



FACT Sheet

Impact of Financial Secrecy on Africa, Latin America, and African-American and Latino Communities in the U.S.

FACTs and Numbers

Global

- **At least \$7.6 trillion:** The hidden wealth stashed in offshore tax havens.¹
- **\$1.6 trillion:** Amount of money laundered worldwide in 2009 (excluding tax-evading money).²

Africa

- **\$67.5 billion:** Sub-Saharan Africa's losses to illicit outflows each year.³
- **6.1% of GDP:** Amount taken illicitly from Sub-Saharan Africa per year – more than any other region in the world.³
- **Nearly twice as much money** was taken from Sub-Saharan Africa through illicit activity than was provided in foreign aid (See Chart).³

Latin America and the Caribbean

- **\$150 billion:** The average, annual outflow of illicit money from Latin America and the Caribbean.³
- **Top four:** Mexico (\$53bn/year), Brazil (\$23bn/year), Venezuela (\$12/year), and Costa Rica (\$11bn/year) have the highest outflows in Latin America.³
- **Mexico is the 3rd largest victim** of illicit flows in the developing world, behind only China and Russia.³

Tax haven secrecy is a **leading driver of global inequality**.⁶ Over 300 top economists recently wrote that tax havens “serve no useful economic purpose” and urged policymakers to curb financial secrecy.⁷ This secrecy facilitates crime, corruption, and tax evasion around the world and exacerbates the gap between the rich and poor.

Illicit financial flows — the cross-border movement of the proceeds of *crime, corruption, and tax evasion* — are enabled by financial secrecy in the form of **tax havens, anonymous shell companies, and money laundering** techniques.

Africa Hardest Hit

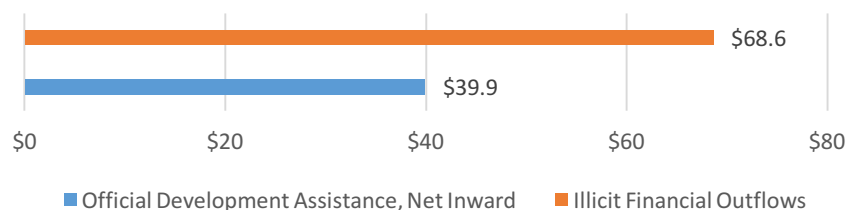
Illicit flows take a devastating toll on Africa's economy. When illicit flows are accounted for, the African Development Bank finds that—despite all foreign aid, natural resource exports, and other transfers — **rich countries take away far more resources than they give to Africa**.⁸ Without change, economic growth and poverty alleviation efforts face an uphill battle.

“...no region has suffered more [than Africa] from tax evasion, aggressive tax planning and plunder of national wealth through offshore-registered companies.”

— Kofi Annan⁹
Former UN Secretary-General

African groups launched the **‘Stop the Bleeding’ Campaign to End Illicit Financial Flows from Africa**. They are asking Americans to join them.

Sub-Saharan Africa:
Illicit Outflows and Foreign Aid: 2012
Billions of USD



Source: Global Financial Integrity

FACTs and Numbers

United States:

- **\$180 billion:** Lost U.S. tax revenue due to tax haven abuse each year.⁴
- **\$85.3 billion** – The annual size of mandatory discretionary spending cuts under the sequester.⁵

Sources:

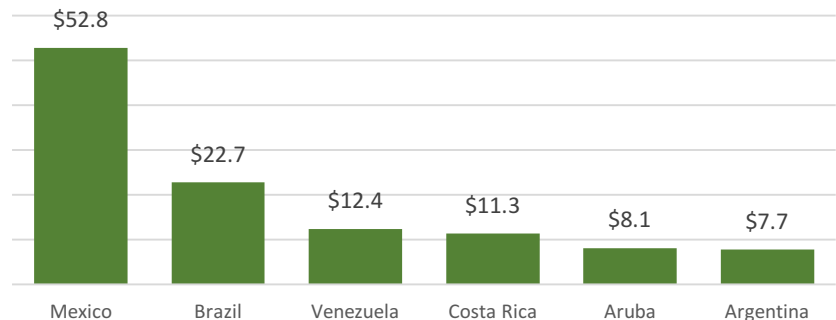
1. Zucman, Gabriel. Sep. 22, 2015 (see <http://ow.ly/hxVu300OH8v>).
2. UNODC, Oct. 25, 2011 (see <http://ow.ly/NVuM300ORDj7>).
3. *Global Financial Integrity*, Dec. 8, 2015 (see <http://ow.ly/6np0300OHkC>).
4. Derived from studies conducted by various experts—one looking at individual tax evasion, another looking at corporate tax dodging. See, e.g., Guttentag, Joseph and Reuven Avi-Yonah, “Closing the International Tax Gap,” in Max B. Sawicky, ed., *Bridging the Tax Gap: Addressing the Crisis in Federal Tax Administration*, 2006 [estimating offshore tax evasion by individuals at \$40-\$70 billion annually in lost U.S. tax revenues]; Clausing, Kimberly A., “The Effect of Profit Shifting on the Corporate Tax Base in the United States and Beyond”, Nov. 7, 2015 (see: <http://ssrn.com/abstract=2685442>) [estimating up to \$111 billion annually lost in U.S. tax revenues to abusive profit shifting by multinational corporations].
5. *The Washington Post*, February 20, 2013 (accessible at <http://wpo.st/jBFd1>).
6. *The New York Times*, Jan. 18, 2016 (see <http://nyti.ms/1RwFSIG>).
7. *Oxfam*, May 9, 2016 (see <http://oxf.am/Z8YT>).
8. *African Development Bank and Global Financial Integrity*, May 29, 2013 (see <http://ow.ly/jdF9300OHsm>).
9. *The New York Times*, May 9 2013 (see <http://nyti.ms/1BQRpDx>).
10. *The Washington Post*, Jul. 21, 2013 (see <http://wpo.st/xsEd1>).
11. *Center for American Progress*, Feb. 22, 2013 (see <http://ampr.gs/XpDvUp>).
12. *The White House*, Apr. 5, 2016 (see <http://go.wh.gov/yrfpm5>).

Latin America and the Caribbean

Tax haven secrecy likewise facilitates the outflow of roughly \$150 billion per year from Latin America and the Caribbean.³ In addition to draining resources from the economy — this dramatically **reduces tax revenues, enables corruption**, and facilitates the laundering of the proceeds of **drug dealing and human trafficking**.

Illicit Financial Flows by Country

Average outflows from 2004-2013 (billions of USD)



Source: *Global Financial Integrity*

Impact in the U.S.

In addition to ravaging the developing world, offshore tax haven abuse is estimated to cost the U.S. up to **\$180 billion in lost tax revenue each year**.⁴ Lost revenue eventually leads to spending cuts, such as the sequester, which has taken a particularly hard toll on Latino¹⁰ and African-American communities across the U.S.¹¹

Cracking down on tax haven abuses and collecting the \$180 billion in uncollected taxes could easily pay for the roughly \$85 billion in mandatory cuts to vital government programs under the sequester.

“...there are loopholes that only wealthy individuals and powerful corporations have access to. They have access to offshore accounts, and they are gaming the system. Middle-class families are not in the same position to do this. In fact, a lot of these loopholes come at the expense of middle-class families, because that lost revenue has to be made up somewhere. Alternatively, it means that we’re not investing as much as we should in schools, in making college more affordable, in putting people back to work rebuilding our roads, our bridges, our infrastructure, creating more opportunities for our children. So this is important stuff.”

— President Barack Obama¹²

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