This paper is situated at the cusp of debates aimed at rendering financial science, as a knowledge field, open to critique. There are many lively discussions in the literature that each occupies centre stage at various moments. These range from - the capital mobility/volatility debate; the exclusionary character of international financial governance bodies; the challenges posed to banking confidentiality principles by new requirements for monitoring and assessing clients - to anxieties about the proportion of investment in proprietary trading over greenfield options;¹ and recurring ethical and political trepidation over the puzzles inherent in moralising financial speculation. The point of departure in this essay, however, is the evolutionary dynamics of the international financial architecture, the norms that make up its economic and cultural \textit{habitus}, and how Commonwealth Caribbean countries, particularly its offshore financial centres (OFCs), fare in this interaction structure.

Currently, there is an international policy constellation around capital mobility, tracing criminal money and tracking terrorist finance, and this has been made possible due to one: the `extraordinary power' of Washington, Wall Street, Main Street and London before and increasingly since the events of September 11 2001 (or 9/11); and two: the discursive hegemony of scientific finance. An epistemic community of largely Western experts `fluent in finance', together with other policy specialists, are busily constructing norms in international tax policy and financial transactions through newly constituted international authority structures. Transactions and tax policy initiatives that deviate from the standards so determined are being classified as suspicious.

I argue that Caribbean OFCs have become a special point of entanglement in the alignment of core Western interests in establishing the mobility rights of capital, tracking terrorist finance, and penalising tax evasion.

¹ I refer here to money-capitalists that send out large flows of funds into portfolio investments (i.e. buying securities), Treasury Bills, currency speculation, and government bonds - of which the US bond market is the largest. To be sure, portfolio investment rests on exploiting interest rate differentials as investors move to refinance existing debt and purchase existing companies in emerging and other markets in the global South. The nature of the above mentioned investment is short term, volatile and speculative. Altogether it increases market volatility and can induce panics and manias, of which more is discussed later. For more on this see, P. Gowan (1999) \textit{The Global Gamble: Washington’s Faustian Bid for World Dominance}, London: Verso; and S. Strange (1998) \textit{Mad Money}, Manchester: Manchester University Press.
Other OFCs in Europe and the Asia-Pacific region remain subject to surveillance and monitoring (see Table 1) and there is scope for exploring the ways in which OFCs in the Pacific Islands are orientalised. While such an exploration sits well within the arguments in this essay, the focus on the English-speaking Caribbean is intended to bring US/Caribbean relations into sharp relief. US centrality in the currently uncertain world financial order continues to be manifest in its influence on leading international financial institutions and regulatory bodies. But from the perspective of Caribbean small island economies pursuant of an OFC strategy, it has been the evolving US campaign against money laundering - now given extraordinary impetus through the ‘war on terror’ – that has produced a discourse of sleaze with attendant implications for the region’s reputation and capacity to expand the scope of their promotion strategies. Ultimately the kinds of negative discourses produced act to displace the region in a high stakes battle between international offshore and onshore centres for legitimate business.

Table 1: Major Offshore Financial Centres (circa 2005)

