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Policy analyst: Balance what tax watchdogs require and preserving financial sector

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A policy analyst for Washington-based think tank CATO Institute Center for Monetary and Financial Alternatives has stressed that The Bahamas must find a balance between what is required from global tax watchdogs like the European Union and preserving its financial services sector.

"So The Bahamas' positioning is to try and keep up with that business environment and at the same time confront the policy environment in a way that recognizes that a lot of what is being asked of it is related to political issues that are domestic to the European Union, the OECD (Organisation for Economic Co-operation and Development), sometimes also the United States but have little to do with the purpose of transparency and exchange of information," said Diego Zuluaga in the recently released International Investment Special Report on the Bahamas Financial Services Board.

"We've gone beyond that, in fact, if you look at the list of OECD and uncooperative tax jurisdictions that they drew up in 1998, there are no countries listed there anymore because all of the countries that they found uncooperative have cooperated since. Where we're at is a situation in which there's a redistribution of taxation that's being attempted here, and that is attempting to harm IFCs (international financial centers) and the people they benefit, including pension funds on which everyone around the world relies."

Zuluaga, who said his organization's mission is to promote free markets, individual liberty and peace in the United States and around the world, was a guest panelist at the Bahamas Financial Services Board Business Summit in March.

"The Bahamas of course has a lot of experience in banking, in trust management, in wealth management. It's in competition with a lot of other IFCs and that is one of the really great virtues of this sector, that they've become centers of excellence. Not only because they are small and they can experiment quickly and they can innovate in a more nimble way than larger jurisdictions, where policymaking is much slower and more subject to interest group pressures," he said.

"But also because you have competition between jurisdictions and division of labor that works very well and where it is very difficult for any one place to either have low standards or to do a shoddy job of managing people's funds…because there will always be other locations that will be jumping up at the opportunity to take advantage of that positioning."