Naomi: “Hello and welcome to the Taxcast, from the Tax Justice Network. And welcome not only to a new year, but to a new decade. I’m Naomi Fowler. Coming up later, we took journalists on a walk around the City of London to warn them about Britain’s acceleration towards a low tax, weak regulation rogue State when it leaves the European Union, which it’s due to do at the end of this month on 31st January 2020:”

Clip: “I'm afraid with the massive victory they got on Brexit, they are emboldened to be the Capital of international secrecy. And I'm afraid they will make things worse for the rest of the world without benefiting the UK economy.”

Naomi: “More on that later. But the European Union has some work to do if it’s really serious about making sure member states comply with anti-money laundering rules on setting up public registers of the real owners of companies. Simon Bowers of the Int’l Consortium of Investigative Journalists discovered that some countries have missed this month’s deadline to publish their registers, which they were supposed to do under the 5th anti-money laundering directive, tell us about that Simon:”

Simon: “Yeah. So this deadline looked pretty exciting to us. This was supposed to be the end of corporate secrecy in Europe. There would be no more anonymous companies for tax evaders and terrorist financiers to hide behind, every company would have to declare shareholders up to a certain threshold. And then the deadline came and passed and really without a murmur not from Brussels, from the commission or from pretty much any member state. These were all sort of political leaders who were slapping each other on the back about the urgent measures they'd taken to introduce these registers of corporate ownership only a few years back and now they were nowhere to be seen. So we tried to look around. We found a few, obviously the UK has had some disclosures on beneficial ownership of companies for a number of years - I mean, you might say it's not verified and is poor quality, but that there has been some transparency of sorts there for a while. Luxembourg came online with a registry fairly recently. There is a registry in Germany that's just gone up and in Ireland but you have to pay for the Irish one. Other than that, there's not really much out there. So in a way, perhaps the confusion about where these registers are in each member state, and why we can find some and we can't find others no one seems to be particularly forthcoming about why there's been a delay. And part of the problem is that these registers have been set up individually by member states according to their own interpretations of the European directive rather than in conformity to a European regulation. The difference between a regulation and a directive in the EU is that a regulation is something everyone has to do and it's the same. A directive is something that is open to a good deal of interpretation. That's why you've got Ireland demanding a fee every time you search the registry there, you've got Germany taking a different route, you've got the UK taking another route. They're all in theory complying with the EU directive, but in their own distinct way. And obviously when it comes to providing an opportunity for public scrutiny that's supposed to enhance the integrity of the system and help prevent misuse of companies, this isn't particularly helpful.”

Naomi: “Not helpful indeed! What would you like to see happen that would convince you that the EU’s serious about its member states tackling tax dodging and financial crime – and avoiding more Panama Papers, Paradise Papers-type scandals?”

Simon: “Well one of the things that would help, we're talking about the fifth anti money laundering directive right now, but a good signal, a good start from the EU would be for all member States to get up to speed and transpose into law the *fourth* anti money laundering directive, which they still haven't done yet, I think there's something like 22 of 28 member States who are still dragging their feet on that one, the deadline for that one was I think sometime in 2017. So, whilst the politicians in Brussels are already talking about the *sixth* anti money laundering directive we could do with some progress on existing directives if the whole process of the fight against money laundering is to retain some credibility in Europe. I mean, I don't want to sound too negative I mean Europe has been really setting the agenda on the topic of beneficial ownership and transparency on that topic and really there are others watching closely, particularly a lot of the tax havens, the crown dependencies and overseas territories linked to the UK, several of those have insisted that they'll watch closely what Europe does, and may feel however reluctantly that they will follow suit at some stage. And of course the US will be watching closely and there are noises about a movement on beneficial ownership from a policy perspective in the US which obviously would be amazing, but if the situation collapses in Europe then I don't think the tax havens, secrecy havens and the US will be in any rush to try and repair the situation.”