<table>
<thead>
<tr>
<th>Inland Enclave States</th>
<th>Coastal Enclave States</th>
<th>Island States</th>
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<tbody>
<tr>
<td>*Andorra</td>
<td>Costa Rica</td>
<td>Antigua &amp; Barbuda*</td>
</tr>
<tr>
<td>Austria</td>
<td>Gibraltar*</td>
<td>Anguilla*</td>
</tr>
<tr>
<td>Liechtenstein</td>
<td>Lebanon*</td>
<td>Aruba*</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Liberia*</td>
<td>Bahamas*</td>
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<tr>
<td>Switzerland</td>
<td>Monaco*</td>
<td>Bahrain</td>
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<tr>
<td></td>
<td>Nicaragua</td>
<td>Barbados*</td>
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<tr>
<td></td>
<td>Panama*</td>
<td>Bermuda*++</td>
</tr>
<tr>
<td></td>
<td>Singapore</td>
<td>Belize*</td>
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<tr>
<td></td>
<td>United Arab Emirates</td>
<td>British Virgin Islands*++</td>
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<tr>
<td></td>
<td></td>
<td>Cayman Islands++</td>
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<tr>
<td></td>
<td></td>
<td>Cook Islands++</td>
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<td></td>
<td></td>
<td>Cyprus</td>
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<td></td>
<td></td>
<td>Dominica*</td>
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<td></td>
<td></td>
<td>Dublin</td>
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<td></td>
<td></td>
<td>Grenada*</td>
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<td></td>
<td></td>
<td>Guernsey+</td>
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<tr>
<td></td>
<td></td>
<td>Hong Kong</td>
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<td></td>
<td></td>
<td>Isle of Man+</td>
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<td>Jersey+</td>
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<tr>
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<td>Malta</td>
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<td></td>
<td></td>
<td>Montserrat+*</td>
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<td></td>
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<td>Netherlands Antilles*</td>
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<td>Niue*</td>
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<td>Philippines</td>
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<td>Seychelles*</td>
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<td>St. Kitts and Nevis*</td>
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<td></td>
<td>St. Vincent &amp; the Grenadines*</td>
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<td>The Republic of Nauru*</td>
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<td>The Republic of the Maldives*</td>
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<td>The Republic of the Marshall Islands*</td>
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<td>The Republic of Vanuatu*</td>
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<td></td>
<td></td>
<td>Tonga*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Turks and Caicos++*</td>
</tr>
<tr>
<td></td>
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<td>#US Virgin Islands*</td>
</tr>
</tbody>
</table>

* denotes those OFCs blacklisted in 2001 by the OECD for promoting harmful tax practices.
+ denotes UK’s offshore dependencies;
++ denotes British overseas territories that have historically enjoyed a considerable degree of local autonomy in the management of their fiscal and legislative affairs.
# denotes US overseas territories
Notes: The Cook Islands and Niue are fully self-governing countries in free association with New Zealand. Of the 29 OFCs above, 24 are small island economies, 6 of which are in the anglophone Caribbean region.


Another important flashpoint of concern is in the area of determining what constitutes ‘harmful tax competition’ and the re-regulatory pressure brought to bear on Caribbean and other small island OFCs to adjust their tax and investment policies. Here the fiscal sovereignty rights of these countries are being ignored as the Organisation for Economic Cooperation and Development (OECD) Secretariat draws on an emergent global network of institutions and financial professionals to outline the criteria of responsible, rational and ethical financial practices. Ironically the deliberations across the various regimes of global authority over what constitutes ‘responsible, rational and ethical’ financial practices and reform, coincide with spectacular exposure of financial crimes and weaknesses in scientific financial trading across the world. This is evidenced by the recent spate of fraud cases, runaway speculation adventures, ‘creative’ accounting mis-deeds, and money-laundering exposure across a broad gamut of banking and non-banking institutions, offshore and onshore, in small island economies and in OECD countries alike.2

There is a considerable amount of writing in the international public domain on what constitutes ‘safe’ and ‘unsafe’ financial harbours. Here it is necessary to go behind the representational schemes of Caribbean OFCs within the scholarly literature, investigative reports, and the spiel of financial journals. Discursively constructed and ‘otherised’ as centres of intrigue, extending back at least to the ‘war on drugs’ led by the US Bureau of International Narcotics Control and Law Enforcement, the Caribbean geography of financial services centres has been made to mirror the figure of the ‘unmasterable’ and ‘mysterious’ feminine. Their origins are often either read-off as epi-phenomena to the rise of the Euro-dollar market or are fantastically accounted for in explanations that draw on a kind of geographical and historical determinism. Here the Caribbean slips back into being ‘the West Indies’, that naturalised escape frontier attractive to pirates seeking to hide treasures, once a site where the ‘imperialist self’ risked getting lost, never finding a way back to Europe, driven by a search for profits and also a desire for pleasures.3 Without an appropriate sensitivity to the commercial market heritage of many Caribbean countries, the quest for international financial re-regulation pre- 9/11 ran up hard against ethical challenges from among local state elites and the intelligentsia. More of the same is unfolding in the wake of the war on terrorist financing as the region’s established and arrivist OFCs remain castigated for their tax and regulatory policies in the reinvigorated campaign against tax evasion and money laundering.4

