

## **Main conclusions of CCFD's working paper on stolen assets<sup>1</sup>**

For the full paper (in French): [http://www.ccfid.asso.fr/e\\_upload/pdf/biens-mal-acquis.pdf](http://www.ccfid.asso.fr/e_upload/pdf/biens-mal-acquis.pdf)

According to the World Bank, the return of assets stolen by Southern country leaders should be a sign of the commitment of the international community against corruption because corruption has been described as the cancer of development.

How much has been stolen and how much has been returned? Which legal instruments can a country which has been a victim of this problem use and what obstacles must it face? How real is the commitment of the international community? These are some of the questions the CCFD working document "Stolen assets benefit too often" tries to answer. Here are the main conclusions:

### **1. A real challenge for development**

**In terms of figures**, at least<sup>2</sup> between 100 and 180 billion dollars were stolen by dictators over the last few decades. Some countries face a massive drain: Mobutu in DRC (ex-Zaire) accumulated 5 or 6 billion dollars, which is equivalent to the GDP of the entire country. These figures only give a general indication of the extent of corruption, since they do not take into consideration misappropriations carried out by the dictator's relatives. Former IMF director Michel Camdessus mentioned figures exceeding one trillion dollars.

**Politically speaking**, large-scale corruption undermines democracy. It financially supports dictatorship by buying the silence of the political opposition, vote-catching and weapons purchase. It develops in people's imaginations as the key for political and economic success achievement. It undermines citizens' efforts to achieve justice and truth, and it can even ruin the democratic hopes of the most courageous.

### **2. Little returned (4 bn \$) and frozen assets (2.7 bn \$) despite donors' promises**

Overall, what little assets have been returned were done so by Switzerland, particularly those of Marcos (Philippines) and Abacha (Nigeria), and by the United States in the case of Saddam Hussein (Iraq). France has not returned anything despite claiming to be the first G8 country to have ratified the United Nations Merida Convention against Corruption.

### **3. Northern governments and companies complicit of plunder of Southern countries**

In order to secure their geopolitical and economic interests, countries like the US, the UK and France supported some of the most dictatorial or corrupt regimes in Asia (Suharto, Marcos), in Latin America (Duvalier, Pinochet) and in Africa (Abacha, Houphouët-Boigny). For instance, Western countries deliberately ignored the report released by the IMF local representative in 1982, which warned them about Mobutu's plutocracy and they carried on their financial support. In 1997-98, France and the Elf company subsidized the violent return to power of Denis Sassou Nguesso in Congo Brazzaville, because he was viewed as more docile as far as oil mining is concerned.

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<sup>1</sup> The original report in French is entitled « Biens mal acquis... profitent trop souvent. La fortune des dictateurs et les complaisances occidentales ». Its main author is Antoine Dulin, under the direction of Jean Merckaert. It was released in April 2007. The full report is available at: [www.ccfid.asso.fr](http://www.ccfid.asso.fr). Translated by Carol Birene, CCFD.

<sup>2</sup> For lack of figures, the presumed wealth of some leaders is not taken into account in this estimate

Hence, the reluctance of Northern governments to seize and return the assets stolen by dictators is quite understandable. First of all, those assets generate economic activity. Above all, Northern governments wouldn't take the risk to be exposed to the revelations of their former allies.

#### **4. Tax and legal havens are a stumbling block to the recovery of illegal assets**

Tax and legal havens, which are characterised by low tax rates and impenetrability, minimize victim countries' hopes to have their stolen 100 to 180 billion returned to them:

- They make it hard to locate stolen assets, because banking secrecy and various legal entities (trust, foundations, special purpose vehicles, etc.) hide the real owner. Thus, they encourage the laundering of stolen money and its reinvestment in the legal economy.
- They allow the quick transfer of any funds under legal threat to other places in which justice has little or no access.

However, tax and legal havens only exist with the agreement of big international financial markets. Half of worldwide offshore territories belong to the Commonwealth; the State of Delaware in the United States can be defined as a tax and legal haven; Europe gives shelter to Luxembourg, Switzerland and Lichtenstein and France, particularly, tolerates two of the worst offshore centres in the world, i.e. Monaco and Andorra.<sup>3</sup>

#### **5. Weak judicial cooperation an impediment to the identification, the freezing and the return of stolen assets**

Over the last few years, legal instruments have considerably improved to help seize and return illicit funds. For the last ten years, the organization of American States, the European Council, the African Union and the European Union have provided themselves with Conventions and other agreements against corruption. The United Nations adopted in 2003 the Merida Convention, which has been in force since December 2005 and which, in chapter 5, establishes the recovery of stolen assets as a key principle of international law.

However, these conventions will not be of any use unless they are backed up by effective judicial cooperation. The recovery of stolen assets is like a race against obstacles for a country victim of this problem. The demand for judicial cooperation is first submitted to the country suspected of holding the stolen assets, but the decision depends on the goodwill of the petitioned administration in question: France refused to help Nigeria because the request was not made in French; England does not cooperate unless proof is provided that the stolen assets are really in the country; Switzerland does not try to identify accounts held under pseudonyms; in Liechtenstein the theft is entitled to appeal against a judgement about fifteen times, which can extend the process significantly; some countries never answer. At best, as for the Marcos' assets in Switzerland, the claim reached an agreement after seventeen years of legal wrangling.

These difficulties confirm the concern expressed by European magistrates in the Call of Geneva in 1996, i.e. borders no longer exist for dirty money, but they do for justice.

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<sup>3</sup> These two territories belong to the list of five countries the OECD (Organization for economic co-operation and development) identified in 2006 as those refusing the minimum standards for transparency and exchange of information.