

Communiqué of the Asian Conference on Illicit Financial Flows

“Stopping Robbers and Pirates”

**Quezon City, Philippines
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1. We, participants of this Conference, have come together from 11 Asian countries¹ to call for an end to illicit financial flows (IFFs), recognizing these as a massive loss of public money when needs are as urgent as ever for essential social services, decent jobs, long-lasting resilience for climate change and the full realization of human rights for all.

2. Around 1.2 billion people representing a quarter of Asia’s population remain impoverished in our region.² Many countries do not have the most basic infrastructure for adequate and affordable provision of water and sanitation, education, health, housing, electricity and transportation. While there are claims of reduction in extreme poverty, these are uneven across and within countries and sectors, leaving many people still threatened of being pulled back by economic downturns, catastrophic climate events and other shocks.

Up to an estimated US\$1.5 trillion additional funding per year is required to implement the 2030 Sustainable Development Agenda across Asia.³ However, the emphasis on private financing for the implementation of the Sustainable Development Agenda gives us cause for grave concern. It paves the way for the continued expansion and strengthened role of corporations in determining development priorities and technologies and giving them freer rein in pursuing profit-driven agendas at the expense of peoples’ needs and developing countries’ natural resources.

3. The abusive tax practices of corporations and the generous tax incentives they enjoy greatly drains our economies of foregone revenues which could and should have been used to finance development. We are concerned that the proposals put forward by international financial institutions and global platforms on the definition of IFFs only cover proceeds from criminal and illegal activities.

This ignores the greater loss from the IFFs that are engineered with impunity by multinational corporations and wealthy elites. Tax losses by the global South due to IFFs are estimated to have reached \$416 billion.⁴ They represent financial resources generated and transferred under conditions of opacity and through the abuse of loopholes in tax regimes and regulations governing the cross-border movement of finance and investments. It further allows international corporations to report limited profits in their audited statements to pay for wage increases. These practices may be legally defensible

¹ Bangladesh, Cambodia, India, Indonesia, Japan, Malaysia, Myanmar, Nepal, Pakistan, Philippines, Vietnam

² Based on the international poverty threshold of \$3.20/day

³ UN Economic and Social Commission for Asia and the Pacific (UNESCAP). *Economic and Social Survey of Asia and the Pacific 2019: Ambitions Beyond Growth*.

⁴ *Trapped in Illicit Finance*. Christian Aid, 2019.

but are nonetheless illicit in nature – they would not bear the weight of ethical standards and democratic principles for the great harm they ultimately inflict especially on people already living in poverty.

4. Direct taxes on income, wealth and inheritance are a vital element of progressive tax systems. Corporate income taxes in particular, remain an important revenue source for developing countries. But these are steadily being eroded as transnational corporations (TNCs), using their vast networks, resources and political influence, shift profits in jurisdictions where these will be least taxed. In effect, TNCs rob investment-seeking developing countries of the sovereign right to tax the economic activity from which value was created and profits were generated.

5. Corporate-led, tax-related IFFs would not be possible without the help of other actors or elements. Big legal, accountancy and banking firms design ways of facilitating profit-shifting with no regard for the loss suffered by countries and peoples, while financial secrecy jurisdictions or tax havens provide the destinations for booking these profits tax-free and away from public scrutiny.

6. It is equally important that we hold states accountable for providing the legal environment that enable IFFs. Many developing country governments offer the lowest tax rates as part of ever-generous concessions to foreign investments. Setting up distinct fiscal regimes offering preferential tax treatment remains on the rise, with more of them now developed and managed by private investors themselves. These incentives regimes add further to the drivers and channels for corporate-driven IFFs, while developing country peoples are being pitted against each other in a mutually destructive race-to-the-bottom from which the only winners will be multinational corporations and wealthy elites.

7. As resource-rich developing countries, we call particular attention to the large-scale extractives industries as fertile ground for IFFs. States often grant far-ranging fiscal incentives to extractive industries given the assumption of large capital and investment inflows. Only a handful of global conglomerates control the industries through wide subsidiary networks that include holding companies and financial hubs in tax havens. Such concentration of power makes it easier to escape public disclosure. IFFs in extractives add to a long list of wrongdoings, from flagrantly violating human rights and labor standards to irreversibly damaging the environment and exacerbating climate change.

