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# Where the Money Goes

In April, the European Parliament voted to adopt a report intended to better control EU development funding going toward Africa. The non-binding report urges the establishment of a blacklist to stop EU development funding from going to corrupt governments and representatives. An estimated 25% of the total Gross Domestic Product ($148 billion USD) in African states is lost to corruption, much of it hidden away in offshore accounts. Such wrongdoing, along with the diversion of the wealth from national reserves, continues to plague many sub-Saharan African countries. With poverty rates actually increasing in sub-Saharan African nations since the 1990s – while in the rest of the developing world they have decreased – tackling corruption is an obviously important step toward mobilising domestic resources to improve economic development.

John Christensen, Director of the Tax Justice Network International Secretariat, is concerned that this blacklist approach addresses the corruption issue as if it were a one-sided problem, when this is clearly not the case. The lack of transparency and disclosure in the international banking system has enabled capital flight, tax evasion, and unethical tax avoidance - mechanisms that undermine and destabilize economies, even when good governance and sound economic policy are in place. The Tax Justice Network (TJN) (http://www.taxjustice.net) aims to address the supply-side of the problem at the highest levels of policy and to raise awareness of tax-related issues in the global justice movement.

Christensen, a former economic advisor for the government of Jersey, a UK tax haven, has seen the mechanisms and results of tax evasion, tax avoidance, and tax "competition" at close range and is a co-author of 'Tax Us if You Can: the True Story of a Global Failure'. 'Tax Us If You Can' explains how the international banking system and western governments have played active, enabling, and complicit roles in both legal and illegal tax dodging by transnational corporations and high net-worth individuals. The briefing paper examines how over $255 billion (USD) in tax revenue is lost each year and how this particularly affects developing nations.

Tax havens, offshore businesses, and tax avoidance and tax evasion (by both corporations and rich individuals) have a greater impact on developing countries in several ways. Tax havens encourage bribery, illegal trade, and drug trafficking (and its accompanying ills), since revenues from these endeavours must be laundered through business fronts.

Rich individuals in the global South, where most developing countries are located, hold a much greater share of their wealth offshore than their North American or European counterparts (50% and 70% in Latin America and the Middle East respectively). If the offshore assets of high net-worth individuals (estimated at $11.5 trillion USD) were taxed at a minimal amount of 30%, that would raise enough money to completely finance the UN Millennium Development Goals, which – among other things – aim to cut in half the number of people living in extreme poverty by the year 2015. Allowing developing nations to mobilise and effectively finance their own resources for development – rather than rely on externally donated funding or expensive borrowing on the international market – will go a long way toward growing stable and self-sustaining economies. The implications of this have also been expounded on in a White Paper on international development by the UK's Department for International Development (DFID).

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The Tax Justice Network is a global network with local campaigns. You can support its efforts by joining or volunteering for the Network. (Translation of materials and information into French, German, Portuguese, and Spanish is particularly needed to help foster the TJN's principle of multi-lingualism.) Tax justice has been on the political agenda for a few years, but it is victim to intense lobbying by wealthy interests. By writing to your local and national political representatives, your country's treasury, or the departments of international development and foreign affairs, you can register your support for transparency, accountability, and a more meaningful exchange of information within the international tax world.

***Cheron Constance***

The EU Parliamentary report on the development aid blacklist is available at: http://tinyurl.com/pcwtg

'Tax Us If You Can' is at http://www.taxjustice.net/cms/front_content.php?idcat=30&lang=1&client=1

The DFID White Paper 'Eliminating World Poverty: A Consultative Document' is available at: http://www.dfid.gov.uk/pubs/files/wp2006-consultation.pdf

# Matthew Taylor joins QCEA

My involvement with Quakers goes back many years. I attended a Friends School, in Essex, UK, from the age of thirteen up until university, a very positive and informative experience.

My interest in peace, security and human rights issues also goes back a long way.

I have worked, voluntarily, on promoting positive, constructive responses to today's international security challenges at the British American Security Information Council (BASIC). I have travelled extensively in Israel and Palestine, have attended numerous rallies, fundraised for a number of charities, and have an MSc in Intelligence and Strategic Studies.

I am very much looking forward to proactively working on key peace and human rights issues at QCEA.

# MEPs show support for arms control

On 22nd and 23rd March the Intergroup on Peace Initiatives (for whom QCEA provides the secretariat) along with Amnesty International (AI) Belgium set up a stall in the European Parliament. The aim was to take photos of people for the Million Faces Campaign (jointly run by AI, Oxfam and Safer World) which is calling on governments to toughen up on the arms trade. In particular, it calls for an international arms trade treaty to restrict the export of small arms and light weapons to countries who are likely to use them for human rights abuses.

The visual petition is a collection of photos and self portraits of people from around the world who are in support of such an international arms trade treaty. So far, the global campaign has gathered over 901,000 'signatures' and it is hoped that a million faces will be collected before the petition is presented to the UN review on small arms and light weapons in New York in June.

The event at the European Parliament was a success, with over 750 people having their photos taken (including over 90 Members of the European Parliament(MEPs)). If you are interested in adding your support, you can upload a photo of yourself onto the campaign website (www.controlarms.org).