2 A few examples of recently exposed financial scandals are the 1998 collapse of US hedge fund Long-Term Capital Management; the collapse of US energy corporation Enron in December 1998, the 2006 fraud charges leveled against three bankers at NatWest which would see them extradited to the US under the terms of a 2003 Extradition Act -- not ratified by the US in its correspondent UK-US Treaty – on the grounds that they used their business knowledge about Enron’s fragile financial state for their individual or competitor gain; and various reports on international money laundering by the FATF and the Egmont Group of Financial Intelligence Units between 1997 and 2004.

3 To be sure I am drawing on Anglo-American variants of ‘Caribbeanist’ discourse, recognising that there are French, Hispanic and Dutch variants that may produce other understandings of how the Caribbean was perceived and represented. No doubt however that there was overlap as the Caribbean was orientalised from its inception in relation to Europe’s East. See D. Root (1998) Cannibal Culture: Art, Appropriation and the Commodification of Difference, Boulder and Oxford: Westview Press.

4 The latest attempt has been to place tax policy reform onto the agenda for good governance, a consideration advanced by the EU in its trade and development negotiations with the Caribbean. Altogether the Anglophone Caribbean Heads of Government have been unequivocal in their objection to including such matters in talks leading to an Economic Partnership Agreement. For more on this see, G. Edwards (2006) ‘Region: No Tax Talks with EU’, in The Daily Nation, July 24.
Previously, the international regime of financial governance was principally organised around the Group of Seven most advanced industrialised nations (G-7), the International Monetary Fund (hereinafter IMF, or the Fund), the World Bank (WB, or the Bank), the Bank for International Settlements (BIS) and the OECD.\textsuperscript{5} The decision-makers were drawn from these institutions with the US in particular and Britain wielding disproportionate power and influence within this exclusive group of actors.\textsuperscript{6} Whether it was dealing with the dangers posed to US monetary policy by the creation of Euromarkets (circa 1970), the international fall-out of the debt crisis of the early 1980s or money-laundering as part of the `war on drugs', solutions were threaded through what Germain (2001: p.415) later described as `a decision-making apparatus controlled throughout by the United States....[with] available options...defined in accordance with American national and commercial interests.' Problems associated with rapidly globalising financial activity have since given rise to what is being increasingly referred to as the `new international financial architecture' or NIFA.

The NIFA continues to be organised around the G-7 and the earlier mentioned institutions like the Fund, the Bank, the BIS and the OECD but, since 1999, its reform impetus has led to the spawning and/or inclusion of other bodies like the Financial Action Task Force (FATF), the Financial Services Authority (FSA), the US Treasury, the International Organisation of Securities Commissions (IOSCO), the Financial Stability Forum (FSF) and the G-20. Here the G-7 recognises that the stability of its financial systems is linked to those financial systems on the periphery of the world system. On closer inspection, NIFA continues to represent more than an anti-democratic mosaic of surveillance committees. It is essentially a discursive network through which directives, norms, best practice guides and ethics flow. The greater the search for anomalies in financial transaction and the urge to mitigate and monitor money laundering, the more tax policy of largely non-Western financial centres becomes socially discredited. Consequently, the OFC strategy, particularly in the Caribbean, has become imperilled. To understand this however requires an appraisal of the history and character of contemporary capitalism, particularly the growing power of finance and financial engineering.

