

Rs 25,00,000 crore !

India's corruption and crime money
parked in Swiss banks and tax havens

BJP pledges to bring it back !

UPA सरकार जवाब दो !!

**Interim Recommendations
of the Task Force
on the steps to be taken
by the Indian government**

**to bring Indian funds illegally stashed away
in secret Swiss bank accounts
and other tax havens around the world**



Good Governance, Development, Security

Bharatiya Janata Party

BHARATIYA JANATA PARTY

Interim Recommendations of the Task Force On the steps to be taken by the Indian government To bring the funds illegally stashed away in secret tax havens, particularly Switzerland

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Shri L.K. Advani, prime ministerial candidate of the BJP and National Democratic Alliance, addressed a press conference in New Delhi on 29 March 2009 and criticized the UPA Government's indifference towards getting back vast amounts of Indian wealth stashed away in secret Swiss bank accounts and other tax havens around the world. The press conference was held against the backdrop of the G-20 Summit in London on 2 April, where the issue of illicit funds in tax havens was scheduled to be discussed. Sadly, Prime Minister Dr. Manmohan Singh, who represented India at the G-20 Summit, failed to raise this issue effectively, even though the OECD (Organisation of Economic Cooperation and Development), a group of rich nations, were vociferous in demanding an end to banking secrecy in countries like Switzerland.

At his press conference, Shri Advani announced the determination of a future BJP-led government at the Centre, if elected, to bring India's sovereign wealth back from foreign shores. He also announced the formation of a Task Force to recommend to the BJP leadership specific steps that a future government may take to translate this promise into reality.

The Task Force has submitted its recommendations in this interim report. This report, along with the texts of two statements issued by Shri Advani on this matter, are available at www.bjp.org and www.lkadvani.in.

Summary of recommendations

Global Strategy

Step I

Creating a powerful public opinion in India is a pre-requisite for global response to India's requirements in regard to unveiling banking secrecy. The world respects powerful domestic opinion on global issues. India must first realize that this is the ideal time to act and join the global crusade against secret banks and tax havens. In the absence of a broad national consensus on the issue, only a determined leader with a committed team can create the strong national will needed for undertaking this serious agenda overcoming all attempts to impede the effort. This is what French and German leaders are demonstrating to the world. What is critical is sincere and skillful communication to the people at large without whose support the vested interests will not allow this undertaking to succeed. We recommend that the BJP must create a powerful public opinion which would force those who do not support this measure to come around to support like the British Prime Minister Gordon Brown was forced to do after the February G-20 preparatory meeting in which he did not extend support to Germany and France. Those who do not support the move should be seen as supporters of black economy as it happened in the case of Mr Gordon Brown.

Step II

We recommend that India should stop being a silent spectator to the G20 efforts against secret banking and tax havens like it is now and must become an actor, an active player and forthwith change the perception that it is not against secret banking and tax havens.

Step III

We recommend that India must immediately show its seriousness and effectively urge the German government to provide the details of the Indian names from the LGT bank secret records. The BJP, if voted to power, must send a special emissary to Germany, which is willing to give the details of Indian names in the LGT bank secret records.

Step IV

We recommend that India must strive for global, multilateral effort, which is the only solution. India is today seen as not a serious player to undo the secret regime. To undo that impression steps I, II and III are critical for India to take up.

Step V

We recommend India must effectively participate in the multilateral efforts that are on to pries open the secrecy in global tax and financial system. India has special needs beyond what the West is seeking to break banking secrecy. The west knows the details of whose account to ask for from Swiss and other tax havens. India needs a easier model of breaking the secret wall of the mystic banks. India should work with the West to get the OECD rules on internationally agreed tax standard which has been endorsed by the UN accepted by the Swiss and get those rules suitably amended to suit the requirements of India. That will bring an end to the banking secrecy in Switzerland and elsewhere. Unless the Swiss and other tax havens agree to change the laws no way any government in India or elsewhere can attempt to bring back their wealth stashed away. That global coercive action is working is seen from that fact that the G20 threat to blacklist tax havens and secret banking is already beginning to yield results, with Switzerland crumbling and other tax havens agreeing to accept the OECD standards of disclosure. India keeping away from global efforts is costing the national interests as India needs special terms to break the secrecy which it cannot get unless it effectively participates in the global effort.