Naomi: “Thanks Simon. Simon Bowers of the International Consortium of Investigative Journalists. And the consortium has another big story out this month - Luanda Leaks – the scandal of how the daughter of the former Angolan President Jose Eduardo dos Santos became a billionaire. She denies looting the country. But leaked documents show how her vast business empire came about, her father’s presidential decrees from which she benefited, and the network of offshore companies she used, more than 400 shell companies and other structures. Angola is rich in oil, but that’s been of little to no benefit to most Angolans – that’s typical for a country suffering from the resource curse. These leaks showing mega-wealth extraction by the former president’s daughter reveal how it was facilitated by armies of accountancy and law firms in financial centres like Dubai and the US. Bear in mind that Angolans have a life expectancy of about 60 (compared to nearly 82 in Portugal), and 44% of Angolans don't have access even to drinking water. Average incomes are about $5,555 a year.

There’s been movement on the proposed digital tax which various countries were proposing to levy on big tech, the Googles and Amazons of the world. President Macron of France has retreated on implementing a 3% tax France was due to impose after threats of retaliation from the US – since the world’s big tax dodging tech companies are pretty much US monopolies. France’s tax would have raised an estimated $563 million a year. The UK’s Finance Minister *says* he *will* go ahead with its planned tax, despite being weakened by needing to negotiate a post-Brexit trade deal with the US. We’ll see about that. The Czech government was also planning to introduce a 7% digital tax. It remains to be seen whether they’ll go ahead with that. All of this because the OECD and the EU have so far failed to address the issue. Will they step up now? Let’s see.

There are two climate crisis developments to tell you about this month, bad news and then some good news: the British government is bailing out Flybe airline (owned by among others the very wealthy tax dodging billionaire Richard Branson). They’ve granted them an enormous tax holiday worth up to £100 million. Meanwhile Germany is putting a similar amount of money, not into planes but into a big push for train travel to replace plane travel, they’re overhauling and updating their railways. And, in Spain they’ve demonstrated what political will can do – they thought it’d take a decade to do it but they’ve taken just one year to stop using coal in popwer plants to generate electricity. Spain also stopped coal mining in 2019 after they finished subsidising their national cola mines - partly due to European Union regulations and partly because their national coal deposits weren’t making any money any more. So, it *can* be done. And quickly. Time to speak to John Christensen now of the Tax Justice Network for his take on this month:”

Naomi: “OK John, at the Tax Justice Network you and Nick Shaxson were the first to some up with the phrase the ‘finance curse’ to explain the harms done by finance sectors that are too big relative to the economies they’re operating in. How they lead to a lack of economic diversification, more inequality and a very unhealthy race to the bottom between nations on tax and regulations. The IMF, the World Bank and others have since recognised this phenomenon. And this month we’ve seen interesting developments from the IMF, of all places. They put out a new report calling for the shrinking of oversized finance centres. But let’s look first at what the head of IMF said when she was introducing this report, Kristalina Georgieva. She warned about the staggering rise in inequality levels globally. But she did it in very stark terms, unusually stark I thought. She said that rising inequality is now "reminiscent of the early part of the 20th century — when the twin forces of technology and integration led to the first Gilded Age, the Roaring Twenties, and, ultimately, financial disaster and the Great Depression. Wow!"

