From the Editor

Can poverty be beaten?

Never, if big business continues dodging tax in poor countries.

How much is lost to these poor countries?

£270 billion a year is lost to prosperous international tax dodgers. This sum dwarfs annual overseas aid. By using offshore banks, trusts and companies, a number of organisations including Christian Aid, claim multinationals and some rich individuals avoid paying national taxes, thereby profiting from activities which foster poverty and undermine the notion of democracy.

What's this got to do with Jersey?

It is increasingly clear that big business is ripping off the poor both in the developing and developed countries of the world. Are the middle earners and the lower paid of Jersey being ripped off too? 3% .......... 5% .......... 8% ...... GST? You bet we are.

If this connection bothers you read on.

*Pat Lucas*
Tax us if you can

Foreword

You see things; and you say "Why?" But I dream things that never were; and I say "Why not?"

George Bernard Shaw

This is an excellent study on a very important subject, on which both research and policy action has been extremely limited as well as clearly insufficient.

When most economic activity was domestic, national tax authorities covered the majority of relevant economic units. In the era of globalisation, capital, as well as the wealth of rich individuals, has become highly mobile. This mobility has been further enhanced by capital account liberalisation and technological advances. As tax authorities continue to be mainly limited to powers within their own countries, the result has been a massive loss of tax revenue. Indeed, tax us if you can estimates that as much as US$255 billion is lost every year to governments around the world because of the no or low taxation of funds in offshore centres.

With so much tax revenue lost due to international evasion and avoidance, governments are forced to either reduce public spending and/or increase taxation on less mobile small companies or poorer
individuals. This outcome is particularly harmful in developing countries where government spending is essential to finance sustainable development and poverty reduction; spending on health, education and infrastructure, subsidies for housing for the very poor and social safety nets are amongst key categories of such essential spending. Cutbacks in public spending are often extremely damaging and inequitable, as is increasing taxation on the less well-off and less mobile.

This state of affairs is by no means inevitable. Strengthening international tax coordination between governments in order to reduce international tax evasion is a very valuable first step. In the longer-term, a single world tax framework may be necessary to deal with some aspects of international tax policy as well as desirable to address large-scale global tax evasion. Steps in this direction by tax authorities – such as those outlined in this study – would make a major contribution to a world economy that would be more equitable, efficient and modern. Above all, those who have so little could potentially gain so much, whilst those who have so much would lose only a little.

Professor Stephany Griffith-Jones
Institute of Development Studies
Sussex University
tax us if you can:
Tax Justice Network Briefing paper 2005

Price: £7
£3 for lower earners, pensioners and students

For your copy please see contact details below.

This newsletter is produced by Attac Jersey which is a member of the international Tax Justice Network.

www.taxjustice.net

Want to know more?

Come to our next meeting. Thursday November 10th, 7.30pm at St Thomas’ Church Hall (to the left of the Church), Val Plaisant

All Welcome

Or phone Pat Lucas on 768980
or e-mail jeanandersson42@hotmail.com
For more information go to www.jersey.attac.org
News from the TUC Conference

I was at the TUC Conference in Brighton last week on 12th Sept. That is the venue where all the unions get together, discuss and go forward with united policies.

The 2nd Motion of the Conference dealt with the important issue of fairness at work. Congress calls for the repeal of anti-union laws. Barry Campfield’s declaration that we are ready to fight for our freedom was moved forward by the Transport & General Workers Union (TGWU)

The General Secretary from the RMT Bob Crow supported the motion seconding the resolution and comparing it to the Second World War leader, Winston Churchill, phoning up Hitler to let him know he was planning a bombing raid!

Mr. Campfield went on to say that, in view of the fact that the Labour Party has had majorities of 160 when elected, 60 in the second term and 40 in this third term, they are surely able to repeal such unacceptable anti-union laws now they are in power. Solidarity in action is, he added, the very principle that our movement was built on so let’s march on Parliament for the rights of every unionist in the country.

He said that if it’s legal for employees to join
together to break the strike, then it must be legal for us to show solidarity with our fellow workers.

Justice must be the word.

Rosemary Pestana

The Price of a House!

If Jersey is to meet the demands of our economy and stem the emigration of our young people, it has to provide affordable owner-occupied housing for first time buyers.

In the late 1970’s young Jersey people could receive a first time buyers’ loan. The deposit was realistically set at about 12% of the purchase price and at that time you could pay your mortgage off over 40 years. At the current time first time buyers need to find approximately 25% of the purchase price as a deposit and pay this back over the maximum period of 25 years, that is if you can find a first time buyer property! It therefore seems that instead of helping our young people we are actually making it more difficult for them to become homeowners.

