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G-20 public funds still subsidising tax shy companies

Despite repeated announcements on the need to tackle tax evasion, European Governments are offering billions of dollars in export finance to companies registered in... tax havens.

The money is being channelled through government-sponsored Export Credit Agencies (ECAs) - set up to provide insurance, guarantees, or loans for the export of national goods and services. These ECAs are set to grow as, in their April 2009 communiqué, the governments of the G-20 called for an increase in the capacity of ECAs to respond to the global financial crisis.

Yet, despite French President Sarkozy stating that companies and banks operating through tax havens and offshore financial centres should not receive public support or be part of government bailouts,¹ France's ECA is still permitted to back companies using tax havens. Other European governments have likewise failed to curb ECA backing for such companies. This means they remain free to continue supporting projects such as BP's Baku-Tbilisi-Ceyhan (BTC) oil pipeline in the Caspian region (where the project consortium is registered in the Cayman Islands), Shell's Sakhalin II oil development project (project consortium registered in Bermuda) or Nigeria's Liquid Natural Gas [LNG] project at Bonny Island, Nigeria, where tax havens were used to facilitate corruption.

A new briefing by the European ECA Watch network - launched to coincide with the Special European Council Summit (16 September) and the Pittsburgh G-20 meeting (24-25 September 2009) - documents this giant hole in government schemes to stem the leakage of money through tax havens.

"European governments like the French and Germans claim they want an end to tax evasion and tax avoidance, but there is an ECA shaped hole in the bucket of measures they have put forward", says Deborah Lambert Perez of ECA Watch, "This briefing calls on European governments to ensure that hole to be plugged by a block on ECA support for businesses working out of or using tax havens."

With exporters facing increasing difficulties in obtaining export finance from banks due to the credit crisis, governments are offering billions of dollars in ECA-financed guarantees to assist exporters. For instance, between September 2008 and May 2009, governments in 10 Member States of the European Union provided their ECAs with 36 billion Euros worth of

¹ "If we provide banks with loans, can we have them working with tax havens?" EU united on financial measures in European Voice

increased insurance/guarantee capacity. This represents an average increase of 35 per cent. Antonio Tricarico from CRBM² says “ECAs are shadowy operations that it is hard to find information about due to competition rules and commercial confidentiality, even though they are guaranteeing some of the world’s biggest multinationals’ overseas investments. Once more the public purse is being used to support companies that work through or from tax havens.”

The Tax Justice Network,³ an international coalition of non-governmental organisations, has proposed several recommendations to tackle tax avoidance and evasion and these are fully supported by the European ECA-Watch network. To pursue the efforts initiated at the Summit in Washington in November 2008, we call upon the European governments to advocate for a redefined and stricter definition of Tax Havens and clear rules to stop ECAs supporting companies that operate through them.

For more information, please see the briefing **Avoiding solutions: How Export Credit Agencies help companies that continue to evade tax**

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Notes to editor:

- ECA Watch Europe is an European campaign to reform Export Credit Agencies (ECAs)
- FERN is a Non Governmental Organisation based in Brussels and the UK that works to achieve environmental and social justice with a focus on forests and forest peoples’ rights in the policies and practices of the European Union.
- Campagna per la Riforma della Banca Mondiale works for a democratisation and a deep reform of international finances institutions

² Campagna per la Riforma della Banca Mondiale

³ See for instance the TJN letter to the Pittsburgh G-20 summit at <http://taxjustice.blogspot.com/2009/09/tjn-letter-to-pittsburgh-g-20-summit.html>