***Joanna Sprackett***

# Procession in support of UK Peace Tax 7

Robin Brookes, one of the Peace Tax 7 in the UK, will be heading a procession through Swindon town centre on 5 May 2006. Many supporters will accompany him carrying placards expressing their outrage at being made to pay for war preparations and showing what they would rather the money was spent on. Robin has withheld part of his income tax every year since the start of the Iraq war. Full report in next edition of *Around Europe*.

***Martina Weitsch***

# About Face: The EU must re-engage with Iran

By 2020, if trends continue, 90% of all EU oil will originate in the Middle East. Similarly, 75% of an increasing EU gas demand will be met by imports[1]. A recent Russo-Ukrainian gas dispute highlighted Europe's growing dependence, and added impetus to discussions on potential EU-wide action to ensure supply security. The Commission, on 8 March, issued a new green paper listing options for collective action.

EU concerns form one part of an imminent global energy crisis. World fossil fuel demand is predicted to continue its meteoric rise, while deposits decline. Developed regions are heavily reliant on imports, developing states are likewise increasingly reliant on them. International competition to extract localized and finite deposits will grow fiercer. The energy crisis is a major global challenge for the 21st century, and is the prism through which the Iranian nuclear crisis should be viewed.

*"Let's look at it simply. The most important difference between North Korea and Iraq is that economically, we just had no choice in Iraq. The country swims on a sea of oil."*

**Paul Wolfowitz, former US Deputy Defence Secretary, June 2003.**

The imminent energy crisis will require the West to access Iranian fossil fuel deposits. Iran holds the world's second largest natural gas reserves and third largest deposits of oil. Six nuclear proliferation sores have blighted the international skyline in the 21st century: North Korea, India, Pakistan, Israel, Iraq and Iran. Geopolitics and strategic strength play a role, but it is no coincidence that the two most aggressively targeted suspects hold abundant fossil fuel deposits.

China was the world's second largest consumer of petroleum products in 2004, with a total demand of 6.5 million barrels per day. Consumption should more than double by 2025. Dependence on imports rose by an average of 12% between 1999 and 2003.This trend is set to continue. India's fossil fuel demand is also rapidly increasing. These emerging Asian states require access to Iranian fossil fuels, Iran requires foreign direct investment. Chinese and Indian dependence on Iranian oil and gas imports are increasing.

Tehran's growing relationships with its Eastern partners ensure that the balance of diplomatic strength in the nuclear standoff is more evenly matched than Washington and Brussels will acknowledge. The US and the 'E3' (France, Germany and Britain) will now push the UN to consider global targeted sanctions. This is a diplomatic dead end, and an own goal; China, Russia and India will prevent any effective multilateral sanctions regime and unilateral sanctions will aid in blocking Western access to Iran's vital oil and gas reserves.

The 'E3' did not negotiate with Iran in good faith. In July 2005, an undisclosed EU diplomat was quoted by Reuters as saying the initial incentive package, rejected by Iran, was 'a lot of gift wrapping around a pretty empty box'[2] The same could be said for Iran; it has never properly addressed Western security fears. The current bout of EU/US stick-wielding follows the inevitable failure of those negotiations. Agreement and compromise look increasingly remote. The EU, at 35%, is Iran's largest trading partner. Yet Tehran's fastest growing bilateral trade relationship is with Beijing. EU leverage is being hastily supplanted by Iran's eastern partners. The EU has influence now; it must use it or lose it.

The next punitive stick to wield would be military action. A Chinese and Russian Security Council veto would preclude any international legitimacy for an assault, and the creation of a broad military coalition. EU-wide agreement on military action would be virtually impossible. The US would have to go it virtually alone again. The primary objective would be the destruction of nuclear facilities. Given their continuing commitment of ground troops in Iraq and Afghanistan, the US would consider air and precision-guided munitions strikes, small-scale raids, naval operations and covert action. These would only strengthen the regime, and a destabilizing, protracted conflict would ensue.

The looming global energy crisis may require the West to access Iranian fossil fuels. The EU has a shrinking window of opportunity to constructively re-engage with Tehran. This is the only realistic way to adequately solve the nuclear standoff, and ensure equal access to Iranian oil and gas. For the West, Iranian fossil fuel reserves serve to disrupt crude stick-wielding diplomacy, and necessitate the adoption of an engagement policy based on mutual respect. The question is, can that really be a bad thing?

***Matthew Taylor***

1 http://europa.eu.int/comm/energy_transport/library/press-kit-lv-en.pdf

*2 British American Security Information Council report: 'Preliminary analysis of E3/EU Proposals to Iran.' Paul Ingram. http://www.basicint.org/pubs/Notes/BN050811-IranEU.htm*

## Peacebuilding – What is the role of Europe?

Come and find out at a QCEA's Associate Members' Conference held in conjunction with QUNO Geneva and QPSW.

**Brussels, 20 – 22 October 2006**

Speakers:

- **Karel Kovanda**, Deputy Director General, DG External Affairs, European Commission
- **Carne Ross**, Joseph Rowntree Charitable Trust Visionary, Independent Diplomat
- **David Atwood**, Director, QUNO Geneva (to be confirmed)

Workshops on a wide range of Quaker peace work - Discussions on the EU's response to terrorism -Meet Friends from across Europe-

Cost: £135/•195 per person (including registration, meals and accommodation), excluding travel.

*Reduction available for QCEA Associate/Supporting Members*

**Booking is essential as places are limited!**

For UK bookings contact:

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# Around Europe

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