Step VI

We recommend that India appoint a special ambassador with adequate knowledge of the tax havens and secret bank issues to work with the G20 specifically for framing India-friendly rules to unveil the secret banking and havens.

National Strategy

1. Collection of information from emigration:
2. Monitoring high frequency tax havens
3. Becoming full-fledged member of the Financial Action Task Force (FATF)
4. Use of financial intelligence sharing for security purposes
5. Legislative support
6. High Level Task Force
7. The history of illicit wealth holders should be brought out

Introduction

Some 70 odd small territories in different locations of the world endeavor to attract investment from outside their border offering financial secrecy laws. These are commonly known as "tax havens", because they also impose little or no tax on income from sources outside.

According to Inland Revenue Service of United States, Department of Treasury, "Tax haven service providers and their clients know their actions are veiled from tax authorities by banking and commercial secrecy laws and by lack of tax treaties or tax information exchange agreements. They create paper entities to disguise the real parties to the transactions, and many are willing to create false documents to disguise the real nature of transactions."

[<http://www.irs.gov/businesses/small/article/0,,id=106568,00.html>]

So tax havens are ideal lodges for black money of many countries. Switzerland is a major tax haven with more than a third of global private funds deposited in its banks. The tax havens have grown phenomenally in the last couple of decades.

There has been a dramatic change in the global atmosphere regarding tax havens in the last one year. This was particularly after Germany, in February 2008, got a secret CD of the LGT Bank of Liechtenstein, which contained a long list of tax evaders including that of the head of German Post. The OECD published a list of select tax havens and categorized them according to the level of non-cooperation. In February this year the US Inland Revenue Service forced UBS, the largest Swiss bank, to part with details of nearly 300 tax evaders and also pay a huge fine of \$800 millions. The Obama Administration is now working on legislation to deal a severe blow to these tax havens. The G-20 group of countries has threatened the non-cooperating tax havens with "sanctions". The anti-tax haven thrust is continuing. After its initial success, it has also asked for information about 52,000 more accounts from UBS bank.

QED: The western capitalism has treated financial secrecy as integral to "privacy", which was always held sacred and tax havens were treated as part of "financial privacy". However, the current severe economic crisis in the West, which has caused the collapse of several giant financial institutions, has forced many western countries to review their own firmly held beliefs. Consequently, secret banking and tax havens became the

target of Germany and France, and later the UK and USA. These nations have begun a crusade against tax havens and, especially, against Switzerland since the middle of last year.

This new development opens up a great opportunity for India, which has been a victim of flight of capital to tax havens and secret banks. But is India doing now what it should be doing to protect its national interest? If not, what should India be doing to avail of the new opportunity that seems to be opening up? First, India should show the national will and next make it the national agenda to bring back the national wealth stashed away.

Before further discussions, it is necessary to know the extent of Indian wealth estimated to be secreted abroad

Maths of the loot may be disputed but the fact of loot cannot be

There are several estimates of what is the Indian wealth secreted in tax havens and secret Swiss bank accounts. In the last several months there have been extensive media reports on the extent of Indian wealth stashed away in Swiss banks particularly. The media has reported that the amount of Indian wealth in Swiss bank accounts is as high as \$1.4 trillions [Rs 70 lakh crores]. Some other estimates have put it a lower figure of \$500 billions [Rs 25 lakh crores]. While the maths of the secreted wealth are all estimates, there is little doubt that there is a substantial amount of Indian wealth secreted abroad. The Swiss Ambassador to India himself told the media last year: "Switzerland was accused of giving shelter to black money and **there has been a lot of inflow of such wealth from India** and other countries of the world". He added that "the new law in Switzerland would not stop it, but control it "up to a certain limit." [NDTV Profit dated 15-03-2008].

