

Keynote Address
Seminar on the Future of the Offshore Finance Centre
By
Hon. Willie Jimmy Tapangararua
Minister of Finance & Economic Management
June 6th 2008
RBV Conference Room

Mr. Chairman,

Commissioner George Andrew VFSC,

Governor RBV, Odo Tevi,

Deputy Governor, RBV Peter Tari,

Chairman/President FCA Mark Stafford,

Members of FCA,

Political Advisors, Senior Government Officials,

Invited Guests,

Ladies and Gentlemen,

Mr. Chairman, allow me first to acknowledge my honour and gratitude to you, the Deputy Commissioner of VFSC, the Governor of the Reserve Bank and all the staff for excellent arrangement bring forward this Seminar at the short notice.

I would also like to acknowledge, and welcome the Chairman of Finance Centre Association and all its Members, Government Officials and invited guests for your presence.

Sixteen years ago from today, I first launched the first ever wide publication booklet about Vanuatu Finance Centre. [*Hold it out and show to public*]

Some of the topics covered on the booklet magazine include:

- Making the Right Connections
- Message to International Investors
- Tax free and well protected

- The next big Leap forward.

I believe, a lot of what is going to be said here today will not be the repetition of what is already contained in this booklets eg; I refer you to certain phrases in this magazine, first page (11)* (12) (13), to quote a few.

“The challenge before us today is how can we be sure to make Vanuatu’s Offshore Finance Centre Legislation keeps one step ahead of the Competition encountering us?”

Commissioner and FCA Stake holders, today marks an important historical day in Vanuatu that for the first time the Government and Service providers meet to discuss the future of Vanuatu Finance Centre, the industry established before Independence and continued to be regarded or cherished as one of the economic financial resources for the people and the Government of the Republic of Vanuatu.

Given the increasing level of globalization in the world economy, it is timely that we are here together to review the present status of our Finance Centre Industry at such a time when we are more inter-dependant on each other for Growth and protection of our vast resources as Independent Sovereign Nation.

It is important for all of us to note that despite the continuing changes in the international rules of the game, some of international finance centres such as Singapore, Hong Kong and Dubai continue to strive and grow successfully. There is no doubt that they have adopted policies that we need to learn from them.

Today, will be earmarked as the day we all meet to discuss and resolved to work together to revitalised the Vanuatu Finance Centre.

The Government is willing to take a lead. We are looking forward to create a Finance Centre with legal framework, that benefit all citizens of Vanuatu; enhances our reputation as a sovereign nation, and successful.

I want us to agree to an approach that gives a chance, over the next 5 – 10 years, of developing into a financial centre, of the Pacific, which can attract substantial business from the growing economies of South East Asia.

That is not where we are today. We are currently a relatively small financial services centre, constantly under threat of strangulation by national and international authorities.

We need to be brutally honest with ourselves in order to determine why we are in this position and what we have to do to get to where we want to be.

It should be clearly stated at the outset that we need to be honest with ourselves in order to determine why we are in this position and what we have to do to get to where we want to be.

Our Finance Centre has a lot to be proud of. We have survived, since the 1970s, despite much international pressure placed upon us by external and international institutions. We have been able to stand up to those pressures.

The businesses that make up the Finance Centre have developed skills that add real value to their clients. Elsewhere in the Pacific and Caribbean, there are offshore centres that provide minimal services beyond company incorporation.

The Vanuatu Finance Centre is quite different. We have offshore banks, insurance companies, captive managers, agents and brokers. We have businesses that can provide fund management services. The core of our existing business consists of company and trust services providers who can create value for customers by setting up trusts and company structures and providing wealth management and business advice.

Our political system, although relatively young, has shown itself to be robust and resilient – capable of providing sound government, peaceful transfers of power and economic stability. We have an independent and well respected judiciary that is capable of enforcing contracts without fear or favour. Needless, therefore to say that the political environment and the general public governance systems in which offshore businesses are carried out is sound and healthy.

We are clearly capable of producing youngsters with appropriate skills and we have the lifestyle and climate that should attract others to supply skills we cannot produce ourselves in the short term.

We are putting in place a set of regulatory laws covering banking, insurance and corporate and trust service providers. These regulatory laws are modelled on best international practice and standards.

