

28 September 2016
English
Original: English and Spanish

Eighth session

Vienna, 17-21 October 2016

Item 2 of the provisional agenda*

**Review of the implementation of the United Nations
Convention against Transnational Organized Crime
and the Protocols thereto**

**Tax Havens and the Ethical Pact. Key Messages
September 2016**

Non-paper by Ecuador**

1. The damage caused by tax havens at the global level

“Tax havens are one of the least defensible tools of faceless finance capital, more concerned with the growth of dividends than the prospects of humanity”

President Rafael Correa

1. Tax havens are territories where people and companies deposit their money to avoid taxes in their own countries.
2. There are now three times more tax havens than in the 1970s.
3. According to conservative estimates, US\$ 7.6 trillion is hidden by wealthy individuals offshore.¹
4. According to the United Nations (ECLAC) Latin American countries lose more than 50 per cent of their income from taxes. It is a break on the development of the countries of the global south.
5. Tax income that could be generated on just 3.5 per cent of the Latin American capital hidden in tax havens would be enough to lift 32 million people out of poverty.

* CTOC/COP/2016/1.

** The present document is reproduced in the form in which it was received.

¹ Gabriel Zucman, *The Hidden Wealth of Nations: The Scourge of Tax Havens*, University of Chicago Press, 2015.



6. This is equivalent to all of the people living in poverty in Bolivia (Plurinational State of), Colombia, El Salvador and Peru.

2. Driving global inequality

“Poverty, for the first time in history, is not the product of scarce resources but of perverse and exclusionary systems”

President Rafael Correa

7. Tax havens are a cornerstone of the global economic system that generates inequality and social injustice.

8. 46 per cent of the wealth of the world is now concentrated in the hands of only 1 per cent of the population.²

9. The wealth of this 1 per cent is 1.76 trillion dollars, that is 65 times more resources than that of the poorest half of the population.³

10. Within this 1 per cent, the 62 richest people have the same wealth as the poorest half of the planet.⁴

11. Latin America continues to be the most unequal region in the world, despite huge progress in the last years. In 2014, the richest 10 per cent of the population of Latin America accumulated 71 per cent of the wealth in the region.⁵

12. OXFAM projects that, if this trend continues, in 7 years, 1 per cent of the population of Latin America will have more than the wealth of the other 99 per cent.⁶

3. Damage caused by tax havens to Ecuador

“If the money hidden in tax havens returned to Ecuador, it would stimulate growth, the rate of employment and increase levels of investment. The increased tax income would help us to construct more houses and hospitals”

Foreign Affairs Minister, Guillaume Long

13. It is estimated that 30 billion dollars of Ecuadorian money are hidden in tax havens.

14. This is equivalent to 30 per cent of the GDP of the country.

15. In the case of Ecuador, 3,379 million dollars have left the country for tax havens in the last two years alone — 2014 and 2015.

² Credit Suisse, “Informe sobre riqueza global”, 2015, <http://ep00.epimg.net/descargables/2015/10/14/81cef5bbe2878e321682f7adfde25ec6.pdf?rel=mas>.

³ Oxfam, “Una economía al servicio del 1%”, 18/01/2016, https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp210-economy-one-percent-tax-havens-180116-es_0.pdf.

⁴ Ibid.

⁵ Cepal y Oxfam, “Tributación para un crecimiento inclusivo”, 2016, http://repositorio.cepal.org/bitstream/handle/11362/39949/1/S1600238_es.pdf.

⁶ Ibid.

16. This amount is just below the amount required for the reconstruction of the provinces of the Ecuadorian coast affected by the earthquake of 16 April 2016.
17. According to the Inland Revenue Service (SRI) of Ecuador, of the 200 largest economic groups in the country, 94 consortia have links with tax havens.
18. In the Panama Papers, there are 1,852 Ecuadorian entities in “offshores”.

4. Ecuador’s international action against tax havens

“Ecuador wants the prohibition, the absolute abolition of tax havens, a world free of tax havens”

Foreign Affairs Minister, Guillaume Long

19. The Ecuadorian Government proposes the creation of a global body of the United Nations that can put an end to tax havens. This is also the position of the G-77+China and the international movement against tax havens.
20. Ecuador will use all of the platforms and spaces possible at the international level to advance the goal of eradicating tax havens.
21. In May 2016, President Correa joined hundreds of other economists organized by Oxfam calling for an end to the era of tax havens. He is the first president to join this campaign.
22. In July, Ecuador won the support of the United Nations Committee on Human Rights, made up of 47 countries, for its proposal against tax havens.
23. In July 2016, the United Nations Committee on Decolonization approved a proposal by Ecuador on tax havens and condemned the fact that colonial powers use the territories under their administration as “tax havens to the detriment of the world economy”.
24. In August 2016, the General Assembly of the World Social Forum recognized the Ethical Pact initiative of Ecuador against tax havens.
25. On 23 September 2016, in his intervention at the United Nations General Assembly, Minister Long will call for the creation of a global body of the United Nations to end the era of tax havens.

5. Ecuador’s Ethical Pact

“Tax havens constitute one of the worst enemies of our democracy”

President Rafael Correa

26. 150 politicians across the world have been implicated in the Panama Papers.
27. It is a contradiction for politicians, who pretend to serve their people, evade their fiscal commitments with tax havens.
28. The Ethical Pact is a proposal for a referendum in Ecuador to bar public servants from using tax havens.
29. It will not impede any candidate from standing in the forthcoming elections. Candidates will have a year after the elections to return their money to Ecuador.

30. Ecuador is at the vanguard of the fight against tax havens. If it is approved, Ecuador will become the first country where the owners of accounts in tax havens will not be able to hold public office.
 31. This referendum will have an echo across the world. Ecuador will be an example to follow.
 32. It will expose some of the lukewarm policies in the western world.
 33. This referendum demonstrates that the struggle against tax havens is moving beyond words to real action.
-