

No Safe Havens for Dirty Money

By [Christine Lagarde](#)

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In difficult economic times like these, one principle should be given the same prominence as the headline-grabbing issues of high deficits and austerity packages. That principle can be captured in just a few words: “Everyone must play by the rules.”

The global financial crisis has served to show that there is little tolerance nowadays for people who cheat. Since the onset of the crisis, the Group of 20 countries — with France and the United States as driving forces — have been pressing for better regulation, governance and accountability. No safe havens for tax evasion, no safe havens for money laundering and terrorism financing, and no safe havens for “cozy financial regulation.”

These principles are clearly what people in the developed world want to see enforced. In these tough times, money matters.

For the developing world, however, there is another dimension to the phrase “play by the rules.” People there want to see an end to the safe havens that allow corrupt officials to steal public money and stash it abroad. So we would add: No safe havens for proceeds from corruption.

On the tax side, there has clearly been progress. France imposed on its banks strong transparency and reporting requirements for banking activities in tax havens, in addition to the international standard for information exchange.

Others have demonstrated leadership in pursuing companies that pay kickbacks and bribes to foreign officials. But recovering the billions of dollars stolen by corrupt leaders and officials in the developing world has so far proved to be a lengthy process.

The World Bank Group, together with the United Nations Office on Drugs and Crime, is working on the Stolen Asset Recovery initiative to go after corrupt gains and help spur action to return looted assets to their legitimate owners — the people in the affected developing country.

France, Britain, Australia, Sweden, Norway and Switzerland all support this urgent agenda and agree that impunity for this type of global crime cannot be tolerated any longer. Abuse of public authority for private gain is not acceptable.

These issues of tax havens, looted funds, bribery and corruption are at the nexus of the urgent need to foster openness and transparency in financial transactions and to ensure accountability at the global level. Now is the time to build momentum and deliver lasting results.

Corruption under any form or circumstance is a cancer that cripples developed and developing economies alike. It undermines economic growth. It is a crime that produces particularly damaging consequences in the developing world.

By conservative estimates, every year about \$20 billion to \$40 billion is stolen from developing countries through bribery, misappropriation of funds and corrupt practices. The lost opportunities are enormous. In the developing world, \$20 billion could finance 48,000 kilometers of two-lane paved roads or provide treatment for 120 million people with HIV/AIDS for a full year.

Success is possible. Switzerland repatriated \$684 million of former President Ferdinand Marcos' money to the Philippines and \$700 million of General Sani Abacha's funds to Nigeria, and, with other nations, returned to Peru more than \$180 million stolen by former government official Vladimiro Montesinos.

The fight against corruption should be as much of a priority for the G20 as the economic crisis, stimulus plans, financial regulation and development. But not all G20 countries have yet ratified the United Nations Convention against Corruption, or UNCAC, which provides a framework for countries to develop their own laws to stamp out the use of safe havens for criminals stealing from the developing world.

The G20 has called for more forceful action against corruption. We must now go further. Countries that have not signed the convention should quickly do so, and those that have signed and ratified UNCAC need to implement it.

Financial institutions should also not do business with noncooperative jurisdictions — areas that don't comply with the rules. Civil society should agitate for action and accountability.

Fighting corruption is vital, not simply because it is the right thing to do, but because failing to do so affects us all.

We now live in a different world where developing countries are a fundamental source of growth, as well as being importers of capital goods and services from developed countries. When corruption hurts partners with that level of clout, it hurts everyone.

Christine Lagarde is the French minister for economy, industry and employment. Ngozi Okonjo-Iweala is the World Bank Group's managing director. © Project Syndicate

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