Re-politicising Finance

In an era when the practices of financial intermediaries and regimes of global financial authority are closed off from democratic politics through the assertion that finance is too specialist for broad-based public debate, questioning technical financial knowledge becomes one of the most important sites of political critique (de Goede, 2003: p.96). Certainly this is necessary if we are to contemplate why global finance remains the only terrain in which there has been little global civic activism.\textsuperscript{7} This is not to deflect attention away from the task of highlighting the exclusionary practices of international financial regimes, as others have done in the field of global governance studies.\textsuperscript{8} While there has been an appeal for greater

\textsuperscript{5} For a brief synopsis on the evolution of the international financial architecture see, F. Saccomanni (1999) `Introduction: A New Architecture or New System? A Survey of International Monetary Reform in the 1990s'

http://www.associazioneguidocarli.org/pdfs/saccomanni.html


inclusion to help legitimate decisions among international financial bodies, others like Thrift (2001), Porter (2001) and de Goede (2003) take into account the discursivity of finance. They are concerned about how meanings are produced, and hence, subject-positions that have implications for particular policy (and political) outcomes. The thrust of their inquiry is about the modern faith in financial science, the trust in financial specialists’ judgement on credit, their criteria of value and their calculability of future uncertainties. In short, they question the assumptions of financial science and effectively expose its ambiguous scientific authority.

The key point made in the research produced in this vein is that the sphere of finance is constructed all the way down by discourses, ideas and culture. And that the genealogy or the ‘moment of arising’ of scientific finance extend back to the overlapping histories of credit, gambling and financial trading in 17th century Europe together with the emergence of professional speculators and their struggle for political legitimacy and respectability by the end of the 19th century. The premise and promise of this scholarly work is useful as it facilitates an interrogatory attitude towards the construction of financial governance standards. An opening up of a field of contestatory possibilities, marked by extensive dialogue across fields of knowledge beyond financial science, is necessary if there is going to be an interruption of the immanent relation between tackling international financial instability/uncertainty and doing so through global ordering structures that privilege core Western normative preferences. This temporal inscription can be gleaned from today’s ‘best practice’ in the areas of due diligence, audit and risk management, regulatory compliance protocols, and procedures for ensuring sanguine financial transactions. These are all Anglo-American derived of which more, later in this article.

Civilising Ideas in Capital Market Development: An Historical Sketch

The history of exchange relations ought to be considered as coterminous with that of credit relations. Prior to the building of legal and economic institutions that we identify with the modern state, most access to credit was city and township based with authority over assessment of credit worthiness and enforcement of contract vested in private or community systems. The social imperative to honour transactions was reflective of the strong association held between moral conduct and creditworthiness.

Seabrooke (2006) observes that even as continental European states began to assert themselves by one: abolishing the capacity of debtors to extract rents from a community and, two: encouraging central state administration and adjudication of individual-based contracts, intense pressure on communities to conform to a standard of moral conduct persisted through to the Eighteenth century. The key civilising idea at play was one of development and modernisation in emerging market economies through the spread of investment and credit. These nascent capital markets produced mutually reinforcing social

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effects on host societies. In Amsterdam, England and Genoa, substantive cultural value was placed on credit worthiness and the personal and gentleman-based networks that established the procedures of such rankings. Morality was very much linked to notions of the ‘civilised’ and the ‘savage’, where a ranking was based on one’s capacity for socio-political self-organisation and the embrace of capitalism and its ‘rational orders’.

Indeed the moral question extended to the dynamics associated with foreign lending and increased capital mobility -- facilitated greatly by international fairs where creditors settled bills of exchange and gathered information on borrowers and potential clients. Where this increased market integration permitted long-term loans to be made according to international rather than local interest rates, moral outrage greeted the development of usury and speculation as unfair and illegitimate financial practices. Neal (1990), Germain (1997) and particularly, de Goede (2005) concur that gambling on a wide variety of uncertainties was part and parcel of early modern finance. In the 18th century, no conceptual distinction existed between gambling and financial practices, as they were both strategies for profiting from an uncertain future. However the concept of risk provided the possibility of a demarcation line between gambling and finance. Risks were identified as natural on the one hand, but humanly calculable on the other, and thus came to provide the political and moral legitimacy for a range of financial instruments, including futures and other speculative contracts. This merged well with the late seventeenth century desire of England to expand the state’s capacity to finance wars and to develop a financial system that would make credit creation less dependent on individual morality. For credit to be extended a new set of legitimating financial practices was required and needed to be supported by the state. The City of London’s growth as a capital base and clearing house for bills of exchange together with English political and economic prowess led to a new standard of civilisation in global capital markets that extended into the 20th century. The introduction of scientific methods into financial practices as de Goede and Neal argue, should thus be seen as a continuation of the moral and political debates that have surrounded financial markets for centuries. The scientific study of stock prices emerged therefore as a moral imperative rather than as an economic necessity. It was a way for speculators to assert their productiveness and intelligence in the face of growing opposition to their trades as fraudulent and gambling. The studies undertaken by mathematicians and economists from the late 19thCentury onwards sought to cast the workings of financial markets in terms of natural universal laws. Indeed the articulation of risk as a calculable entity would prove to be the most important and most durable defence of exchange trading.

