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

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a decline in government revenues. At present this situation poses a threat to the continued

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

Q Key words: [Small states](#) [offshore finance](#) [harmful tax competition](#) [money laundering](#) [OECD](#) [FATF](#)

## Acknowledgements

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## Notes

1. A brief note on terminology. Offshore financial centres are found within sovereign states and non-self-governing territories (such as the Cayman Islands, Jersey and Hong Kong). The topic of discussion is the offshore financial centres of the Caribbean.
2. An offshore company is a company registered in a jurisdiction with a mutual agreement with the home country.
3. The suggestion is that had the offshore financial centres been more efficient, the process of discussing the offshore financial centres would have been a more efficient process.
4. In addition to the offshore financial centres discussed in the British Virgin Islands, the offshore financial centres of the Cayman Islands, Jersey and Hong Kong are also discussed.

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](#)).

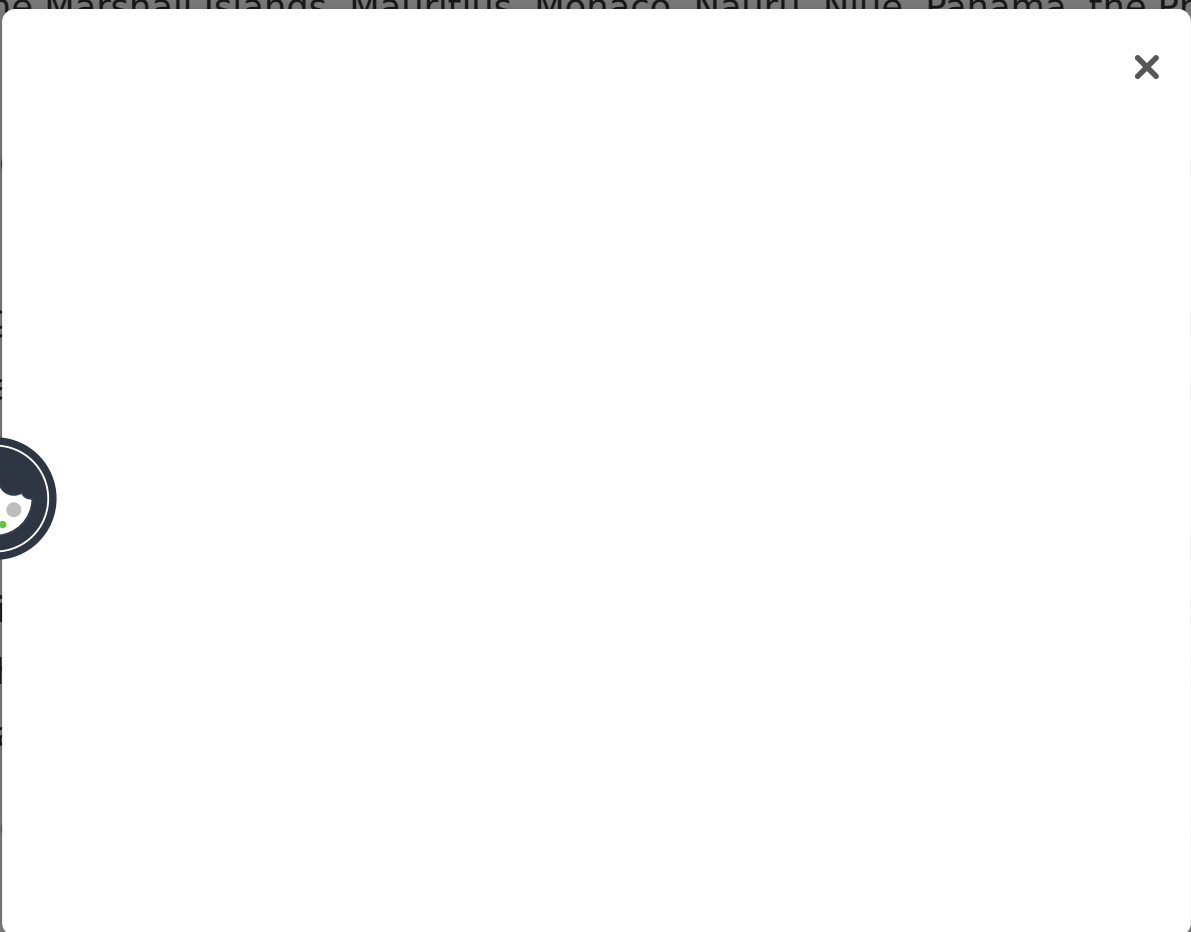
8. The other jurisdictions identified on this first 'blacklist' were Belize, the Cook Islands, Cyprus, Gibraltar, Guernsey, the Isle of Man, Jersey, Israel, Lebanon, Liechtenstein, Malta, the Marshall Islands, Mauritius, Monaco, Nauru, Niue, Panama, the Philippines, Russia and

9. As of [2005](#), Nigeria (FATF, [2005](#)).

10. In 1995, the Netherlands Antilles and Puerto Rico.

11. Performed by the Central Bank of the Caribbean Community (CARICOM) in dollars, and

12. The services provided



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