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Shining the light on secrets that keep people poor

How the G8 must take action on tax havens, tax dodging and land grabs to build a future without hunger and poverty

During the two days that the G8 meet in Northern Ireland, \$2.2 billion dollars in illicit flows will have haemorrhaged from developing countries into tax havens and developing-country land one and a half times the size of Manhattan will be sold off to foreign investors.

Already, the amount of land bought by G8 countries since the turn of the century is more than the size of Ireland and Northern Ireland combined – enough to feed 96 million people a year. And every dollar that leaks from poor countries into tax havens is a dollar that could otherwise have been invested by their governments into fighting poverty and hunger. For this year's G8 to live up to their promise to the one in eight people going hungry tonight, they must tackle land grabs and tax dodging.

This year, the UK government confirmed it would meet its 40-year-old promise to spend 0.7% of GNI on overseas aid, with this year's increase estimated to save at least 3.3 million lives annually. However, most countries, including all the other G8 countries, have failed to keep their aid promise. In a world where one in eight people go hungry despite there being enough food to eat, a world where inequality leaves 1.2 billion people living in extreme poverty whilst others prosper, there is an urgent need to change the rules of the game and tackle the structural causes of poverty.

Poverty and hunger go hand in hand. As Chair of the G8, UK Prime Minister David Cameron has used the G8 Summit taking place on June 17-18 as an opportunity to focus on global hunger by holding a Hunger Summit in London beforehand. He has also committed to prioritising tax dodging as a key issue. Pressure from Oxfam has helped put land grabs on the G8 agenda for the first time. Now is the time for the G8 to turn rhetoric into action.

Hunger is a curse for those living in poverty. At a time of global economic downturn, the gap between the haves and have-nots is vast and widening, with 1.2 billion people living in extreme povertyⁱ. The majority of people on the poorer side of the spectrum are shouldering the burden of budgetary cuts and doing what they can to make a living. Meanwhile, a profit-making playground, characterised by a lack of regulation and transparency, is still available to businesses, corporations and wealthy individuals to make more money and avoid paying their fair share. Tax havens and loop-holes allow them to hide their money from the taxman, meaning developing countries are losing revenue that could be spent on tackling hunger and investment in agriculture, as well as providing quality health and education systems that help people work their way out of poverty. All of this whilst land investments are putting more poor people at risk of losing the land they rely on for food to eat and make a living.

Tax and transparency:

During the two days that the G8 meet in Northern Ireland, \$2.2 billion dollars will have haemorrhaged from developing countries into tax havensⁱⁱ.

This money would be enough to help more than 2.5 million Indonesian farmers to provide food for themselves and their families, or it could pay for the entire education budget of Tanzania and Kenya combined.

There is increasing understanding that tax dodging by big corporations and wealthy individuals undermines public spending and equality, both in developed and developing countries. Taxes are a crucial and equitable long-term solution to financing in developing countries. The UN estimates that if the world's least developed countries raised at least 20 per cent of their Gross Domestic Product (GDP) from taxes, they could achieve the Millennium Development Goals. Tax dodging by elites and multinational giants deprive poor countries of hundreds of billions of dollars every year that could be used to tackle hunger, help countries provide decent affordable healthcare to their citizens, and allow all children to get a basic education.

Oxfam estimates that at least \$18.5 trillion is being hidden by wealthy individuals in tax havens, representing a loss of more than \$156 billion in tax revenue – enough money to end extreme world poverty twice over.

More than 40 per cent of this offshore wealth, \$7.8 trillion, is being held in tax havens under the G8's jurisdiction, meaning \$66 billion of tax is lost due to G8 associated territories. A third of the wealth held offshore is in UK-linked tax havens (Crown Dependencies and British Overseas territories). The US and China are responsible for several each: the US Virgin Islands, Delaware and Marshall Islands and Hong Kong and Macao respectively. France and Italy have smaller overseas territories with France having jurisdiction over Andorra and Monaco and Italy over San Marino.

These figures are just a fraction of the total global tax loss, as they only include the amount of tax that individuals are neglecting to pay and not the tax being dodged by companies. Just through transfer mispricing, for example, \$160 billion is sucked out of developing countries every year.

The lack of transparency in the global tax system is allowing one of the world's greatest injustices to continue under our noses. It allows companies and individuals to avoid paying their fair share by using tax havens, setting up phantom companies or conducting illegitimate deals. Despite agreements already made between some G8 countries and their overseas territories (e.g. the USA's Foreign Account Tax Compliance Act and a similar European deal negotiated by Germany, France, UK and Italy) there is still a long way to go to make sure developing countries are getting all the information they need in order to claim the lost taxes that they are owed.

This year the G8 has the chance to stop tax dodging and put an end to tax havens.