John: “Yeah. Wow. And a great speech and the speech has a context of course, because IMF chief Kristalina Georgieva was speaking just ahead of the world economic forum at Davos. I think this speech is a clear warning shot aimed at the world leaders meeting at Davos about their complacency. Now every year world, leaders meet at Davos and they discuss the big issues - inequality last year, climate crisis this year. But the whole thing is a charade and nothing of any real substance comes forward in the way of policy reform. So it's just chat, chat. Remember the highlight of last year's forum was the Dutch historian Rutger Bregman saying the answer to rising inequality and the trend towards plutocracy was taxes, taxes, taxes. You might remember that - he wasn't invited back this year. So IMF chief Georgieva said this coming decade, far from being one of milk and honey. She's warns that there's great uncertainty building up and the point she was making is that technology change, the rise of the internet and so on, plus mounting debt, also debt, corporate debt, these things are fueling inequality which in turn is fueling populism and fueling political extremism. Now in many respects, this situation mirrors the roaring twenties she was referring to this was the roaring twenties of last century when governments allowed the banks and financial markets to run wild and that led to a major market crash in 1929 which in turn collapsed wages and employment in the real economy. Some economies like Germany collapsed entirely and that in turn led to the rise of fascism, not just in Europe but also in North America. And Georgieva was really careful I think in her speech to describe how inequality harms both the economy and democracy and she was also very careful in drawing attention to the role of the finance sector in causing these harms. So I'll quote what she said "too often we overlook the financial system, which can also have a profound and long lasting, positive or negative effect on inequality." Now it's that negative effect which we identify as the finance curse, when too large a finance sector starts to drain wealth away from the real economy, and it's good to have the head of the IMF drawing attention to this. We've been drawing attention to it for many years, but it's good that this is now reaching the mainstream.”

Naomi: “So, this new IMF report warns countries shouldn’t allow their financial sectors to grow too big and that regulatory policies have a crucial role to play in reining in excessive growth of the financial sector.”

John: “Well, that's exactly right. When politicians allow the financial services sector, especially banks to grow too large, I should also mention especially banks and shadow banks, when they allow them to grow due to large and to issue too much debt into the real economy, the effects become harmful. When the banking sector came close to collapsing in 2008, 2009 politicians should have learned that lesson - without tight regulation and without taxation as well, banks do not act in a disciplined way and their actions can lead to terrible harm being caused to the real economy, largely because of all this debt sloshing around and investors using that debt to turn companies into cash cows. Now this new IMF report makes clear that financial services plays an important part in delivering credit to the real economy, and none of us can deny that that is the role of financial services. But they also look at how when the financial services become sector becomes too large and is not tightly managed, then it tips from being an important prop of the economy to becoming a drag on the economy and potentially causing massive harm. So, you know, on the positive side, they look, for example, at how uh, extending credit to as really small businesses, micro businesses in China and India has helped bring many people out of poverty as small businesses create jobs and increased earnings in those countries. But also the report also makes it very clear and they issue a stark warning that the financial sector when it's not well-managed, is likely to cause economic harm. And that will lead to rising inequality. And that of course is the root of what we call the finance curse.”

Naomi: “Right and the IMF has also accepted now that inequality is bad for economies, that's also a belated but big leap for them?”

John: “Yeah, yeah, it's definitely belated but it's true that for years, even decades, IMF officials, but also, let's be honest, many economists and politicians across many countries have seemed pretty unconcerned about inequality. Some economists even sneered at concerns about inequality and they dismissed it as the politics of envy. Well, we now know better about that. There's ample evidence that inequality harms the economy because too many people simply don't earn enough to pay even for the basics in life, their rents and heating and food and so on. So there's not enough demand in the real economy. And there's also ample evidence now that the claims that have been made for a very long time, that neo-liberalism, the idea of the American dream, people will move upwards and we'll have great social upwards mobility, that just hasn't happened. In fact, social mobility has stalled in North America and in many parts of Europe, and many millions of young people will be worse off over the course of their lifetimes than their parents were. And that's becoming increasingly clear and leading to mounting resentment, political resentments. So it's interesting, I'm getting back to the IMF, the chief Kristalina Georgieva speech that she singled out inequality in the UK as a reason for particular concern and that she noted that the top 10% now control almost as much wealth as the bottom 50% of people in the UK. And you know, if you look at the long term, if you look at the last 40 years since Thatcher came to power and introduced Thatcherism, that's possibly the biggest and most damning indictment of that Thatcherism. Reaganism and the whole neo-liberal agenda because inequality is now actually threatening to topple the whole thing and turn the whole thing over.”

