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Nota di contenuto	Contents; I. Introduction; II. Do Countries Compete Over Corporate Taxes?; Figures; 1. CIT Rate in the EU-15 and Eastern Europe; III. What Drives Tax Competition?; 2. GDP and CIT Rates in Europe, 2007; IV. Will the Moldovan Zero CIT Intensify Tax Competition in the Region?; Table; 1. Strategic Interaction in CIT Setting in Eastern Europe, 1995-2006; V. Implications for FDI, Economic Efficiency, Equity, and Welfare; 3. Ratio of US FDI to GDP for Four Groups of Countries; 4. World Bank Doing Business, 2008; 5. Eastern Europe: CIT Rate and Revenue; 6. Statutory and Effective CIT Rates in NMS-8 7. NMS-10: Gross Operating Surplus and Mixed Income8. CIT Revenue Maximizing Rate; 9. Eastern Europe: Average CIT and PIT; 10. Tax Revenue by Source in NMS-10 and CIS; VI. Conclusions; References; Appendix I
Sommario/riassunto	Global economic integration intensified tax competition and raised concerns about the resulting "race to the bottom", which could undermine public investment and social spending. The aim of this paper is to test predictions that (i) there is interdependence in CIT rate setting in Eastern Europe and that (ii) the recent CIT cut in Moldova may intensify tax competition in the region. It finds that there is indeed evidence that during 1995-2006 countries in Eastern Europe strategically responded to changes in CIT rates in the region and that Moldovan zero CIT is likely to encourage further cuts in CIT. The paper also discusses implications of tax competition for Eastern Europe and finds that FDI flows will not be much affected, tax revenues are likely to decline, the shift in the composition in tax revenue may increase economic efficiency, but decrease equity. Tax coordination, while difficult politically, could help stem further decline in corporate taxation, but any gains might be modest and not certain to exceed the costs of tax coordination. Without tax coordination, however, it is unclear what exactly could stop corporate taxes from falling further.