There have been global estimates about how much monies have been stashed away from the developing and third world countries through diverse economic models. In the socialist regime that operated in India for four decades, there were reports of substantial capital flight from the country with the wealth and income tax rates exceeding the income of the tax payers. With the economy liberalizing in the last couple of decades the expectation was that such capital flight would stop as the tax rates had been brought down to levels which were lower than in many developed countries has not materialised But it appears that the capital flight from India not only seems to have continued but also intensified as explained in detail here.

Illicit monies are the dirty outcome of modern capitalism. But, after the 9/11 terror, the US realised that, not just the buccaneers in business, but even Osama Bin Laden could also hide his funds in secret havens and use them to bomb the world. Campaigns against dirty money as high security risk commenced with the research done by Raymond W. Baker, a Harvard MBA and a Brookings scholar. In 2005 he published his research as a book: *Capitalism's Achilles Heel: Dirty Money and How to Renew the Free-Market System*. It set off an intense debate in the US as the exposure linked dirty business and dirty money with terror and national security. Raymond Baker had estimated, using authentic data, tools and reasons, the dirty wealth secreted in banks at \$11.5 trillions to which, he found, one more trillion was getting added annually. He added that in the process the West was getting an annual bounty of \$500 billions from the developing countries, India included. This figure of \$11.5 trillions as the slush monies lodged in tax havens and secret banks have been accepted by the OECD also. Baker now heads Global Financial Integrity (GFI), a watchdog of illicit flow of monies in the world.

GFI has recently brought out detailed estimates of the black wealth hoarded in secret havens from different countries in a document titled "Illicit Financial Flows From Developing Countries 2002-2006" [www.gfip.org]. This project is supported by the Ford Foundation. GFI research also estimates the illicit wealth stashed away from India. The GFI study shows that during the period from 2002 to 2006, annually \$27.3 billions were stashed away from India making a total of \$137.5 billions for the 5-year period [See the Executive Report of GFI in www.gfip.org on 'Illicit Financial Flows from Developing Countries 2002-2006' Economists' version at Page 30]. That is, in just five years, Indian wealth amounting to Rs 6.88 lakh crores has been smuggled out of India. This gives a clue as to how much Indian money would have slipped out of India in the last 62 years, particularly during the Nehruvian Socialist regime when the income tax [97.5%] and wealth tax [almost equal to the income earned on investments] together constituted double the income earned! It is undisputed that the Nehruvian socialist model had caused substantial capital flight from India. So the amount of Indian black wealth secreted away in the last 60 years – estimated at from \$500 billions [Rs 25 lakh crores] to \$1400 billions [Rs 70 lakh crores] – does not seem to be wide off the mark, if the GFI estimate for the 5-year period 2002-06 is considered.

There are two versions of the GFI study – one the layman's version and the other the economists' version. The economists' version gives the specific estimates of the capital flight country-wise. It is in the economists' version of the GFI study [at pages 29 and 30 supported by charts, specifically chart 18] that the specific estimates of the amount of black wealth

stashed away from India between 2002-06 at \$137.5 billions has been given. Some who have looked at the layman's version have commented that the GFI has put India in the band of countries with capital flight of \$10 to 100 billions and have not given any specific figures for India. So there is no doubt that substantial amounts are stashed away from India and it is a continuing game. What can be disputed is only the maths of the loot, and not the fact of the loot. After the Swiss Ambassador himself has admitted to the loot from India getting lodged in Swiss banks, it is only those supporting the secret banking operations who can refuse to support any effort to unlock secret funds lodged in tax havens and Swiss banks. India cannot stop it without global support and the West too has realized it and is now on a crusade against black-wealth getting stashed away from their countries.

Economists call it flight of capital. This is the Indian people's money stolen away from them. There is a difference between black money within the country and the black wealth shifted out of India. While both are bad and are prejudicial to the national economy, the black wealth stashed out of India represents capital flight from India. It is a total loss to the nation. On black money the government and the people lose the tax. But in capital flight the country itself loses the money. So capital flight is more dangerous. And now besides economic prejudice, it causes high security risk.

