

## My speech in Jersey on Monday

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I promised to post my speech made on Monday evening in Jersey upon my return. This is it, for those with patience:

*"Good evening and thank you for the warm welcome that I have received in Jersey today.*

*It's amazing that when I put on my blog that I was coming here several serious journalists from well-known newspapers and news organisations called me. They wondered if I would be let in. They were concerned for my safety. Did I, they asked, think I could trust the authorities?*

*I was astonished by their line of questioning. I know I have been critical of Jersey, but it seems that the perception of your island in the popular, and even highbrow press, is much worse than you can imagine. And I assured all enquirers that I was not concerned for my safety, well-being or security and that I did not expect the Jersey authorities to take untoward action against someone who's done a few very simple things, some of which have led me to talk about, write about, and broadcast about this great island on which you live.*

*Let me remind you what those things that I've done are.*

*In my work I have called for three things.*

*The first is for a massive increase in the transparency of the world's financial system.*

*The second is an end to tax haven activity.*

*The third has been for the promotion of the concept of tax compliance - where people and corporations seek to pay the right amount of tax in the right place at the right time.*

*I have found it amazing, and still do find it amazing, that calling for three things that seem so obvious has given rise to such significant opposition. But let me deal with these issues and why they are of such importance to Jersey.*

*There can be absolutely no doubt at all that opacity within the world's financial system helped create the financial collapse that we witnessed in 2008. I know that a great many people say the tax havens have nothing to do with this financial failure. To some degree they are right. As I've argued in my book on tax havens, nothing really happens in the offshore world. It's all a giant pretence. In that case the financial crisis was, of course, created onshore. But that's not the whole story.*

*What was happening onshore was hidden through offshore structures. It is not chance that Northern Rock had operations in the Channel Islands. And it's not chance that one of the biggest funds based here belonged to HBOS, which failed so spectacularly and sought to bring Lloyds down with it. The opacity in these funds helped to create the world financial crisis because people could pretend for too long that all was well when it really was not. We've all paid the price for that.*

*And around the world we are still paying the price for that opacity. Now let me be clear - no one I know argues that individuals should have to undertake all their transactions under the blaze of publicity. They are entitled to privacy and I think they should have privacy precisely because if they undertake transactions in their own names they are personally accountable for the consequences.*

*But when people choose to use companies, some forms of partnership, trusts and other*

*arrangements to undertake transactions using privileges granted to them by parliaments so that they are to varying degrees unaccountable for their actions then the price that I and others argue that they should pay for this privilege is that they be open and honestly accountable for the use they make of the privilege, such as limited liability, that societies have granted them to make sure that no one inadvertently suffers as a consequence.*

*Jersey, and a great many of the tax havens of the world - and let me be unambiguous when I say Jersey is a tax haven because I mean it - Jersey is a tax haven —have gone out of their way to abuse this principle of openness, honesty and accountability by those who take advantage of the privileges granted to them by society.*

*And when I say granted to them by society, that society is not, of course, in most cases Jersey society. It is society in the place in which they live. But there is an extraordinary characteristic of all tax havens which is that they go out of their way to provide secrecy for those who make use of their services, almost all of whom, of course, live somewhere else in reality. That's why we also call tax havens secrecy jurisdictions. What Jersey, and other tax havens are doing is making sure that they create regulation for the benefit of people who do not live here which let those people who live somewhere else in the world avoid their obligations to the societies in which they really live. And they can do that because the deliberate veil of secrecy that Jersey and other tax havens provides to them that prevents the authorities in the places where they really live from identifying the fact that they are doing so.*

*Historically this deliberate abuse was of course designed to facilitate tax evasion. No one now pretends that this wasn't the case. People from this island comment on my blog regularly saying that when I talk about tax evasion I am talking about what happened here until the late 1990s. And I'm sure it did.*

*My response to them though is a simple one.*

*How do I know tax evasion has stopped when the secrecy carries on?*

*How do I know tax evasion has stopped when at least 50% of all the personal bank*

*accounts maintained by people not resident in this island who hold accounts in banks in St Helier do not disclose the information on income received to their home tax authorities?*

*How do I know it has stopped when despite the fact that you have signed some tax information exchange agreements the OECD says you have almost no practical experience of exchanging tax information - a fact confirmed by my correspondence with Colin Powell last year.*

