



**SEMI-ANNUAL CONFERENCE
SAN FRANCISCO
JANUARY 24-25, 2012**

**Secrecy in the Global Financial System and its Impact on Human Rights
and Development**

Tuesday, January 24, 2012
9:00 am – 10:30 am

Session Organizer:

- Conrad Martin, Executive Director, Stewart R. Mott Foundation

Facilitator:

- Conrad Martin, Executive Director, Stewart R. Mott Foundation

Panelists:

- Corinna Gilfillan, Head of U.S. Office, Global Witness
- Nicole Tichon, Executive Director, Tax Justice Network USA
- Tom Cardamone, Managing Director, Global Financial Integrity

Sponsor:

- Stewart Mott Foundation
-

Conrad Martin opened by providing a snapshot of secrecy in financial systems worldwide:

- 40 secrecy jurisdictions
- An estimated \$100 billion loss annually
- These loopholes are the toolboxes of HR abusers: narco traffickers, arms traffickers, human traffickers

This is one of the most tangible opportunities for reform and it is essential for human rights funders to look at if they are really interested in ending violations worldwide.

What are we mean when we talk about secrecy within the global financial system: the flow of illicit money (illegally earned) out of developing economies into tax havens. This undermines both capitalism and democracy and includes money earned through corruption, theft and trade based on money laundering. Trade based, overpaying for imported goods and underpaying exported goods, is the largest source, accounting for 55% of illicit money leaving a country. Theft accounts for 35% and corruption for 10%.

Any crime needs to have means, motive and opportunity. The global financial system provides the opportunity. It is estimated that close to \$903 billion per year is lost from developing countries. This is

critically important as 18 million deaths annually are poverty related. There is a direct linkage between human rights and illicit flows of money; people are dying because of this.

Keys to transparency:

- Automatic exchange of tax information
- Prohibiting beneficial ownership (ability to set up companies where no one knows who the person is who benefits from it)
- Country-by-country reporting
- Curtailment of trade mispricing
- Harmonizing anti-money laundering policies

These reforms are not difficult to implement; the issue is political will.

Corinna Gilfillan of Global Witness, an organization that investigates and exposes how corruption is linked with human rights abuses and abuses involving natural resources, provided several examples of how corrupt money flows undermine human rights. She shared that \$148 billion per year is lost to corruption within Africa. She asserted that corruption cannot take place without a global financial system that is willing to accept corrupt funds and that banks should be held accountable.

Case Study 1: Teodorin Obiang, son of the dictator of Equatorial Guinea. Equatorial Guinea should be one of the richest countries in the world, as it is the 3rd largest oil producer in the world, yet the majority of its citizens are extremely poor. Teodorin has spent millions of the country's dollars for his personal gain, by purchasing a multitude of expensive cars, a \$35 million house in Los Angeles and \$1.8m on a collection of Michael Jackson memorabilia. Despite corruption scandals, his account with Barclays remained open for years.

We need to ensure that we have regulations that prevent these amounts of corrupt money being spent. Wire transfers should set off alarm bells with banks.

Case Study 2: Son of the president of Republic of Congo. The majority of people in the Republic of Congo live on less than \$1/day. Global Witness managed to access the son's July 2005 credit card statement, which had \$35,000 in charges, enough to vaccinate 80,000 babies against measles. Global Witness published the statement, which prompted the son to initiate a case within the London High Court asserting that Global Witness invaded his privacy. The judge ruled against him and said that the money belonged to the people of the Republic of Congo.

What can be done?

- Close loopholes in anti-laundering laws
- Pass incorporation transparency and law enforcement assistance act in U.S. Congress
- Protect and effectively enforce anti-corruption laws like the foreign corrupt practices act

Nicole Tichon then posed the question, "What is next and how do we win?"

- Money from dictators is hidden around the world, including that of the former dictators of Egypt, Libya, Tunisia
- Her organization has done trainings for the U.S. Occupy movement

- Build a national coalition: labor unions are worried about jobs going overseas, small business groups trying to keep jobs here and compete with multi-national corporations who don't pay taxes. Link these groups with human rights groups.
- Diversity of coalition will help achieve our aims

Executing a national campaign:

- Outreach to targeted constituencies
- Applying strategic targeting by policy team
- Engage with and support grassroots across the country
- Roll out tactics through continuous communication

Conrad Martin noted the importance of the Fujimori prosecution in Peru. \$800 million was taken out of the Peruvian economy stored in Panamanian banks.

Tools for change: Stop Tax Haven Abuse Act

Question and Answer

Q: (To Global Witness) How did you obtain access to the president's sons' credit card statement?

A: Congo relies on vulture funds that lend the government of Congo money, and these funds weren't receiving repayment. The issue went to courts and the vulture funds obtained the credit card statement and Global Witness then posted it on their website. Sometimes obtain sensitive documentation like that through various sources.

Q: Is it possible to help Tunisian civil society sue Zine el-Abidine Ben Ali for the money he stole? What do you think about the complicity of western leaders?

A: Some attempts have been made to do something similar in other contexts, but it is very difficult to get money back. About 1% of stolen assets are ever recovered (according to the World Bank). With limited resources it may be more effective to put those resources toward policies to ensure that future money doesn't leave. Another route is to go after the banks.

Q: What are your thoughts on money within presidential campaigns and how this relates?

A: It is often difficult to follow the money. An anonymous shell company made a \$1 million donation to Romney's campaign and then dissolved soon afterward. We want to make it illegal for these types of things to happen.

Q: Can you provide an update on the UN Task Force on corporate responsibility that John Ruggie headed?

A: The work still exists, but seems to have fallen off the map. We could build on the Ruggie principles regarding regulatory measures pertaining to conflict zones. We are very much focused on due diligence standards that should be adopted. Conflict minerals provision passed last year.

Q: What is the level of support in Congress for the legislation you mentioned? How are you working to building constituencies? Are you using cultural approaches to raise awareness – such as adbusters?

A: The legislation was introduced with bipartisan support. We are working with 50 national groups, and an additional 60 state and community based groups. One partner does door to door canvassing every summer (reaching over 1 million people). It is crucial to have a strong coalition group with strong infrastructure and a diverse membership.