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The global coalition against corruption

The EU's reaction to the Paradise Papers will define its relevance

Alex Johnson · Tuesday, November 14th, 2017

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Amid the headlines and heated debates that will come out after the latest leak from the International Consortium of Investigative Journalists, the [Paradise Papers](#), there will be calls for action, for inquiries and investigations from politicians. However, what we need is legislation which will directly address the kind of secrecy exposed in the Paradise Papers, on a large scale. That's why, if the European Union (EU) wants to be relevant to its citizens, then it needs to act on secrecy.

The outrage over this kind of scandal is huge and with good reason. Since the financial crisis, [inequality has increased](#) and [nearly a quarter of Europeans live in poverty](#), while at the same time just [eight individuals own](#) as much as half the world. The very wealthy avoiding paying the taxes that you and I have to, evading their commitment to the same public services we all use, has never been more unacceptable to the public than now.

But who or what can help turn this around? Nobody would deny that the EU has faced an existential crisis over the past years. From the Greek debt merry go-round to the refugee crisis and Brexit, Brussels has taken somewhat of a bashing recently. Nigel Farage, Marine Le Pen and Victor Orban have all lined up to capitalise on this crisis and promote illiberal and authoritarian alternatives.

While the Macrons of this world have sought to counter this and improve the EU's image by wrapping themselves in blue and gold flags, there is a more practical and immediate task for the EU: use its political and economic weight to change the rules of the international financial system. That is why the EU was established after all: to tackle issues that are too big for one country alone, issues such as the corrosive effect of offshore secrecy on public finances.

That is the long-term goal, but there is much the EU can do in the next six months. It can make sure that large companies report how much they pay in tax and where they pay it. It can ensure that there are publically accessible registries of who owns and benefits from corporate structures, shell companies and trusts. These simple transparency measures would have a real deterrent effect on the corrupt and tax-evaders.

These proposals, endorsed by the European Commission and the European Parliament, only

need the approval of national governments to become law. And yet national capitals have dragged their feet.

As scandal after scandal unfolds, there has been much hand-wringing and rhetoric from European governments. But they have still found ways to block any meaningful action despite losing out on revenues needed more than ever.

For instance, the Paradise Papers have shown that Nike's [alleged tax avoidance](#) arrangement with the Netherlands and Bermuda has led to a huge revenue loss in Germany. In 2016, experts' estimates say that Nike's annual turnover in Germany was 600 million Euro, out of which only 76 million were declared in the official German business registry. Yet, only 3.8 million Euro went to the State's public coffers in the form of tax payments. Nevertheless, Europe's largest member continues to block progress in the back rooms of the EU Council. The Germans aren't the only ones. There's an informal coalition of opacity operating behind the scenes.

There's the countries, such as Ireland and Luxembourg, who have rolled out the red carpet and preferential tax rates for multinationals, who continue block action on tax transparency. Then there's smaller countries, such as Cyprus and Malta, who actively promote themselves as low-tax, low-regulation jurisdictions, and who seem to appear on the news every time there is a money-laundering scandal, such as the string of bank accounts from Cyprus coming out in the [Manafort case](#).

This needs to change. If politicians actually want to act in the interest of the people they represent then they need to start by taking genuine action on secrecy, money laundering and tax evasion through simply agreeing to what is already on the table.

From Berlin to Valetta, supposedly pro-European prime ministers and cabinets need to reflect on whether their objections to transparency and openness is really in their long term interests, in their constituents' interests and in the interests of the European project.

The EU really has a chance here to change the rules of the game on secrecy. This would demonstrate to its citizens that globalisation is not necessarily a race to the bottom, or a ruse by the wealthy to avoid onerous obligations that are there only for the rest of us. National governments only need to give the green light.

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