Oxfam is calling for lasting changes to the tax system. This year the G8 must:

- Commit to making ownership of companies and other assets public, so that nobody can avoid paying tax by hiding their money or setting up phantom firms.
- Pressure all G8 linked tax havens¹ to join a global deal to share tax information, so that all countries – especially the poorest – can tax companies and individuals fairly.
- Ensure that any tax deals brokered by G8 countries work for the poorest countries and includes them from the beginning. It would be unacceptable to start a two tier tax system, where G8 and European countries resolve their own budget crises and leave developing countries out in the cold.

¹ The great majority (10) being linked to the UK. They are: Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Gibraltar, Guernsey, Isle of Man, Jersey, Montserrat, Turks and Caicos Islands.

Corporate tax dodging – the impact on ordinary people

Ending corporate tax dodging in India could help 270 million farmers grow more rice and wheat – more than enough to feed all the hungry people in India.

Around the world, nearly 900 million people go hungry every day, despite the fact that there's enough food to go around. Almost a quarter of those facing hunger live in India, that is 230 million people [1]. While India's economy has doubled in size over the past fifteen years the country accounts for 42 per cent of the world's under-weight children, largely because of the low nutritional and social status of its women. Many of India's poorest still lack basic help and enough food to survive. India was ranked 67th out of 84 countries in the 2010 Global Hunger Index [2] – placing it below many countries in sub-Saharan Africa.

The amount of tax lost in India through trade mispricing (*a common tax dodging practice of corporations*) is estimated to be \$7.7 billion [3]. This is enough money to roll out India's national Food Security Bill – the provision of subsidised wheat and rice to poor farmers – to 270 million people.

[1] http://articles.timesofindia.indiatimes.com/2012-01-15/india/30629637_1_anganwadi-workers-ghi-number-of-hungry-people

[2] carried out by the International food Policy Research Institute

[3] According to *Global financial integrity (GFI)*

Land and transparency

During the two days that the G8 meet in Northern Ireland, developing-country land one and a half times the size of Manhattan will be sold off to foreign investorsⁱⁱⁱ.

Already, the amount of land bought by G8-based companies since the turn of the century is more than the size of Ireland and Northern Ireland combined^{iv} – enough to feed 96 million people a year^v.

More and more corporate competitors have entered the anarchic race for land, exposing vulnerable communities to lose their homes, ways of life and the land they rely on for food to eat and make a living. Meanwhile the race to put adequate regulations in place to prevent land grabs has hardly started.

At the moment, land investments largely operate behind a veil of secrecy: it is hard to know who is buying what amount of land for what purpose and at what price. Affected communities rarely have the information they need to make an informed decision on whether the land in question should change hands and are often unaware of its value or their rights to it. The opaque way that land investments can be negotiated means that vulnerable communities can have their land and homes grabbed without their consent or due compensation. In the worst cases, they are also subjected to violence.

Land is increasingly viewed as a profitable investment, fuelled by rocketing demands for food and biofuels. Globally, land the size of Ottawa in developing countries is sold to foreign investors every seven days^{vi},

But momentum towards tackling land grabs is beginning to build. The UN Voluntary Guidelines on Responsible Governance of Tenure and Land Fisheries and Forests, agreed in May 2012, includes measures to improve land rights for vulnerable communities. In April, the World Bank, which is both an investor itself and adviser for others, acknowledged the role it can play on land issues following pressure from Oxfam. It has agreed to review its own practices to ensure they protect vulnerable communities. And now, for the first time, tackling land grabs is on the G8's agenda.

The G8 can lift the lid on land investments by establishing a platform – a “Land Transparency Initiative” – where all the details of big land deals can be shared, which both governments and the private sector

sign up to. The G8 can also provide technical and financial support for the implementation of the Voluntary Guidelines – transforming them from a piece of paper to an active process on a country level to improve land rights and protect vulnerable communities from land grabs.

Transparency also makes good business sense. Secrecy surrounding these deals often means that investors can also be hit by crippling unforeseen costs as a result of unresolved conflict when a deal gets thrown into dispute with local communities.^{vii} The G8 must therefore get its own house in order by regulating G8-based companies to disclose information about land deals and ensure that communities are consulted and give consent to large land investments.

If it is serious about taking genuine steps toward tackling global hunger, it is in a prime position to help protect communities from losing the very land they rely on for food to eat and make a living. Equally, if it is serious about opening opportunities for private investment, it must show it is serious about protecting investors from making unnecessary losses and irresponsible deals that can hurt vulnerable local communities.

Land evictions in Guatemala

Guatemala has gained recognition internationally as an area suitable for the production of biofuels. This has created a new wave of land grabbing in the country, often putting poor, indigenous communities at risk of violence and losing their homes and their means to grow food to eat and sell.

In March 2011, 14 communities in Guatemala's Polochic Valley were forcibly evicted by state security forces. The communities grew corn and rice on the land. An estimated 800 families, including 325 children aged under-five years old lost their homes. Houses and crops were destroyed. Three farmers were reported to have been killed.