Any measure to recover the monies stashed away from the country requires strategic approach combining geo-political diplomatic action at the global level and developing appropriate infrastructure in India to bring it back. This effort is needed not only to protect the national economic interests, but also to ensure that the secret channels are not made use of to fund anti-national work including terror. Important in this context is the statement of Shri M.K. Narayanan, the National Security Advisor, in Munich last year that funds which are allowed to flow into the Indian stock markets from secret sources have been used for terror purposes. So the need for a national crusade against secret banking and tax havens cannot be overemphasized.

But, what is the strategy for recovering the Indian wealth illegitimately lodged in secret tax havens and in secret banks? This report attempts to unveil the broad and specific strategic actions to be taken at the global and at the national levels. At the outset we state that India's global strategy to secure a regime which disfavors tax haven and secret banking is more critical to the success of the mission against monies stashed away from India than the domestic efforts, even though both complement each other. The Indian non-participation in global efforts so far has cost

the national interests. It is necessary for the BJP to understand the criticality of the global efforts and how India should strategize its global thrust illegal monies to get at the monies illegally stashed away from India.

Global Strategy

Step I

Creating a powerful public opinion in India is a pre-requisite for global response to India's requirements in regard to unveiling banking secrecy. The world respects powerful domestic opinion on global issues. India must first realize that this is the ideal time to act and join the global crusade against secret banks and tax havens. In the absence of a broad national consensus on the issue, only a determined leader with a committed team can create the strong national will needed for undertaking this serious agenda overcoming all attempts to impede the effort. This is what French and German leaders are demonstrating to the world. What is critical is sincere and skillful communication to the people at large without whose support the vested interests will not allow this undertaking to succeed. We recommend that the BJP must create a powerful public opinion which would force those who do not support this measure to come around to support like the British Prime Minister Gordon Brown was forced to do after the February G-20 preparatory meeting in which he did not extend support to Germany and France. Those who do not support the move should be seen as supporters of black economy as it happened in the case of Mr Gordon Brown.

The West, which had always regarded financial secrecy as sacred and thus encouraged the growth of secret banking and tax havens, has now begun to regard financial secrecy as almost blasphemous. This gives the first and the real opportunity for India to work to bring Indian monies illegally stashed away abroad has come only now.

India has been a victim of large-scale capital flight in the last several decades. It is estimated in a study by the Global Financial Integrity supported by the Ford Foundation that more than 50% of the illegal capital flight is from Asian nations, of which India is a major constituent. There are varying estimates, and therefore disputes, about the money looted away from India. But dispute over maths about the loot should not be allowed to mask the fact of the loot itself. So India has high stakes in the success of the West's effort to do away with secret banks in which the monies stashed away from India are kept hidden.

Why was this not done earlier?

Thus, effectively only now after the U-turn of the West, not even a year earlier, such an opportunity has opened up for India. Even if India had exerted earlier to bring back the illegal monies from abroad it could not have worked as the West, without whose support no action would have succeeded, would not have supported such efforts. It is the global financial disorderliness which has compelled the West to act. So this is the time for India to act. India must forthwith join the global crusade against secret banking and tax havens.

The ideal approach would be to create a national consensus on the issue; failing which a strong national will should be created like leaders of France and Germany are doing in their respective nations. A determined leadership with a committed team can only bring about the requisite change in the national perspective. Those who want the status quo to be maintained will always question the maths of the issue, doubt the feasibility, and make it appear as not a serious undertaking because such an agenda cannot be opposed openly and can only be trivialized. So the opposition to the BJP effort is not, and cannot be, direct but can only be subtle and insidious, as it is. The kind of efforts which are on to undermine the issue are partly the effort of those interested in the continuance of the status quo and some of them are its beneficiaries. Recent comments by Congress party leaders belong to this category. **Shri Jairam Ramesh, for example, has said, the BJP's "entire edifice of numbers on the black money issue is a total hoax."**

This needs to be exposed by appropriate, sincere, skillful communication to the people at large, without whose support this undertaking will not succeed and with whose support this cannot fail whatever the effort of those trying to derail it. When France and Germany took up the anti-tax haven agenda in the G20 preparatory meeting at Berlin in February 2009, and Britain did not support it, the British Prime Minister Gordon Brown was so severely criticized, that within two weeks he had to come round to support them. This was because not supporting France and Germany had created the perception that Mr. Gordon Brown was in favor of secret banking and tax havens. This is the power of public opinion. The BJP must endeavor to create a powerful public opinion on the issue for which the current elections provide the best opportunity.