Naomi: “Thanks John! John Christensen of the Tax Justice Network. Now it’s time for the Taxcast special feature. And we’re going to split it in two this month. First of all we’re going to take you to the City of London where we took journalists on a walking tour of the City of London’s finance sector to warn about the effect of Brexit and the current British government on poorer countries – or as we like to call them, plundered countries. After that we’re going to take you off to France which has been experiencing its longest transport strike action in 50 years. But first let’s go to the bitter cold of London and Dereje Alemayehu of the Global Alliance for Tax Justice addressing journalists outside the City of London Corporation, near the Bank of England at the start of a new decade. A decade in which we’re likely to see some serious deterioration in Britain’s already bad reputation as a centre for global corruption:”

Dereje: “When you look at Africa, maybe you have some perceptions that I come from a poor continent. Your former prime minister David Cameron was never tired of saying the major problem in Africa is the corruption of its leaders. Actually I was once invited to attend a meeting he chaired, which was with African leaders and he was very happy telling about a corrupt African leader who has, how many ferraris, who has how many what and what, and I had a chance to ask a question and I said: "When you were telling all these things, why didn't you also mention, firstly that this guy did not go out of Africa with an attache case stashed with money. He must have used facilitators, who are they? Secondly, those who are selling to him real estate and precious things, why didn't they ask “guy, where did you get your money from?” So corruption itself is possible because there are facilitators and there are enablers of the whole thing. So the second thing we have to know is although corruption is given as the major reason for Africa's problems, in the bigger scheme of things, if you look at serious studies, it does not constitute the biggest proportion of illicit financial flows going out of Africa. There was a study - a commission set up by the African Union, they came to the conclusion that 60% of illicit financial flows from Africa are happening through economic practices. There are studies which show that for example, SABMiller, one of the biggest beer companies in the world paid less taxes in Ghana than a street vendor. So all these things are driving resources out of Africa. Although people believe Africa is living on the life support it gets from the North, Africa is a net creditor to the rest of the world. Actually even the secretary general of the OECD went on record as saying 'for every one US dollar going to developing countries in the form of development aid, $3 leave these countries in the form of illicit financial flows.’ So, what is the sum of plus one and minus three? And Africa is now supposed to develop with minus two, by financing its development with minus three. So, without the facilitation of these illicit financial flows from Africa through secrecy jurisdictions giving shelter to stolen money, talk to a friend from the Philippines, Marcos left power I don't know how many years ago. Philippines did not get even a 10th of the the stolen assets now stashed in secrecy jurisdictions. Ask Egyptians, where did Mubarak's money - it is estimated he embezzled about 9 billion - where, where is this money now? Not in Egypt, Abacha, 5 billion. Where is this money now? Not in Nigeria. So, pointing fingers at corruption without stopping the possibility of stashing stolen assets with impunity in your jurisdictions is not helping the fight against corruption. Enabling your multinationals through falsified accountings, actually what's happening now, the multinational companies do their accounting through a structure which enables them to make losses in countries where they make profits and to show profits in countries where they don't need to pay taxes. So all these transactions are possible because they are supported by, or at least that governments are not making the necessary measures to stop these practices. So as long as this perverse flow of resources exist, that poor countries lose resources to rich countries, there cannot be development in these countries. The resources are much more needed to develop the economy, to improve their living standards. So, supporting facilitation, making it possible for tax dodging and corruption to stash these monies in secrecy jurisdictions is one of the major causes of poverty and inequality. So one of our efforts is really to challenge governments to to take the necessary measures to stop illicit financial flows and tax dodging.”

Naomi: “Can I ask what you'd like to see happen? What would you like the British government to do to stop what you've just been describing?”

