

FEATURED Q&A

Should the United States Curb the Use of Caribbean Tax Havens?

Q The Obama administration said last month that it plans to raise \$210 billion in revenues over the next 10 years by curbing corporate and individual use of so-called "offshore tax havens," and has lent its support to several bills in the US Congress aimed at stopping tax shelter abuses. Caribbean countries have rejected such efforts, arguing that they unfairly target small economies heavily dependent on financial services and tourism. Is the recent emphasis on limiting the use of offshore financial centers correctly placed? What are the prospects for the passage of the pending legislation and how would it affect Caribbean economies? What would be the impact on corporations currently using offshore financial centers?

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A **Guest Comment: Ronald Sanders:** "The US is not alone in this issue; other leading members of the OECD are also engaged in it. The matter strikes at the heart of international trade rules particularly in services where all countries have a right to compete on a level playing field, with the WTO as referee. Such international trade includes financial and legal services that enable individuals and corporations to conduct their financial activities from offshore jurisdictions within the legal framework of the countries involved, including their home country. The issue is not about regulation but about global free trade. The majority of business conducted through offshore centers is legal in the country of origin of the investors, taking advantage of the benefit of the originating country's tax breaks and special provisions that have built up over generations of home country tax bills, often intended to serve some particular interest. The business sometimes builds on the individual citizen's common law rights and constitutional provisions related to ownership and disposal of property, *e.g.*, the right to give away property or to establish a trust for the benefit of future generations. The efforts by the US and other OECD members to outlaw offshore centers in the Caribbean may displace offshore business to jurisdictions with more political muscle like Hong Kong and Singapore.

Such action will be viewed in the Caribbean as discriminatory and unfair. Offshore jurisdictions service legitimate demands of individuals and corporate entities in developed countries that wish to take advantage of better fiscal and legal structures in the offshore centers of their choice. US corporations should resist attempts to restrain their trade, and affected Caribbean jurisdictions should test any such restraint by collectively filing formal complaints at the WTO."