



GLOBAL TAXES, DEVELOPMENT AND DEMOCRACY
MEDITERRANEAN SOCIAL FORUM

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Tackling the Problem of Capital Flight and
Tax Evasion in the Mediterranean Region

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hidden from mainstream economists

a shadow economy

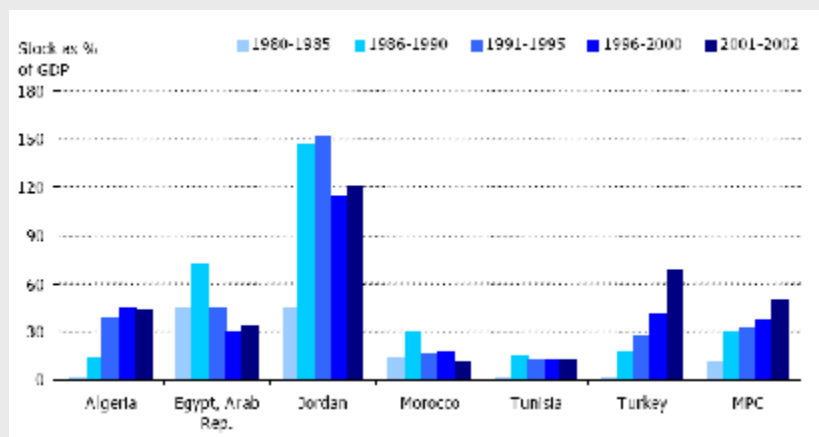


The price of offshore

" . . . Wealth held in tax havens is costing governments around the world US\$255 billion annually in lost tax revenues according to research published in March 2005. This sum is over three and a half times greater than the highest estimate of the additional financial resources required to meet the United Nations' Millenium Development Goals. ."

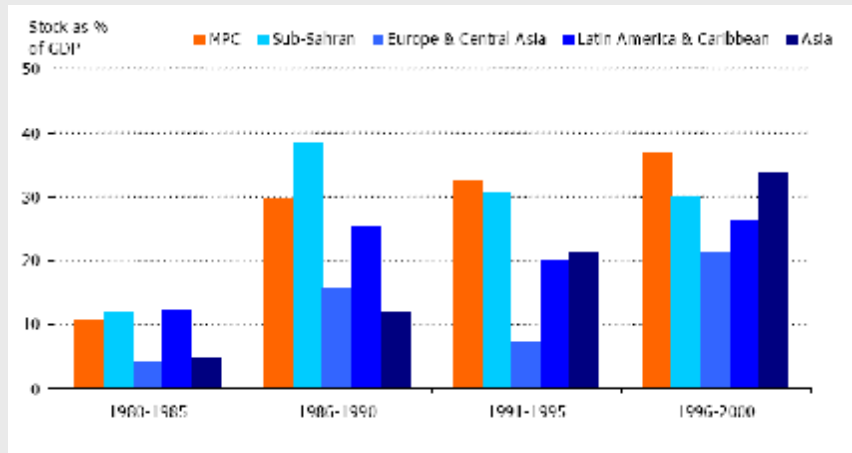
TAX JUSTICE FOCUS
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Capital flight from selected countries – 1980 to 2002



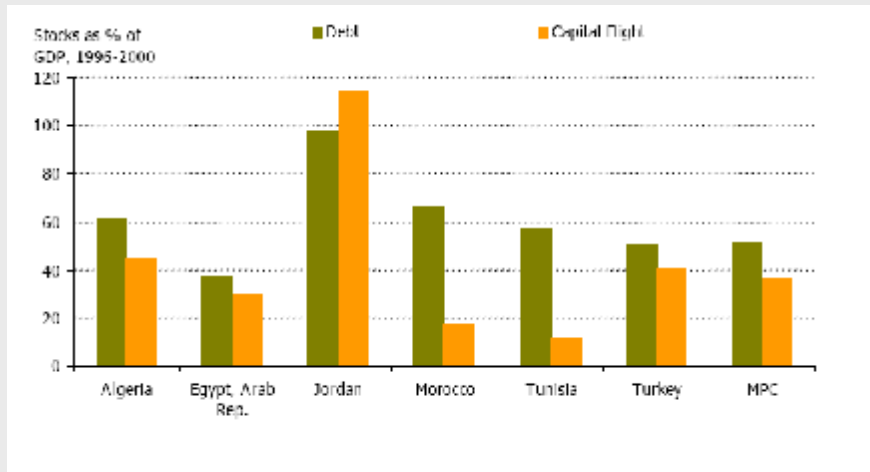
Source: European Investment Bank, 2005

Capital flight from selected regions – 1980 to 2000



Source: European Investment Bank, 2005

Capital flight and external debt: selected countries



Source: European Investment Bank, 2005

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Half of aggregate world trade passes through tax havens, even though these minor economies account for a mere 3 per cent of global GDP. This anomaly arises because transnational corporations record many intra-company transactions through tax havens solely to avoid tax, with little or no basis in the economic reality of their operations;

The value of assets held offshore, either tax-free or subject to minimal tax, is estimated at US\$11.5 trillion; over one-third of global GDP;

Over the past thirty years the number of offshore finance centres and tax havens has more than doubled to approximately 70 centres. The offshore economy is a significant and deeply embedded part of globalised capitalism.

Tax havens and development

“ Tax havens and harmful tax practices provide big business and wealthy individuals with opportunities to escape their tax obligations. This limits the capacity of countries to raise revenue through taxation, both on their own residents and on foreign-owned capital. This can seriously undermine the ability of governments of poor countries to make the vital investments in social services and economic infrastructure upon which human welfare and sustainable economic development depends”



Releasing the hidden billions
Briefing Paper June 2000

«The missing piece of the development puzzle is the impact of illegal capital flight on global poverty. About \$50bn (£28bn) in aid flows to developing and transitional economies from richer nations each year. At the same time, roughly \$500bn in dirty money - in all its forms – flows in the opposite direction out of poorer countries.

. . . a full, unflinching look at how dirty money sustains worldwide poverty would pay very rich dividends.»

Raymond Baker & Jennifer Nordin, Financial Times, 13 October 2004

- ∅ criminal flows
- ∅ corrupt flows
- ∅ illicit commercial transactions

Conclusions

Tax havens undermine poor countries in four principal ways:

- ∅ abusive offshore tax schemes distort global markets and provide big businesses and wealthy élites with opportunities to escape their tax obligations
- ∅ tax havens are used to catalyse and accelerate the race to the bottom in tax and regulatory competition
- ∅ the offshore world provides a safe haven for the proceeds of political corruption, illicit arms dealing, sanctions-busting, drugs trafficking, and so on.
- ∅ the offshore system has contributed to the rising incidence of financial crises that have destroyed livelihoods in poor countries

A Manifesto for Tax Justice

to eliminate cross-border tax evasion and limit the scope for tax avoidance, so that large corporations and wealthy individuals pay tax in line with their ability to do so;

increase citizens' influence in the democratic control of taxation, and restrict the power of capital to dictate tax policy solely in its own interest;

restore similar tax treatment of different forms of income, and reverse the shifting of the tax burden onto ordinary citizens;

remove the tax and secrecy incentives that encourage the outward flow of investment capital from countries most in need of economic development;

prevent the further privatisation and degradation of public services.



www.taxjustice.net/

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See also: the [OFFSHORE WATCH](#) website
of the Association for Accountancy & Business Affairs