Dereje: “I think Brexit itself is the first move of the British government not to even follow other governments in taking some of the measures which are necessary, through our campaigns there was some progress being made. Like, for example, a public registry of beneficial ownership, which was now on the move. Making it impossible for non-residents to have accounts in your banks, sharing this information with their governments, finance authority of these governments to hold their citizens to account who might have stolen the money. So, on all these fronts on finance, on reducing financial secrecy, uh, making beneficial ownership of assets public - in all these moves, my fear is that that the UK will go back. And now I'm afraid that the British government might renege on such moves that now my fear is actually that they will embolden tax dodgers and those who steal public money to not to go to Singapore but to come here. And actually the whole drive is to compete with Singapore, not to compete with countries, which are trying to stop possibility of illicit financial flows. I'm very much worried that the move in the UK under this current government because of the victory of Brexit would be to say there is no recognition here, come! I'm afraid, with the massive victory they got on Brexit, they are emboldened to be the Capital of international secrecy. And I'm afraid they will make things worse for the rest of the world without benefiting the UK economy.”

Naomi: “That’s Dereje Alemayehu of the Global Alliance for Tax Justice in the City of London’s finance sector. And, off to France. Just when the world thought the days of strikes and class struggle were over, they’re not…”

[clip of French strikers protesting]

Naomi: “In France President Macron has faced a huge fightback against his proposals to ‘reform’ the pension system by ‘simplifying’ it – which among other things seems to mean raising the retirement age and a deterioration in pension rights. Central to all this seems to be the closeness of the French government to big players in finance – I’m told bankers can just pick up the phone any time to talk to Macron. This new year he gave the Legion of Honour for services to France to the director of Blackrock, a financial company which specialises in managing private pension funds, which has been advising the government on how to promote private schemes. Blackrock stands to made billions from Macron’s pension reforms. Remember that Macron scrapped wealth taxes in France and introduced lower corporate taxes before getting started on the pension system he claimed was too expensive to maintain. He’s just announced btw that the 3% tax France was due to impose on big tech companies is going to be delayed after threats from the US – that would have raised an estimated $563 million a year. This is Marie Antonelle Joubert of the Global Alliance for Tax Justice:”

Marie: “It’s quite clear to me that Macron’s politics and policies since he’s in place are the opposite of tax justice. The poor he wants them to pay more, and the richer he wants them to pay less. Taking away the wealth tax, not chasing tax avoiders is the first and biggest mistake he can make. It’s really a question that arises now in France how all those governments and presidents that we have are not chasing tax avoiders, the big multinationals. The big multinationals, people know them and when they find out that those multinationals pay virtually no taxes in France they think it’s appalling. It’s really amazing that governments wouldn’t so that because I think it would be very good for their popularity so I guess it’s really an issue of elites and the presidents always protecting their people which are multinational leaders who they studied with most of the time so clearly whether its public schools, public health, public infrastructures, the justice system, and pensions, Macron could fund them with a proper tax justice policy. France loses between 60 to 80 bllion euros a year in tax avoidance, this is only conservative figures, we know that France could get a lot more if it went after its main tax avoiders, the richest people and mainly the multinationals, the big French conapnies. It’s really appalling that he doesn’t.”

Naomi: “Marie Antonelle Joubert of the Global Alliance for Tax Justice. I also spoke to Pascal Debay of the CGT - Union Confédération Générale du Travail:”

Naomi: “You know, many people said that, uh, all the big strike action was over in France since the 1980s and 1990s. This strike has been the longest for more than 50 years in transport in France. And so what does that say about what's happening in France now?”

Pascal: “You're right. We are in the longest struggle, the conflict, the longest conflict, social conflict in France. Imagine it's something that is longer than what happened in 1968, you know. The situations of work is different, there are less industry in France as in great Britain, um, more precarity, more poverty. The first time we have this type of conflict. You know, the railway railway men and women make a strike which is incredible. Now it's been 47, 47 days that they've been on strike. Mr Macron is very very pro-business. He wants to reform France. They want to break our social system of retirement, so we think - the trade unions - that this is a way to go for the private system of retirement. Mr Macron, when he arrived two years ago in power, um, he made new laws to lower corporate taxes, more and more for business and less and less for workers. It's been now the third time that he refused to put up the minimum wage. What we afraid of is that it's a strategy to weaken our system, our system of pension. In France, the social security, all the money in the system of social security is more important than the state budget of France - imagine what some people of the financial place would like to do with that money.”