It is the specialist and technical knowledge that depoliticises issues like financial risk management, financial modelling and financial accounting. The recruiting of issues into the realm of the technical and the routine is in evidence in the new anti-money laundering offensive. International workshops and conferences are geared towards a technical discussion of compliance norms where, for example, suspicious activity reporting is reduced to an explanation about the form, style and arrangement of content. Other related issues such as banking confidentiality and know-your-customer requirements are confined to discussions on intelligence capacity and legal compatibilities with international law. Once depoliticised in this way these issues remain shrouded in secrecy without raising public debate.

Paradoxically, the co-evolution of good governance norms and regimes in international finance is creating the context for questioning the specialist knowledge applied to the financial sphere as well as the solutions on offer. Susan Strange’s titles Casino Capitalism (1997) and Mad Money (1998) best captured

the character of international finance, pointing to innovative developments in global financial markets, but highlighting the insecurity and daily volatility of these very markets – and the profound disagreements existing within official and business circles, as well as academics, on how to secure stability. The contingency and insecurity of present financial rationalities continue to expose weaknesses in the development of financial authority. Take for example, the collapse of US hedge-fund Long Term Capital Management, the Equitable Life affair in late 2000, the waves of currency devaluations, the failure of Enron Corporation and the alleged involvement of National Westminster Bank (NatWest), and persistent exploitation of global banking networks by the criminal underworld.

If we are to extend our analysis of what Amsperger (2005) calls the recurring ‘moralisation of capitalism’ debate that has attended the history and politics of money, credit and investment, it is to the growth of the financial sector in contemporary capitalism that we must turn. It paradoxically heralds the epistemic triumph of scientific finance both in terms of the role financial intermediaries play in fomenting proprietary trading and risk investment; and that played by regulators asked to create reforms beckoned by the shaky, grey financial world so produced by the metrics of risk and uncertainty. Here finance and investment escape public scrutiny. To wit, it is not Nike or Coca-Cola that are the capstones of early 21st Century capitalism, but finance houses, hedge funds and private equity concerns, the latter anonymous to the public. In order to secure a maximally open, but re-regulated world market for increased ‘financialisation’, elite global actors would develop an alarming tendency to replicate (familiar global financial governance) structures and, new levels of in-house rather than arm’s length expertise.

**Grasping the Flux in Neoliberalism and International Finance**

‘Nowadays, neoclassical economics’ domination of development theory is on par with that of high finance’s neoliberal power over development policies (Herrera 2006).’

By the 1990s, the growing and systemic power of finance and financial engineering would come to beckon the need for international policy coordination unlike any other period in the twentieth century. Indeed it is the growing exposure of all institutions and arrangements to the opportunities of financialisation, as well as to the more familiar pressures of globalisation, which has made the distribution of power within corporations and financial networks so fluctuating and unpredictable in the last few years. In this environment it is the financial world of hedge funds, investment banks, ratings agencies and private equity concerns that pre-dominates.

In drawing up their investment plans, corporations have to show that these will achieve the ‘hurdle’ rates of return established by the financial sector. Moreover, they rely on the capital markets to plan for the future and, often, to reach new customers. Even the largest corporations and reinsurance companies have to submit to the inspections and interrogations of the ratings agencies -- Standard and Poor, Moody, A. M. Best and Fitch Ratings -- if they wish to reassure investors and ensure cheap access.

