalposts."

Garst also lambastes the "affront to modern principles of political representation and good governance that the OECD should exercise such power while being so far removed from ordinary political processes." While modern governmental systems recognize that policy must balance a wide array of competing concerns, that is not the case with the OECD, "which is largely removed from ordinary political systems and whose membership is narrowly focused on a singular goal: collecting as much tax as possible."

"The BEPS project began at the behest of a tiny few, without open and public debate regarding the assumptions motivating the effort, its goals, or the most appropriate methods to achieve them," Garst concluded. "There is a lack of accountability, reflected in the activities of the BEPS initiative, that can only be rectified through real public debate and direct political oversight."

Despite some mild criticism of the ongoing scheming by senior U.S. Treasury officials, the Obama administration appears to be fully onboard with the OECD plot, even lashing out at other governments for pursuing independent BEPS-related policies. In a letter to Treasury Secretary Jack Lew, though, the two top lawmakers dealing with tax issues warned the administration that Congress would not be bound by the Treasury's agreements with foreign governments and the OECD. "Regardless of what the Treasury Department agrees to as part of the BEPS project, Congress will craft the tax rules that it believes work best for U.S. companies and the U.S. economy," wrote Senate Finance Committee Chairman Orrin Hatch (R-Utah) and House Ways & Means Committee Chairman Paul Ryan (R-Wis.) last month. "Close consultation between Congress and the Treasury Department should inform the BEPS discussions. We expect that as we move forward on U.S. tax reform, U.S. tax policy will not be constrained by any concessions to other nations in the BEPS project to which Congress has not agreed." Still, the two establishment Republican lawmakers appear to be generally onboard with the scheme as well.

Numerous experts on all sides of the debate said Congress must get involved, with more than a few pro-market forces arguing that the GOP should use its majority in both houses to stop U.S. funding of the OECD rather than cooperating in the imposition of more burdens on the economy, liberty, and business. "The OECD has made a mockery of its original mission to facilitate economic cooperation through liberalization," explained Center for Freedom and Prosperity president Andrew Quinlan. "Now that its member nations have achieved their prosperity, they have hijacked the OECD to erect new barriers before other nations looking to follow suit. It's imperative that Congress get involved immediately to defend the interests of the U.S. and American businesses before it's too late."

Cato Institute Senior Fellow Dan Mitchell, meanwhile, said it was a "mystery why lawmakers in Washington send about $100 million to Paris every year to subsidize this bureaucracy that is now seeking to impose higher tax burdens on American companies competing in world markets." Richard W. Rahn, chairman of the Institute for Global Economic Growth, noted in the *Washington Times* that the OECD was attacking the right of individual countries to set their own taxation policies via its BEPS schemes, among other major concerns. As such, the bill on U.S. funding for the OECD, Rahn said, "provides the perfect test of whether the Republicans are serious about getting rid of destructive government spending."

Indeed, it is past time for Congress to stop squandering American taxpayers' hard-earned money on outfits such as the OECD working to impose more and higher taxes while crushing competition between jurisdictions. The benefits of tax competition, low taxes, and economic freedom are clear — liberty, prosperity, higher wages, more investment, more jobs, more growth, and a better society. The harm from high taxes and a "harmonized" taxation regime are also clear. Republicans in Congress, virtually all of whom ran on a platform of reducing the size and scope of government, must take action to protect U.S. national sovereignty, American workers, and prosperity by cutting funding for the OECD and refusing to join its radical global schemes. If they do not, the BEPS schemes will be just the beginning.

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