Step II

We recommend that India should stop being a silent spectator to the G20 efforts against secret banking and tax havens like it is now and must become an actor, an active player and forthwith change the perception that it is not against secret banking and tax havens.

The aggressive stance of France and Germany against US and UK supported by UK and US have led to a paradigm shift in the global view of secret tax havens and banks. The process started in the OECD platform last year when Germans called for the blacklisting of Switzerland and France supported it. The Indian government's conduct to keep silent and not support the moves of the West against the tax havens and secret banking has been a disgusting continuity. Though India is not a member of the OECD, and given the fact that its voice is now heard in the global arena, it could have welcomed the efforts of France and Germany which it did not. Again when Germany and France took the issue of secret banks and tax havens in the G20 preparatory meeting at Berlin in February this year India kept silent for no conceivable reason. Again when the two nations supported by UK and USA campaigned against secret banks and tax havens in the G-20 meeting at London later in April, India surprisingly kept mum. Lastly, when the German government offered to open to all nations the secret names of the account holders in LGT bank in Liechtenstein, India did not effectively work to get the names of several Indian believed to be in the secret records.

The repeated disinterest shown by India has given the impression to the nations which are battling against banking secrecy and tax havens that India is not against such distortions in the financial system. This impression has to be forthwith removed. If the BJP comes to power, India should emphatically declare itself part of the global and particularly Western efforts to de-legitimize banking secrecy and tax havens. The signals by the acts and omissions of the government so far grave prejudice has already been caused to national interest. So this step is a very critical step to announce to the world that India is as much interested as France or Germany or UK or USA are-- in ending banking secrecy and tax haven structures.

Step III

We recommend that India must immediately show its seriousness and effectively urge the German government to provide the details of the Indian names from the LGT bank secret records. The BJP, if voted to power,

must send a special emissary to Germany, which is willing to give the details of Indian names in the LGT bank secret records.

For this purpose and to demonstrate its earnestness the Indian government must forthwith send a special emissary and ask for the names and details of Indian nationals holding secret accounts in LGT Bank in Liechtenstein, and get the details. This will also partly address the perception that India is not serious about unearthing the illegal Indian funds stashed away abroad.

Step IV

We recommend that India must strive for global, multilateral effort, which is the only solution. India is today seen as not a serious player to undo the secret regime. To undo that impression steps I, II and III are critical for India to take up.

It is necessary to understand that no single country on its own can accomplish the task of ending banking secrecy or tax haven protection as that requires the change of the law of the nations that protect the secrecy. Collective and coercive effort can only undo the secret regime. That is why German and France called for sanctions against the Swiss and other tax havens. So India needs to join all multilateral effort to undo the banking secrecy and dismantle the tax havens. But having given an impression that India is not serious about dismantling tax havens and secret banking, only if India takes these steps, India can participate in the negotiations by the Western nations to end tax havens and secret banking, and make its requirements incorporated in the final treaties. India has special requirements as explained in Step V hereinafter. Without even firmly declaring that India is with their efforts India cannot ask for the participation in the formulation of the multilateral anti-banking secrecy treaties with the Swiss or other tax havens.