*How do I know it has stopped when you refuse automatic information exchange under the European Union Savings Tax Directive — the only sure way to stop tax evasion on personal accounts that there is.*

*And how do I know it has stopped when I still cannot find out who owns a Jersey company, cannot find out who the nominee directors of those companies are really working for, and can never see the accounts of a Jersey based company?*

*This secrecy is pernicious. You can tell me Jersey does not want tax evaders' money in the island, but your banks' behaviour does not confirm that. You can say you are transparent, but when I cannot find out anything that goes on in a Jersey company, meaning anyone who trades with it is exposed to enormous risk, I cannot believe you. And you can say that you have the best reputation in the world, but because it is hidden behind a veil of secrecy that is deliberately impermeable because your government ensures that is the case, how do I really know that is true?*

*And how do I know that illicit financial flows, the sort of illicit flows that Christian Aid thinks cause the deaths of thousands of children in Africa each year because money flows out of that continent into Western banks as a result of the corrupt activities of their leaders, assisted by Western financial institutions in tax havens, how do I know these flows are not taking place in and through this island? How can I know? That is my question.*

*You can say, take my word for it, but I could have done that in the 1990s and then discovered that there was really tax evasion going on. I need to see that you're being*

compliant — and that means you have to be transparent.

*Now of course, it's not just you here in Jersey who needs to reform. So does Guernsey, so does the Isle of Man, and Cayman, and Monaco, and yes the UK and USA in some cases too. You've all got to reform — to be transparent, open, honest and accountable. It's what the world is demanding. And it is what the world must get if the whole market economy is not to be dragged down and destroyed by the secrecy you supply and by the mistrust and chaos and corruption and non-payment of tax that secrecy causes. That's the real risk.*

*And remember, all economists agree, markets can only deliver the best solutions for the people of the world if there is openness, honesty and accountability - if there is free access to information. That's what I want. That is why I am the friend of free markets in this debate. It is the offshore finance industry that is its enemy, the force that threatens to destroy the market system like a cancer eating away inside it, waiting at any moment to bring it down as it almost did in 2008.*

*So you have a problem — a problem because you are threatening Western market-based capitalism. I agree, it's not a problem made by Jersey alone. But you heard what the press said to me before I came. They think you've got a big problem on this issue. And they're right.*

*And you have a tax problem too. The fact is that the EU has now said you're not compliant with the EU Code of Conduct on Business Taxation. I did, of course, warn they might when working with Ted Vibert and a shadow scrutiny committee here in the island more than five years ago. Jersey wanted to ignore what I said then. I suspect too that many in the Jersey establishment still want to ignore the message Europe — and ministers from the UK - have delivered now. But it is clear. And it is unambiguous. They say you are running an unfair tax system that is unacceptable to Europe and they have told the UK to make you change it.*

*They say you are running a tax system designed to help those who do not live here to not pay tax. And they say it's unfair because the EU says that whilst your government is helping people who don't live here avoid tax they're making those of you who live here pay more tax. Look whose side Europe is on! It is the EU that is on the side of the people of Jersey. They're not a threat to you. They're trying to save you from the mess*

*you're in.*

*Your politicians won't say that — because they're seeking to penalise you for living in Jersey.*

*And the EU is saying it is wrong that you're being forced to pay when others aren't.*

*And they're saying the fact that you're paying when others aren't is deliberate.*

*And that is not acceptable to Europe.*

*Or to put it another way — they're saying despite all the protestations they've heard from your politicians you are as much a tax haven now as you were way back in 1997 when the EU began to tackle this issue.*

*And they say they've had enough — and they've told the UK to put things right.*

*And the UK is duty bound to do so — which is why all the talk of independence is re-emerging from those who want to make sure it's you who will keep on paying to keep the secrecy of the finance industry in this island.*

*I know, of course, that your ministers say there is a review that might let them off the hook. But that's wishful thinking, just as it was wishful thinking from 2005 to 2010 that I might be wrong, when I wasn't. If I've learned anything over the last few years it is that the EU really does not like those who try to get round its rules on tax by playing fast and loose with the interpretation of those rules. But that's what your ministers are doing — they're hoping that by claiming that the abuse they promote is not in business tax but is instead in personal tax they can get away with it.*

*Note they're not saying there's no abuse. They're effectively admitting there is abuse. They're just saying that it's legal abuse even if it still means you are a tax haven.*