A possible answer to this problem could be to introduce a building programme that would construct simple two up, two down houses for first time buyers
with strict controls. Firstly, these houses would always be first time buyer houses, so only basic maintenance would be permitted. Secondly, mortgage repayment periods of over 25 years for people on lower incomes who have key skills, such as tradesmen, public sector and shop workers should be introduced. Thirdly, we could consider 0% interest loans on land owned by the States of Jersey where you would own the house while the government would own the land, a sort of joint-equity scheme. This cuts the price of first time buyer houses drastically. This proposal is being considered by Gordon Brown in the U.K. for essential employees in areas where house prices are high relative to income, as they are in Jersey. These policies would also alleviate the demand on social housing that has been deemed as low priority by a succession of poor Housing Committee Presidents.

Therefore, as election time is fast approaching us, and Deputy Le Main has decided to stand for a Senatorial seat, you may wish to reflect on his record. The Housing Committee under the presidency of Deputy Le Main implemented a review of housing in Jersey by Cuttie Associates in 2001 that was published in early 2002. This review noted that in 2001 Jersey had just under 5,000 units of social housing, but to meet demand it would need 5,700 by the end of 2005. Deputy Le Main at the time of publication stated that it was his duty to reduce the
number of families on the social housing waiting list to under 100 by the end of 2005. At the current time, we have just over 5,000 social housing units and still have about 250 families on the waiting list. Therefore, you must judge for yourselves whether Deputy Le Main has met his commitments to the electorate.


The African people are not just the media stereotypes of victims or excited children.

Africa needs fundamental change to heal its wound, not cosmetic policies, writes Charles Abugre of Christian Aid.

Thanks to the incredibly successful mobilisation by the Make Poverty History coalition, never before has Africa been so much in the public conscience in Britain. But as what?

There are some that feel strongly that the imagery of Africa presented, and the justification that the pundits make for action under the Make Poverty History agenda, is one of making over an otherwise ugly, disturbing blemish. This is also an unwelcome
reminder of the past.

My image of Africa is of a beautiful, welcoming and sharing person bearing a gaping and bleeding wound that threatens her or his happiness and life.

Africa’s wound is old, historically rooted and still festering. There are scars around its edges suggesting partial but superficial healing.

To heal, we must get the diagnosis right, recognise the age of the wound, how it was caused and what continues to make it worse.

But did you know that over the past 30 years Africa has been a net capital exporter, a creditor — transferring more capital abroad than it received in aid loans and foreign direct investment?

Some estimates suggest that Africa’s accumulated stock of capital transferred abroad between 1970 and 2000 amounted to over $280 billion through balance of payment financing, debt servicing, official reserves held abroad and trade mis-invoicing.

Debt became a means of inducing capital flight and sucking out more resources than were originally provided.
Africa bled and continues to bleed from two further mechanisms — tax avoidance and competition, and import penetration.

A favourite policy of the aid providers over the past 20 years has been to encourage poor countries to reduce tax obligations on foreign investors. Consequently, across Africa governments offered mining companies tax holidays ranging from 20 to 35 years.

Ghana’s Anglo-Ashanti will not pay tax for over 25 years. In addition, the company is allowed to hold as much as 80 percent of foreign exchange earned abroad in its own accounts.

Add in widespread mis-invoicing practices and the amount of legitimate revenue lost to Africa runs to hundreds of billions of dollars.

**Free market disaster**

Much of this capital ends up in tax havens, escaping tax that would benefit even the economies of the rich countries where these companies originate.

The Tax Justice Network suggests that the capital held by tax havens, a large part of which is from developing countries, exceeds $11 trillion. If the returns on this capital were to be taxed at an average of 30 percent, it would generate over $250 billion.
This is more than double what rich countries are called upon to provide in aid.

To stop the bleeding, we should stop pushing African countries to reduce taxation on foreign companies, especially in the area of natural resources and financial services.

To address governance, governments have to first be relevant to the aspirations of its poorest.

This means getting taxes from the rich and investing them in economic and social development.

It means not only building roads and ports, but also providing teachers, public services, price and storage support to producers. It also means investment and research and development to help promote science in the interest of production.

Charles Abugre is currently the head of policy and advocacy at Christian Aid. He has been a development activist in Ghana and many parts of Africa and Asia. He writes in a personal capacity.