Step V

We recommend India must effectively participate in the multilateral efforts that are on to pries open the secrecy in global tax and financial system. India has special needs beyond what the West is seeking to break banking secrecy. The west knows the details of whose account to ask for from Swiss and other tax havens. India needs a easier model of breaking the secret wall of the mystic banks. India should work with the West to get

the OECD rules on internationally agreed tax standard which has been endorsed by the UN accepted by the Swiss and get those rules suitably amended to suit the requirements of India. That will bring an end to the banking secrecy in Switzerland and elsewhere. Unless the Swiss and other tax havens agree to change the laws no way any government in India or elsewhere can attempt to bring back their wealth stashed away. That global coercive action is working is seen from that fact that the G20 threat to blacklist tax havens and secret banking is already beginning to yield results, with Switzerland crumbling and other tax havens agreeing to accept the OECD standards of disclosure. India keeping away from global efforts is costing the national interests as India needs special terms to break the secrecy which it cannot get unless it effectively participates in the global effort.

India must aggressively socialize and work with the Western nations, particularly France and Germany and exert diplomatic and political influence to ensure that it is part of the OECD effort to bring in a transparent tax and banking regime and in a manner which suits India's special requirements. The progress of the multilateral effort to break the banking secrecy is captured here.

OECD, which includes Switzerland, has developed an internationally agreed tax standard. This was endorsed by the finance ministers of G20 which includes India in Berlin in 2004. This was also approved by the UN Committee of Experts on International Cooperation in Tax Matters at its October 2008 meeting. This treaty requires exchange of information on request in all tax matters for the administration and enforcement of domestic tax law without regard to banking secrecy. [See Progress Report on the Jurisdictions surveyed by the OECD Global Forum in implementing the internationally agreed tax standard]

The OECD has been pressurizing the Swiss to accept this code, which the Swiss have been refusing to. But after the West started the crusade last year and threatened that at the G20 meeting in April 2009 it would blacklist Switzerland and other tax havens, the Swiss crumbled. Switzerland, which always had declared that the banking secrecy was inviolable, are beginning to yield with the Swiss finance and justice ministers expressly saying that the Swiss will have to compromise on banking secrecy. The way the OECD and G20 threat to blacklist tax havens including Switzerland worked, shows that collective action is the best way to break open the banking secrecy and to dismantle the tax havens.

A fortnight ahead of the G20 meeting in April 2009 Switzerland and other secretive financial centres suddenly agreed to sign tax information-sharing agreements in the hope that such concessions would stop the G20 from issuing a black list of centres that could be punished by other nations. The four other tax havens – Costa Rica, Uruguay, Malaysia and Philippines – which were blacklisted by G20 surrendered within days and agreed to sign the tax information sharing agreements. Two others, Brunei and Guatemala, dodged the G20 blacklisting them by relenting within hours and agreeing to sign the treaty. The success of G20 made the British Prime Minister Gordon Brown to claim that "This is the start of the end" for widespread tax avoidance, Brown added "The era of banking secrecy is over. People will increasingly see it as unsafe to be in a country that wants to declare itself a tax haven. There will be no guarantee about the safety of funds there. If tax information is exchanged on request, as these countries have agreed to, then the benefits from being in these countries will diminish every day."

How tough the measures of G20 is evident from the statement of, Richard Murphy, a British tax accountant who campaigns against tax havens, who said the G20 planned to back up the black list with "sanctions that will hurt". "You will see the imposition of withholding tax on money that is sent to these havens and other penalties to neuter the benefits of holding money there in the first place," he said. "This is a big step forward but there is still a long way to go. The information exchange agreements that are being imposed don't really make it practical to get information unless you know the name and account number of the person who has been dodging tax."

But in so far as developing countries are concerned he sounds a note of warning saying that "the proposed information sharing regime is not adequate for them and it has to be a lot easier for them. He says "It has to be easier than that because developing countries in particular will not have the resources to jump through all the hoops needed to find the people who are ripping off their tax."

(<http://www.theaustralian.news.com.au/business/story/0,28124,25285722-36418,00.html>)

This is where India's isolation is costing Indian national interests. India has to undertake very special effort to undo the damage done by its non-participation in the global efforts. Its presence like the Prime Minister's presence in the G20 meeting is more like being part of the protocol than being part of the efforts and presenting the Indian needs and requirements. The present government unfortunately is seen as being soft on ill-gotten Indian monies abroad after it allowed Quattrocchi to run

away from India and stay abroad and withdraw the millions which he had stashed away out of the bribes he had received in the Bofors deal and which the Indian authorities had caught and kept in custody in London. So the BJP, if voted to power, needs to redouble the efforts to be part of the global efforts.