*But why are they doing that? Just to keep the finance industry happy. A finance industry whose aim is to make sure that the wrong amount of tax — 0% tax in this case — is paid in the wrong place, which is Jersey.*

*I remind you. You can't say the banking crisis did not happen offshore — as your finance industry claims - unless you also say nothing happens offshore except some accounting for transactions that really happen somewhere else. And you can't claim no tax is paid as a result unless it's also true that you're a tax haven that is artificially relocating those transactions so that they're recorded — and supposedly as a result are not taxed — in Jersey even when they should be recorded and taxed somewhere else. In other words, your politicians are helping people play games so they don't pay tax where they should — and is it really any surprise as a result that Jersey is so deeply and profoundly unpopular elsewhere, including in the Treasury in London? No one likes someone who cheats them out of their money — and that is what Jersey is trying to do to the other countries in Europe. So much for the â€śÅ„Å²good neighbour' policy your politicians like to talk about.*

*But, it's not only London that's got reason to be annoyed. You have too. You're paying the price for this. Way back in 2005 I suggested some other things would happen here as a result of the madness of zero/ten. The first thing that I said was that the taxes that Senator Le Sueur then said would make up the gap caused by zero/ten would do no such thing. I disagreed with him, openly and accountably at the time. I said you'd have a deficit of £100 million as a result of zero / ten.*

*And I said GST, which he claimed would be at 3% for good would increase and increase and increase so that the ordinary people of Jersey would be made to pay the price for the tax avoidance of those who enjoy the benefit of 0% tax — no tax at all — who are rich people from elsewhere. And that is exactly what has happened.*

*You have the financial crisis caused by zero/ten. There still is a financial hole in your budget of £100 million a year, as I predicted.*

*That is threatening your public services.*

*That is threatening your children's education.*

*That is threatening your pensions.*

*Any politician who denies that is not telling the truth.*

*And every time I raise this point the answer is always the same: we can raise GST. So you will be filling the hole that companies left by their tax avoidance - tax avoidance that your politicians are encouraging but which you are paying for.*

*This is not sustainable. It's often been said I'm no friend of Jersey. And it's always been slightly painful to hear that. I first came to the Channel Islands as a boy. I learned to swim on Herm. I remember the old boats - the Sarnia and the Caesarea - with affection. I remember islands dominated by tourism, agriculture, old buses and of course, perpetual summer sunshine. I fell in love with islands, here in the Channel Islands. It's a love affair that continues with them and their people to this day. If I have been a critic of what's happened here, and in other places it's because I believe that the finance industry has sold you short.*

*I accept that finance has brought jobs to Jersey. And I accept that notionally Jersey has one of the highest standards of living in the world. But young people can't buy homes. Your brightest and best either go into finance or leave — and that's not much of a choice. And as for politics, what choice have you got? A perpetual barracking that finance must be kept happy, or else.*

*Or else what? That's the question I got round to asking because people here kept asking me to do so. What is the alternative, you asked?*

*Jersey used to do so much, but what it did has by and large gone. There's finance left,*

*and a service sector that by and large services finance. That is the hollowed out economy that John Christensen warned of when he was here — and because of which he left.*

*But unlike anyone else, it seems, I accepted the challenge of thinking about what else Jersey could do. In doing so I have accepted the fact that like it or not Jersey has developed some pretty strong expertise in finance, or at least in processing financial transactions that really take place elsewhere. So what, I asked, can Jersey do with that skill whilst it transitions to a new world — a world that will be — in the long run — more open to other business?*

*The answer was what I called Plan B for Jersey. I published this last summer. So far, as far as I know, it is the only alternative vision for your economy that exists. I accept that it is odd that it comes from outside your island. And I accept that many will reject it simply because I wrote it, although if that is the case I think it is an indication of closed minds on their part because I have offered it in good faith and at the request of all those who challenged me to do so.*

*The plan is, in essence very simple. It says that finance is now the core skill of this island, but that, unfortunately, the product that it wants to supply - based as it is on secrecy and unacceptable tax avoidance - is one for which demand will disappear as international regulation outlaws it, as I am certain will be the case. In that case I looked at your situation as if I was a marketing consultant, or a company director - and I have plenty of experience in that second role.*