8. IFFs not only cause the loss of financial resources for funding development needs; they also deepen and reproduce other injustices and inequalities.

Globally, the gap between the richest and poorest has reached extreme levels, and is growing rapidly. The richest one percent in the world now has more wealth than the rest of humanity, and in 2017, received 82 percent of the global increase in wealth. In the same year, the poorest half of the world's population saw no increase in their wealth at all.⁵

As states give up taxing rights in the hope of attracting investors, they have increasingly imposed regressive consumption taxes in an attempt to recoup the revenues forgone. The

⁵ Vázquez Pimentel, Diego Alejo et. Al., "Reward Work, Not Wealth." Oxfam, 2018.

burden falls heaviest on the poor, with discriminatory consequences for women who are disadvantaged by gender wage gaps, multiple burdens including unpaid care and other work, and are often trapped in low-paying, insecure jobs and livelihoods.

9. Stopping IFFs and reclaiming public money grows even more urgent given the prominence accorded to the private sector in providing development finance, through such measures as Public-Private Partnerships and so-called “blended finance”. We know from lived experience that under private sector-led provision of social services, profit-driven motivations are often prioritized over human rights and social justice.

10. We further reject financing instruments that maintain the dependence of developing countries on debt and aid. The latter often results in illicit outflows due to tied aid provisions that require recipient states to procure overpriced goods and services from donor countries.

11. We recognize that stopping IFFs will be increasingly difficult if effective action is not taken now. Now is the time to act. In view of the foregoing, we also come together in this Conference to make a collective commitment to advance and support efforts in fighting and stopping IFFs through the following:

Ways forward

Building on the gains won and strides made by tax and fiscal justice organizations and movements in the region and across the world, we renew our commitment to work at national, regional and global levels to –

Advance a rights-based understanding and definition of illicit financial flows that is more reflective of and responsive to the realities of developing countries and peoples of the South.

Sustain and intensify efforts in advocacy and campaigning, education, policy research, organizing and mobilizing public actions to stop illicit financial flows, including clamping down on multinational corporations, politically influential and wealthy elites, big legal and accountancy firms, complicit public officials, tax havens, harmful tax incentives and other drivers and actors.

Lobby parliamentary bodies and engage legislative processes towards progressive tax reforms and conduct participatory processes of reviewing laws, regulations, tax and investment treaties, and developing alternative tax and fiscal measures.

Reach out to media, the academe, the legal community, tax experts and other opinion-makers or thought leaders in advocacy and supporting the campaign for the stronger defense and protection of whistleblowers.

Invigorate and involve the wider public, especially the youth, women, the informal sector, labor, trade unions, fisherfolk, farmers and other grassroots organizations through the

development of tools and resource materials that contribute to raising awareness, organizing and mobilizing around tax and fiscal justice issues.

Vigorously promote studies and deepen the understanding of social impacts of IFFs especially gendered impacts and implication for women's human rights.

Expand and strengthen synergetic and collaborative work with tax and fiscal justice organizations and networks in Asia and other global regions, which include but are not limited to the exchange of information and experiences, generating and sharing knowledge, capacity development, coordinated advocacy and campaigning on linked issues, and engaging multilateral development platforms, spaces and initiatives.

Advocate and work for reforms in the international financial architecture, particularly setting up an inclusive UN inter-governmental tax commission and international tax convention, which together ensures effective international tax cooperation and transparency.

Call even more strongly on our governments and its agencies to support the above and advance progressive perspectives in inter-regional bodies.

Galvanizing the abovementioned efforts, we shall strengthen the Tax and Fiscal Justice Asia (TAFJA) alliance, set up a broad Asian Forum on Tax Justice and Illicit Financial Flows across civil society, experts, parliamentarians and decision-makers, and contribute to other forums.

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“Robbers and Pirates”, the Asian Conference on Illicit Financial Flows was organized through the membership of the Asian Peoples’ Movement on Debt and Development (APMDD) in the Financial Transparency Coalition (FTC), a global civil society network working to curtail illicit financial flows through the promotion of a transparent, accountable and sustainable financial system that works for everyone.

The communiqué reflects the views of APMDD and the signatories, and is not intended to represent the positions of other members of the FTC.

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