Step VI

We recommend that India appoint a special ambassador with adequate knowledge of the tax havens and secret bank issues to work with the G20 specifically for framing India-friendly rules to unveil the secret banking and havens.

In order to catch the opportunities which this government has deliberately squandered away, if the BJP is elected to head the government, it must appoint a Special Ambassador to G20 to deal with only the tax haven and secret bank issues. This will enable India to present its case for special terms in the treaties from the perspectives of developing economies. The developing economies desperately need India's leadership at the G20 meet where China for reasons of protecting the interests of Hong Kong which is a tax haven, is not very keen to undo the banking secrecy. In the absence of India providing the leadership the cause of the entire developing nations is suffering today. The BJP, on getting elected, must immediately take over the vacant position of the leadership of the developing nations. For this purpose it has to change the rules like allowing investments in Indian stocks through the Participatory Notes method which is secretive and allows secret funds into India like the Swiss Banks do! Actually the Indian rules permit a Switzerland in India. How can India call for action against Switzerland when it permits a mini-Switzerland in India? While such funds are prejudicial to the national economy, they are undoubtedly prejudicial to the national security also. The National Security Advisor had held them as vehicle for bringing in terror funds into India.

But, unfortunately, another G20/G7 meet has been fixed on April 25, 2009 when the present government would still be in power. In the context of the present government's explicit pro-tax haven character, India does not have any clear G20 specific plan. The government is therefore not heeding to the advice of the BJP to take a firm position at the G20 and is maintaining stoic silence like it did in the previous meeting in early April, and in the preparatory meeting in February 2009. As time is running out with the April 25 G20 meeting coming ahead of the election of the new

government in India, the only thing that the BJP can do is to demand that India should appoint a special ambassador to the G-20 meet to deal with the extraordinary situation and bring about global disclosure standards. What damage the continued Indian silence on the issue of tax havens at the G20 will do is not evident. But if the BJP is elected to form the government, the first thing it should do is to immediately appoint a competent person as the Special Ambassador to deal with the G20 specifically in regard to the tax haven issue and recovery of Indian money stashed away. India should insist that all tax havens should follow similar/acceptable standards.

National Strategy

While the recovery of Indian monies stashed away is largely to be made at the global level there has to be proper statutory and institutional infrastructure within the nation to handle the problem of flight of Indian monies to tax havens and secret banks and also to take measures to bring back the Indian wealth stashed abroad. It is necessary to understand that the Indian part of the effort is only one part of the whole. It is impossible to succeed through only the Indian national efforts unless the global regime changes for which there are clear signs today. So the Indian global strategy is condition precedent to the success of the national strategy. No nation's domestic strategy will work unless the global regime is made transparent. That is what the Western nations are trying to accomplish today through unbelievably tough measures. But unfortunately the present government in India is shockingly non-participative and silent on the global efforts. With the caveat that India's global efforts are the most critical part of the agenda against monies secreted away from India, we recommend some measure as part of the national strategy within the governance model of India.

Collection of information from emigration:

We recommend that immediate action should be taken to collect, collate and analyze the immigration records to short list persons who have been frequently visiting the Tax Heavens. Inquiries should be initiated in cases where there is prima facie suspicion of visits not being for bona fide and transparently explicable purposes. This should start with cabinet ministers and other high profile political personalities. Immigration data of Indian nationals should be collected from the tax havens as most do not go directly from India to tax havens such as Switzerland, Luxembourg etc.

Monitoring high frequency tax havens

We recommend that proper identification through RBI of banking/financial institutions in tax havens that have high transaction frequency with India should be put in place. Working with the financial institutions and domestic regulators in these geographies to access the 'beneficial ownership' information for these accounts provided to the banks as part of the Know your customer (KYC) information.