Perhaps most importantly, as we look to the future, we have an enviable position in a time zone that is close to the growing economies in South East Asia – a point I will return to in a moment.

However, despite these strengths, the fact remains that our success as a finance centre has been limited. Measuring the size of an offshore centre is not an exact science and full information is not always available. Nevertheless, it is safe to say that we are smaller than most centres in terms of employment created, the assets under our management, the number of companies and trusts we create, the number

of businesses on Vanuatu and the number of institutions that we attract to our country.

Put simply, we have just not done well enough, given the advantages that we have. Let me refer you to a brochure previously mentioned and one of the topics called "The Next Big Leap Forward". Evidently, it seems, we are not seeing that to be case and it is disheartening to be in office again with such declining business activities as mirrored in the features stated earlier.

Today we expect the meeting and discussions that ensue to be constructive and way-paving. This is the time to assist each other in ways we envision to be the best in ensuring the reputational images of the Vanuatu as the first and oldest off-shore centre to be established within the sub-region.

There is a perception that our reputation as an offshore centre is poor. I am convinced that this is unfair and out of date. Like the recently introduced regulatory regime I mentioned earlier, our new anti money laundering and terrorist financing laws are at international standards.

There are some commentators that who believe that having a secrecy jurisdiction undermines our reputation. It is believed that some investors use this for good reasons an others for bad reasons. Because of that danger, we may attract the attention of law enforcement authorities. This in turn deters many potential customers who do not want to place their assets with businesses that are under suspicion or which appear to be offering services in a way that attracts those seeking to hide from the authorities.

These arguments are not without merit.

I would like you all to discuss whether we should review our secrecy jurisdictions and agree to an approach that will enhance our reputation in the future. We need to discuss whether we should maintain the status quo or embark on challenges that are at hand today such as the tax information agreements and double tax agreements. As you are all aware, a report on whether the Government should enter into an information tax exchange agreement is now with the Government. This report, I believe, has been reviewed and debated by most of you. A lot of offshore jurisdictions have entered into such agreements. I believe that entering into such agreements will be a major turning point for our industry and it is for this reason that among other things discuss today, I would encourage you to discuss this issue further at this important forum. It is my understanding that more time will be allowed for this topic to be further discussed in your group discussions.

There is a better way forward.

The truth is that the economic centre of gravity in the world is shifting towards us. The economies of India and China are growing fast. The number of high net worth individuals in those countries and other countries in South East Asia are growing fast. Other offshore centres are thinking about setting up offices in Shanghai and elsewhere in the region.

To get to where we want to be, we need to set out a clear path.

We should be prepared to sign tax information agreements.

Reputations do not change overnight. The Government and VFSC will need to mount a campaign to explain our new approach to regulatory and other authorities. I am prepared to do my part because this is no new phenomenon for me.

Most importantly, the Finance Centre must be prepared to work with the authorities here in targeting new markets in South East Asia.

I have no doubt that without the change I am proposing, the Finance Centre will continue to face more stagnation. Moreover, Vanuatu as a whole and its citizens will continue to suffer the poor reputation we have attracted.

I believe we have a reasonable shot at a better future. The Government is determined to act decisively, as it has already been doing, to make the changes that can provide the foundation for a better and more prosperous future. The trouble is, we can only provide the foundation. It will then be up to you, the entrepreneurial community, to go out and get the business. We look to you to take advantage of our new opportunities for your benefit as well as the benefit of all citizens of our great country.

The challenges I have just outlined to you may appear daunting. But they can be overcome. And they must be overcome if we are to make a real difference in the lives of the citizens of this great country. That's why, during your deliberations over the next hours, I would encourage you to think beyond your coffers, beyond the companies you run, and about the reputation of this country whose future partly depends on you. Because the success of this meeting will not lie in a carefully crafted communiqué before the Council of Ministers or the Business Forum next week. Future performance of the Vanuatu OFC will judge this meeting successful if it helps improve number of people working in the centre, increase the assets under our management, improve the number of companies and trusts we register, raise the number of businesses registered in Vanuatu, expand the number of institutions that we attract to this great country and most importantly create real economic opportunities for all.

I wish you well in your deliberations.