In June 2011 the Inter-American Commission on Human Rights (IACHR) urged the Guatemalan government to act so that the rights of the affected communities to food security, health and housing be restored. In May, an international campaign led by Campaign Vamos al Grano - CRECE and Oxfam led to a deal between the government and the communities. Food aid was distributed to all the communities. However, the agreement over alternative land is now being renegotiated with the government. Conditions are currently perfect to grow food but there is still a lack of alternative land for local people to do so. To date, the different interests in the land are escalating violence in the Valley.

Oxfam's call to action

The G8 must get its house in order on tax. This means putting pressure on G8-linked tax havens to join a global deal to share information, so that all countries – especially the poorest – can tax companies and individuals fairly: The G8 should push for tax havens under their jurisdiction to sign up to an existing transparency convention (the Multilateral Convention on Mutual Administrative Assistance in Tax Matters). This will give poor countries – and G8 countries – the information they need to tax companies fairly and raise money that is urgently needed for struggling public budgets.

Ensure that any tax deals brokered by G8 countries work for the poorest countries and includes them from the beginning: It would be unacceptable to start a two tier tax system, where G8 and European countries resolve their own budget crises and leave developing countries out in the cold.

The G8 must commit to making ownership of companies and other assets public, so that nobody can avoid paying tax by hiding their money or setting up phantom firms:

We are calling for a public registry of beneficial ownership – essentially a public record of the money and assets of G8 companies and individuals. This would mean that nobody can hide their money away and avoid tax without consequences.

The G8 must lift the veil of secrecy around land investments: G8 leaders must establish a platform (a Land Transparency Initiative) where all details of land deals are shared on a mandatory basis, which governments and the private sector sign up to. The G8 should also provide financial and technical

support for the implementation of the Voluntary Guidelines to help clarify land ownership, access and rights – thereby protecting people from land grabs.

The G8 must get its own house in order on land: G8 leaders must commit to making it a requirement that all companies and businesses registered in, listed on the stock exchange or raising capital in G8 countries disclose information on any land deals – including the level of consultation, participation and consent of affected communities. This information should be shared and scrutinised through a global Land Transparency Initiative.

Contact: Oxfam have a team in Northern Ireland who will be available for interviews, briefings and analysis. Please contact Lucy Brinicombe, Oxfam Senior Press Officer, +44 (0)7786 110054 / lbrinicombe@oxfam.org.uk

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ⁱThe World Bank:

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:20040961~menuPK:435040~pagePK:148956~piPK:216618~theSitePK:430367~isCURL:Y,00.html>

ⁱⁱ Global Financial Integrity estimates that 44.2% of illicit financial flows are absorbed by offshore tax havens, which is the latest analysis available. This estimate was based on a list of 46 tax haven jurisdictions. (Global Financial Integrity, *The Absorption of Illicit Financial Flows from Developing Countries: 2002-2006*:

http://www.gfintegrity.org/storage/gfip/documents/reports/absorption_of_illicit_flows_web.pdf.

The 48-hour figure was calculated on estimates of illicit financial flows for the year 2012, which is \$892 billion. (Global Financial Integrity: *Illicit Financial Flows from Developing Countries: 2001-2010*:

<http://iff.gfintegrity.org/iff2012/2012report.html>. We divided this by 365 then multiplied by two to get to the 48 hour figure. This figure was then multiplied by the percentage absorbed by offshore tax havens (44.2%) to arrive at the \$2.2 billion.

ⁱⁱⁱ According to the Land Matrix Partnership (<http://landmatrix.org>, downloaded 10 June), Manhattan covers an area of 8,750 hectares. Between 2000 and 2013, concluded land deals by foreign investors (for all purposes) covered a land area of 33 million hectares (*ibid.* downloaded 10 June), or 13,900 hectares every two days. This is equivalent to 1.6 times the area of Manhattan being acquired every two days.

^{iv} The amount is a third more than the size of Northern Ireland (1.4 million hectares) and the Republic of Ireland (7.0 million) combined. The total population of Canada and the UK is 98.4 million. <http://faostat.fao.org/>

^v According to the Land Matrix (<http://landmatrix.org>), land deals in developing countries concluded for the primary purpose of agriculture or forestry, where the primary investors are from G8 countries, cover a land area of 11 million hectares. The potential annual cereal production on acquired land was calculated by multiplying the area acquired by the average cereal yield for that country (<http://faostat3.fao.org>). The food energy available from this potential harvest was calculated by multiplying the potential production volume by the kcal available from one tonne of cereal in the given country (obtained by dividing the annual food energy supply by the annual food supply quantity, in both cases for cereals excluding beer <http://faostat3.fao.org>). The number of people that could potentially be fed from acquired land in each country was then calculated by dividing the potential annual supply of food energy by the annualised average dietary energy requirement for people in that country (<http://www.fao.org/economic/ess/ess-fs/ess-fadata/en/>). Totals for individual deals were then summed to arrive at a global total of 96 million people potentially fed.

^{vi} The Land Matrix Partnership: : <http://landportal.info/landmatrix>

^{vii} For an example look at The Munden Project's The Financial Risks of Land Tenure: An investment Overview http://www.rightsandresources.org/documents/files/doc_5715.pdf