Becoming full-fledged member of the FATF

Financial Intelligence Unit (FIU) of the Finance Ministry in India has been admitted to the Egmont Group at its recent Plenary Session at Hamilton, Bermuda. Egmont group specifically deals with slush money issues. This enables the FIU to leverage the Financial Action Task Force (FATF) to receive and exchange information regarding illegal money in Tax Havens through their counter-parts abroad. We recommend that efforts should also be made by India to upgrade its membership in FATF from Observer Status to full Membership.

Use of financial intelligence sharing for security purposes

India has intelligence sharing mechanism through Joint Working Groups (JWGs) with over thirty countries. As there are credible reports of illegal financial channels being used for terrorist financing, the platforms available should be used for collecting information at intelligence level. Since this illegal money is a potential source of undermining national security, we recommend that Indian Intelligence agencies should be specifically tasked to collect intelligence on this count.

Legislative support

Like the Obama Administration is planning specific anti-tax haven laws, India must also target tax havens and secret destinations like Switzerland operating in India. Legislations to enable the government to initiate legal action and simplify procedures to take action against people who have stashed their money in Tax Havens should be enacted. Most of this money has emanated from kick backs in major deals entered by the government, under and over-invoicing, laundering of drug money, money generated through corruption etc. According to the National Security Adviser the terrorists have also been using illegal channels to invest in funding Indian Stock Exchanges and other activities. We recommend that the stricter laws should place the onus of proving their innocence if a prima facie case is made out.

High Level Task Force

We recommend that the government of India should constitute a high level Task Force with representatives from Finance Ministry, National Intelligence Agencies, Ministry of Law, Reserve Bank, SEBI, Economic Intelligence Units (like Economic Intelligence Bureau, Directorate of Revenue Intelligence, Financial Intelligence Unit), Vigilance Commission, Central Bureau of Investigation (CBI), and other experts to collect and process the information and start legal action wherever feasible. As large scale kick backs are reported from purchases made by some of the Ministries like Ministry of Defence, Ministry of Civil Aviation etc., their representatives could also be co-opted wherever necessary. India should also be aware that OECD is independently taking steps to investigate the links between FDI flows to India and Tax havens to verify round-tripping and started preparing a report to be released by the end of the year. India must similarly work on the relation between secret monies and FDI in India including the Participatory Note model of investment in stock markets.

The history of illicit wealth holders should be brought out

We recommend that when India is able to unveil the banking secrecy through information sharing arrangement, it should get the names and amounts not just as of today but for the entire economic history of the account-holders -- for a major proportion of the amount would have been transferred from one tax haven to another. For the same reason, the Indian effort should cover ALL tax havens, and not just Switzerland to disgorge the names and amounts.

Conclusion

The war to win back the Indian monies stashed away in secret tax havens and secret banks is essentially to be waged by India outside, in multilateral platforms like G20, United Nations and others. But this cannot happen unless first the world see India as serious about ending secret financial order and next there is adequate awareness in the establishment and outside and among the people in India about the critical need to bring back the lost capital which if brought back can transform the economic and political status of the country. So this effort needs to have powerful popular backing as that will only enable whichever government works to bring the stashed capital back to overcome the vested interests. So mass campaign about how the nation has lost huge wealth and what it will

means to the people if it brought back is also critical component of the overall strategy.

But one thing is certain. Difficulties and impediments apart if the strategy suggested in this approach paper is adopted and the new Indian government is sincere about its agenda to bring back the funds stashed away from India, the task is eminently doable. The global conditions cannot be more favorable for an Indian thrust. India's silence in the global effort against secret money, which is critical to the success of the mission to recover the Indian wealth illegally stashed abroad, is baffling. If the new Indian government effectively participates in the global effort today, led by principally Germany and France, the Indian mission to recover illegal funds stashed away by Indians will succeed. It is a doable undertaking. This is our conclusion.

We plan to consider issues pertaining to the modality of sterilizing the money when it is brought in to the country, the mechanics of using it in different sectors for our development, the treatment of individuals involved in the crimes, the taxation of the ill gotten wealth, and other aspects in our final report.