Naomi: “Yes, I can imagine! It's, it's almost like what Mrs Thatcher succeeded in doing in the 1980s in terms of breaking the unions and restricting people's rights to campaign for better working conditions.”

Pascal: “Yeah, to be to be frank with you, we often use this comparison, in a way Mr Macron is like Mrs Thatcher, he wants to weaken the trade unions in France.”

Naomi: “And in France, I believe the retirement age is currently 62 and France has three times less pensioner poverty than in Britain, but in Britain, but retirement age is going up this year to 66 and it's going to go up to 67 and nothing happened here, there was no protest and we have weak unions as you know. But the government argued, as is Macron, that it's because people are living longer that they must make this change in pensions. What do you say to that?”

Pascal: “Yeah, what you're asking me is, is important. We are in the liberal ideology, you know, they want to make people think that. We say to the bosses, where's the logic? When the people are 50 years old in France, you fire them. You say they are not enough competitive. When there are problems in, in factories you fire the oldest workers. On the other hand, you say to the people, you must work older. There's something which is very illogical, you know, so that's what we denounce. We want, we would like that Mr macron and his government make choice for the people. For example, if women are paid the same as men, that will be six billions, I say six billions of euros in the retirement system. In the system of work in France, the bosses pay that they pay taxes for our retirement system. And it's been now 30 years that we say, okay bosses, you don't pay because that there is unemployment so if you create jobs ok, you don't pay these taxes. So laws after laws, years after year, bosses paid less and less taxes for the retirement system. We say that stop. Since you don't respect the workers, you don't create work, there are more and more precarity, you will pay more taxes for that retirement system and we think that there we can find 20 billions of euros. Indeed, uh, we have a 3rd, another proposition is for example, to say, okay, the worker, we can pay, for example, 2 euros per month more in the system and the bosses too. That will be more and more money.”

Naomi: “There has been used time and time again as an example of how the strike is not right that train drivers can retire at the age of 52 years. This has been used by the media a lot. And I have read that yes it is *possible* they can retire at 52, but if they retire at 52 years old, they don't have much pension, and so it is not really such a good option.”

Pascal: “You know, we are in a world when the fake news are not always from who we think, the government is lying to the people. Heaven on the French railway, you know, the drivers are *not* retired at 52 as the government say, it's not true. And something is interesting. We asked a, you know, a poll two weeks ago. And 60%, 60% of the French people support the strike. 44% of the people in France trust the trade unions. We have many, many messages of solidarity from trade unions of Europe, America, Africa, Asia. It's very important we communicate with the people who are in the trade unions to say that we are not alone in this struggle, but it's a big fight. Something that’s important is that the far right in France is very, very present. And they try to, to take from them the hungriness of the people. You know what I mean? So they say, for example, the CGT is not a good trade union because we are fighting the far right. And they say, if you are in power in two years, if Marine le Penn is president, she promised to the workers we will retire this new law, it's difficult for us, the political left in France is very split. So that's a big problem for the trade unions to deal with the far right. I don't know if we'll win but we, we will carry on!”

Naomi: “Pascal Debay of the CGT union Confédération Générale du Travail. That’s it for this month. Look out for the next edition of the Taxcast, edition 98 – we’re going to cover the Financial Secrecy Index 2020 results – we’ll have some surprises, we’ll bring you regional analysis and we’ll reveal which countries are now the world’s worst offenders when it comes to financial secrecy. Thanks for listening. We’ll be back next month.”