*Whenever a company wants to expand it has four options. The easiest is to sell more of what it already supplies to its existing customers. But in this case, what you already supply is a dying product, so that won't be possible. And in that case it will also not be possible to sell your existing product to new customers, which is the second alternative when marketing. Like it or not, many of your existing products are moving out of fashion. So that option is also a non-starter.*

*The hardest option is to supply a new product to new customers. You could, for example, launch an aerospace industry here in Jersey - but let's be candid, this pushes the boundaries of credibility, so I ignored it.*

*That left me just one option left, and that was for Jersey to sell a new product to existing customers. And this is the option that I have suggested. Jersey Finance tells me, often, that Jersey's clientele is in fact international finance, and is made up of sophisticated operators within that market. They say that Jersey is not really in the market for small-scale tax avoidance activity. And they suggest that there isn't a significant private client business based in this island. What they say your island is doing is meeting the need of international finance for what they describe as a well regulated, tax neutral (by which they mean tax-free) location in which transactions can be recorded so that double taxation does not arise.*

*Now it so happens that I think the double taxation is a problem. I dislike it. I genuinely think that transactions should only be taxed once, albeit that if that takes place in several stages that is still once only, and let me also say that the world tax system is by and large set up to ensure that is the case.*

*But, I do think there are exceptions to this rule, and I recognise that to be the case. So, there may be a valid reason why Jersey might on occasion need to record transactions on behalf of multinational corporations to ensure that they are taxed once, and once only, albeit eventually at the proper rate in the location where they actually arise, and not at 0% here in Jersey alone.*

*But if that is true then it seems very obvious that secrecy need not be part of these deals. In fact, it seems to be glaringly obvious that the multinational companies in question would want to draw attention to the problem of double taxation, which forces them to incur the extra cost of recording transactions in Jersey. And it also seems glaringly obvious that they would want the minimum amount of hassle from these transactions, which would mean that they would like them to take place under the glare of public scrutiny so that people can see that they've acted fairly, openly and honestly to make sure they pay tax once, and once only.*

*In that case there seems to be an important and entirely new market that Jersey could exploit. This is the market for a well regulated no tax location where international transactions can be recorded for the precise purpose of ensuring they are not double taxed. But that would require absolutely no secrecy whatsoever and everything to be on public record. In other words, far from Jersey being a secrecy jurisdiction, it would become the ultimate transparency jurisdiction for those companies around the world who want to highlight the problems in the world tax system, want to draw attention to*

*them, want to avoid double taxation which is unfair, but who want to be open, honest and accountable when doing so when tackling this impediment to international trade.*

*If, as Jersey Finance says, Jersey wants nothing to do with tax avoidance and tax evasion but only to have the opportunity to undertake completely fair and appropriate transactions to avoid double tax then this surely is the way in which Jersey should make progress. And this would still, as Jersey Finance claims, allow money to float on to the City of London, but with the City then knowing that the funds in question were clean, honestly handled, and subject to appropriate tax in their eventual destination, without fear of a money-laundering or tax evasion inquiry arising. Which would of course make that money all the more welcome in the UK.*

*Again, this would give Jersey the most extraordinary competitive advantage in the world marketplace of financial services, because it would then be the one place in the world where you could undertake this sort of transaction without anybody having any doubt about your intention. Because everything will be on record and nobody would doubt that you were being anything but honest. That's an advantage people would pay for.*

*I believe there must be a market for such a financial centre but there isn't one anywhere in the world. That's why I'm recommending it to Jersey. That's why I think finance has a future in Jersey. That's why I believe you can carve a niche for yourselves which is unique, and of which you could be proud. That's how you could innovate in a way that nobody else has.*

*And that is why I am so disappointed that the reaction from the finance industry in Jersey was "we still need secrecy".*

*Well tell me why in that case because if you do it must be because you're doing something of which you, or your clients, are ashamed. And that's why the world's press continues to believe you have a problem. And that's why you will have a problem in gaining international credibility, and in making your books balance, and in your relationships with the European Union and the UK, and with the rest of the world until you come out of the world of secrecy in which you live and embrace the world of transparency, openness, honesty and accountability that the world demands of you and that you should deliver.*

*I'm convinced you could do that and hold your head high and have the finance industry here. I have offered plan B to Jersey. I think it could work. What are you frightened of? Because I'll tell you, you have nothing to lose. Your existing finance industry is offering you a road to ruin. At least I have tried to put some hope on the table. It's the least I could do.*

*And thank you for listening.*