

What do you do to oppress people? Turn their state into...

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I have for a long time, along with Ronen Palan, John Christensen, Nick Shaxson and others, argued that tax haven activity is in part about the capture of a state by a financial elite who then use it to serve the interests of people 'elsewhere' - i.e. in other places. Perhaps the [most succinct version of my theory on this issue is here](#).

The thinking is the basis of my definition of a secrecy jurisdiction, which is that secrecy jurisdictions are places that intentionally create regulation for the primary benefit and use of those not resident in their geographical domain. That regulation is designed to undermine the legislation or regulation of another jurisdiction. To facilitate its use secrecy jurisdictions also create a deliberate, legally backed veil of secrecy that ensures that those from outside the jurisdiction making use of its regulation cannot be identified to be doing so.

The inevitable corollary of this process - which is usually run by carpet bagging financial service outsiders alien to the place they capture for their purposes - is oppression of the needs of the local population, who often suffer in the process, whether it be from massive cost of living (Jersey) or income disparity (Cayman) and so on. The financial elite are, of course, indifferent to this process, not least because they can move on at will.

Some evidence of this process comes from the Financial Times today, [where they note](#):

Cayman Islands, step aside. Private equity funds looking to cut their tax bills have a new option some 3,600 metres above sea level at the foot of the Himalayas. The only catch is, they will be playing a role in China's strategy to tighten its grip on Tibet.

The government of Shannan prefecture, which lies in Tibet between Lhasa and the Buddhist kingdom of Bhutan, has started offering generous tax breaks and other sweeteners in an attempt to make itself a home for private equity funds and investment companies.

Cities across China regularly compete for investors, but lawyers and advisers say the

package of incentives available in Shannan, known as Lhoka in Tibetan, is unusually aggressive and is beginning to attract interest.

The enticements for private equity funds to set up shop in Tibet are part of the Chinese government's push to develop the region's economy at the same time as establishing firmer control over it.

That last point is key: the need is to create economic dependency upon the external power of the money that flows through the location so that the financial privilege once granted cannot be withdrawn. It's happened many times. Jersey and Cayman are perfect examples but there are many others, of course. And now China is showing that it realises that it is a perfect way to destroy dissent through the creation of a climate of fear for basic economic well-being within a location. It is ever thus; it just seems China's actions are a little more explicit than most.