

Economist defends activity of offshore finance centres

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Diego Zuluaga, a policy analyst at the Cato Institute, based in Washington DC, has published a paper called Offshore Bet defending the role of offshore finance centres, such as Jersey, which are often criticised and labelled ‘tax havens’.

The report says that offshore centres are often wrongly accused of the illegal activity of tax evasion and adds that they play an important economic role.

‘Offshore financial centres are alleged to be hotbeds of tax evasion,’ the report says. ‘Their role in facilitating individual and corporate tax planning, which is entirely legal but politically controversial, has also come under the spotlight.’

‘However, OFCs [offshore financial centres] play an important economic function. By mitigating instances of double and triple taxation, offshore centres raise aggregate investment. Their existence is also associated with better economic outcomes in the countries that surround them.’

Recently, UK MPs passed legislation to impose a public company ownership register on the British Overseas Territories, a group of islands including offshore finance centres such as Cayman, Bermuda and the British Virgin Islands.

Calls are growing for the Crown Dependencies – Jersey, Guernsey and the Isle of Man – to follow suit, with MPs claiming that offshore centres are complicit in money laundering activities.

In his report, however, Mr Zuluaga says that critics of offshore centres ‘typically fail to be specific’ about their demands for greater transparency and notes in particular Jersey’s compliance with international standards.

The report adds that several commentators have rated Jersey ahead of the UK and USA in terms of transparency and that the ‘popular account’ of offshore centres is an ‘outdated caricature that bears little resemblance to how [they] actually operate’.

Jersey Finance, which promotes the Island's industry, supported Mr Zuluaga's paper. Writing on his blog, chief executive Geoff Cook said that the report, which was published by the UK's Institute for Economic Affairs, brought more 'balance' to the arguments about international finance centres.

'During the debate in the House of Commons, for instance, when politicians agreed to legislate for the introduction of public registers in the Overseas Territories, there were sweeping generalisations about combatting secrecy and stopping the formation of shell companies as if such practices apply in every international finance centre,' he said.