

Foreword

The Commonwealth Secretariat strongly believes that to reduce global inequality, international standard setting exercises need to promote a level playing field and fair competition between small developing countries and large rich nations.

In the global arena the lack of representation and effective participation of small vulnerable economies in international standard setting bodies and processes is one of the major drawbacks. The small states have limited opportunities to make inputs into the development of measures that are critical for the efficient functioning of the sector, as well as for their development. Yet their compliance is expected within given timeframes.

In the area of the International Financial Services Sector (IFSS), the Secretariat has firmly supported the efforts of its small member states to both diversify their economies and to achieve a level playing field. However, as the IFSS began to gather economic momentum in these jurisdictions, they suffered a setback through being labelled as tax havens and have since faced punitive sanctions through a non-inclusive OECD-driven process. The Harmful Tax Competition Initiative, as it is termed, has threatened to destroy a new source of growth, employment and revenue for a number of small states which lack the voice and resources to defend their interests effectively.

The Secretariat has been assisting these countries to seek redress by establishing the OECD Global Level Playing Field Sub-group, which has met annually since 2003. In agreeing to the Sub-group, the OECD has helped set the stage for direct dialogue between member and non-member jurisdictions and allowed small states to make some input into setting standards. The Sub-group has also allowed the unique challenges faced by small states to be brought to the fore.

The OECD survey of 82 countries, which is a result of these meetings, provides the backdrop for a review of practices in this sector. The Secretariat commissioned an in-depth analysis of the findings of the survey, which reveals that while some progress has been made, disparities continue to exist. For instance, the issue of Double Taxation and Tax Information Exchange Agreements needs to be addressed by the development of a methodology that recognises the divergence in tax structures across jurisdictions and allows all countries to utilise the same tools.

In the final analysis, the International Financial Services Sector must foster an environment of fair play that takes full account of the interests and vulnerabilities of small developing states.

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