

## Make poverty history: pay your taxes.

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This is an [editorial in the Guardian](#) today, in full:

*It has been called the "ugliest chapter in global economic affairs since slavery". Of all the victims of the tax scams we are investigating, those that suffer most are in the poorest countries. Christian Aid says that transnationals' tax dodges cost developing countries a desperately needed £80bn a year - one-and-a-half times the global aid budget. The Organisation for Economic Cooperation and Development, chastised by campaigners like the Tax Justice Network (TJN) for failing to act, says even more is lost. It is a robbery of resources. It weakens states, reinforces their dependence on aid and undermines their relationship with their own citizens.*

*It is easier to identify the damage than effective ways of closing down the scams such as "transfer mispricing", where subsidiaries of multinationals disguise the cost of goods and services in trade with each other, or false invoicing, where the real costs of transactions are exaggerated to minimise profits. Jewel-quality diamonds are invoiced as industrial-quality, consultancy fees inflated and capital costs mis-reported. Christian Aid calculates that, in Latin America and Africa, over half of such transactions are falsely priced for tax evasion purposes.*

*There is an asymmetry in negotiations between transnationals with commanding knowledge of market values and developing countries hungry for income from their raw materials in an era of falling prices. The result is exploitation. But the problem is compounded when local businesses seek the same tax breaks by exporting their capital. It is notable that British Virgin Islands-registered companies are major investors in China: it is thought much of the investment originates in China itself.*

*Britain is in an ideal position to act, not only because of the global power of the City but because many of the victims are in the Commonwealth. The Commonwealth Development Corporation, set up to channel investment into former colonies, is exempt from UK tax and has negotiated exemptions elsewhere, while many of its subsidiaries are based in tax havens, according to TJN.*

*Domestic tax is a more sustainable way of funding development than aid, and is at the heart of the relationship between a government and voters. Aid tends to undermine that relationship, encouraging governments to manage outwards to their donors, not down to their citizens. It may be a distant prospect for many poor countries, but it is a necessary precondition for a healthy democracy. Unless the global community cleans up its own act, its support for the millennium development goals will be so much failed window dressing. Make poverty history: pay your taxes.*