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# Why worry? The impact of the OECD harmful tax competition initiative on Caribbean offshore financial centres

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operation of offshore financial centres as a method towards achieving economic development.

Key words:

Small states offshore finance harmful tax competition money laundering OECD FATF

### Acknowledgements

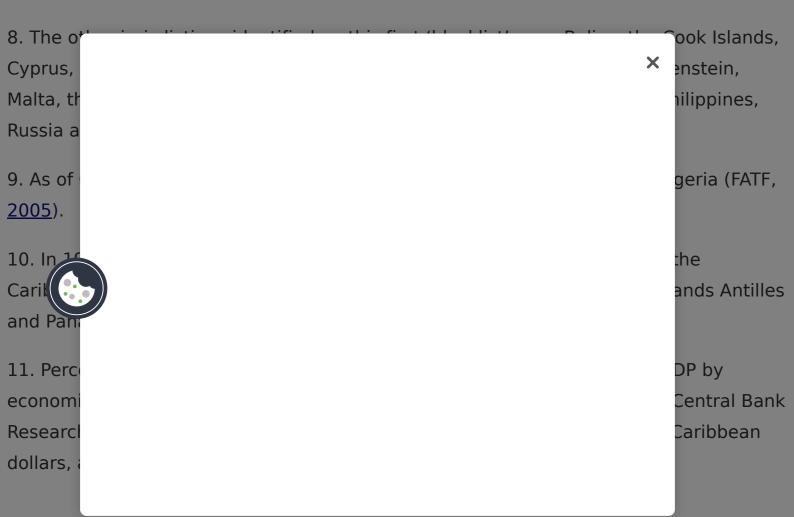
This is a revised version of a paper presented to the Political Economy of International Finance workshop of the Department of International Relations and European Institute, London School of Economics and Political Science on 25 January 2005. My thanks to all of the participants, and particularly Miriam Allam, Manfred Elsig and Andrew Walter, for their comments and observations. The standard disclaimer on content and conclusions applies all the same.

## Notes

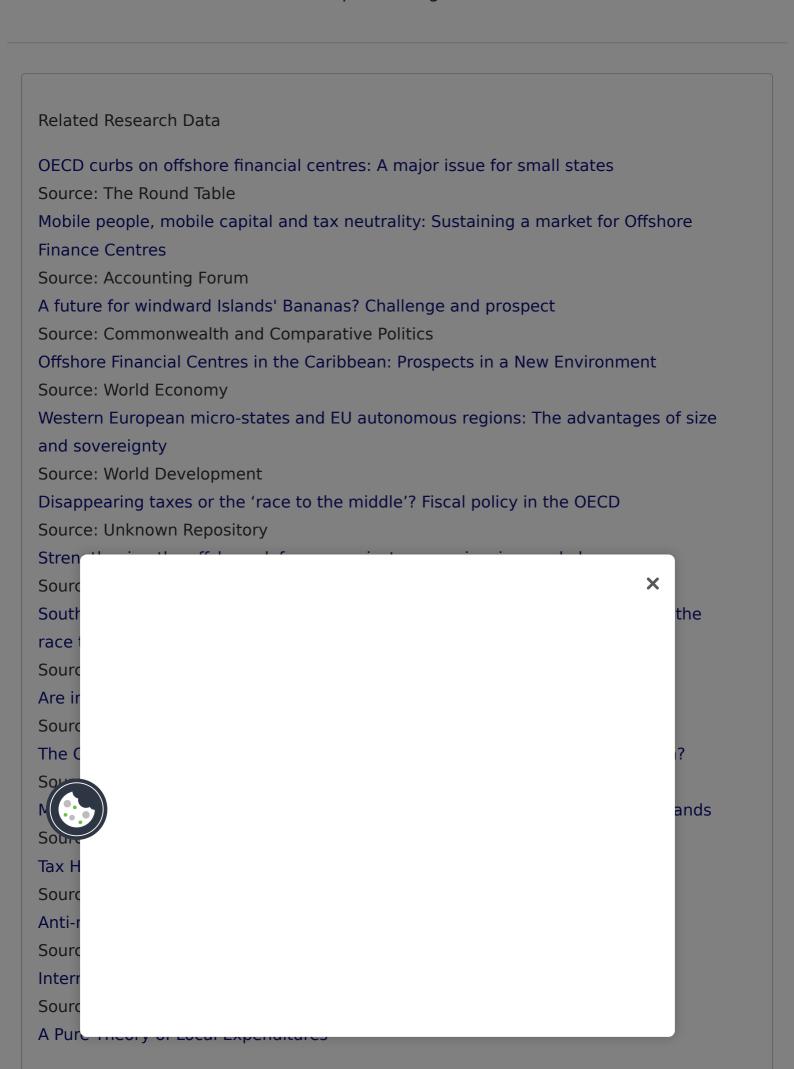
X overeign 1. A brie states a y and Hong Kong). T pic of discussion the 2. An off Caribbea iness comp s, and mutu 3. This d nple suggesti process that had ng a more efficient discussed 4. In add

the offshore financial centres of Anguilla, Antigua and Barbuda, Barbados, the British

- Virgin Islands, Grenada, and St Kitts and Nevis.
- 5. The remaining jurisdictions are: the sovereign states of Antigua and Barbuda, Barbados, Grenada, St Kitts and Nevis, and St Lucia; the British non-self-governing territories of Anguilla, the British Virgin Islands, Montserrat, and the Turks and Caicos Islands; the Dutch non-self-governing territories of the Netherlands Antilles and Aruba; and the USA-associated Commonwealth of Puerto Rico. To this list of Caribbean offshore financial centres, the North Atlantic island of Bermuda is often added.
- 6. Space does not permit a full exploration of the tax competition literature, which goes back at least to Charles Tiebout's (1956) article 'A pure theory of local expenditures'. Let it simply be noted here that, while there is general agreement on the existence of tax competition, there is no agreement on whether it is in fact harmful, rather than beneficial. See Edwards and Keen (1996); Schulze and Ursprung (1999); and Wilson (1999).
- 7. For example, Oxfam argues that for developing states alone the lost taxes amounted to \$50 billion annually (Oxfam, 2000). More recently the Tax Justice Network has estimated a tax loss of \$255 billion from wealth deposited offshore (Tax Justice Network, 2005).



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Globalisation of the Economy and the Nation State

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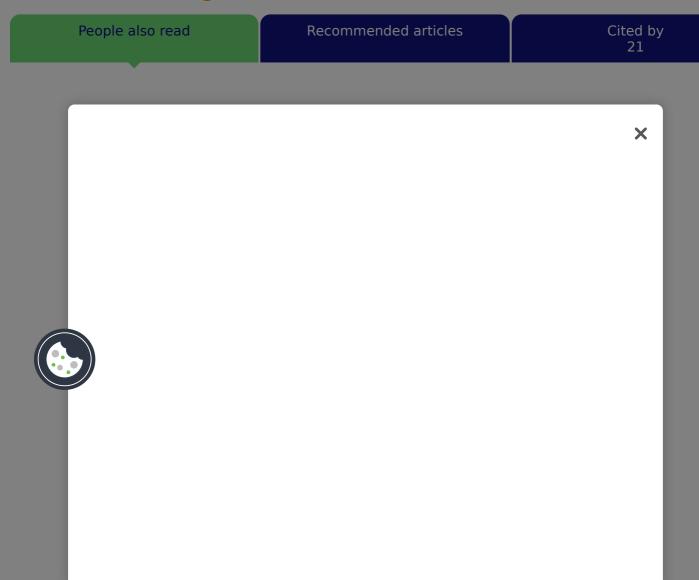
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