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13 And this is after some 35 years of international banking and surveillance. While the Bank for International Settlements was created in 1930, I refer to the work and mandate of the two main Committees responsible for tracing and establishing standards for effective monitoring of financial transactions. These are the Committee on the Global Financial System created in 1971 and the Basel Committee on Banking Supervision formed in 1974.


to capital. To wit Blackburn (2006: p.43): 'Making a good profit is no longer enough; a triple A rating is also needed.'

The activities of institutional investors and fund-managers ensure that mortgage, pension and insurance practices have become increasingly bound up with the performance of global finance. This is captured in the expanding sphere and powers of multi-tentacled investment banks. The *Economist* recently editorialised that the new world of business sees corporations aligning themselves with finance houses selling goods and/or services and offering finance as well.\(^\text{17}\) It is typical for investment banks like Goldman Sachs to realise profits outside of its traditional activities (that is, underwriting and brokerage) from mergers and acquisitions, initial public offerings, proprietary trading and risk arbitrage.\(^\text{18}\) Armed with massive computing power, highly-trained staff in risk arbitrage and access to information networks, investment banks can adopt positions that enable them to gain from changes in relative prices whether or not a deal goes ahead, and, where it is aware of the risks, it can provide a hedge for their client while also committing its own resources.

It is because major corporations rely on the financial world of investment banks, hedge funds, private equity concerns and the like to assess their own progress and reach new customers that it is possible to speak of the dominance of the capital markets in discussions about contemporary capitalism. This feature prompted Chairman of the Board of Directors and BIS President, Mr. Nout Wellink, on the occasion of the Bank’s Annual General Meeting (2005) in Basel to caution against 'some disturbing signs' in the world financial and economic system:

> The geographical distribution of growth has been very uneven, with the euro area and Japan in particular lagging behind, with evident effects on external imbalances. The composition of demand has also been less than ideal: household demand has been very strong, driving a rise in household debt. And, while fiscal and monetary stimulus has played a key role in supporting growth, the latter has also contributed, through a widespread search for yield in financial markets, to exceedingly accommodative financial conditions and frothy property prices.\(^\text{19}\)

In as much as the roots and routes of the modern neoliberal order have been shaped by ideas of free trade, free enterprise, capital mobility and the logic of market forces, drawn altogether from neoclassical economics, the sphere of finance gains its power from discourses that speak to its 'global' reach as though it was a mastering force, an externality. Langley (2002) informs us that this portrayal conveys the impression of finance as an exogenous powerful force. In the intellectual world, a number of scholars in IPE and across the social sciences have challenged this depiction, concluding that global finance ought to be conceived as the persistence of both discrete national financial systems\(^\text{20}\) and key financial centres as organisational spaces.\(^\text{21}\) Neoliberal policies of financial orthodoxy and structural adjustment continue to triumph as the exogenous force of global capital is seen as beyond control and impervious to the idea of alternatives.

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\(^{17}\) See *Economist* (2006) 'Goldman Sachs and the Culture of Risk', 29 April.

\(^{18}\) When investment banks position themselves and their clients in relationship to the wider impact of a merger or some other major event, it is referred to as risk arbitrage.


\(^{20}\) See for example, Vogel 1996.

\(^{21}\) See for example Sassen, 1999.
Much of the anti-globalisation resistance on the streets, in communities and at the level of discourse drives a stake through the heart of neoliberal assumptions. For neoliberals, global capitalism, or to wit -- 'globalisation' -- presents enough neutral space for all countries to realise sustainable development. The three keys to prosperity are to be found in macro-stability, (trade and market) liberalisation and privatisation. All of this is underpinned by the supposition that general economic forces exist independent of historical contingencies and social structures. But a confluence of factors over the last ten years – financial instability and increasing speculation; the expanding networks and activities of NGOs; rising income polarities and poverty levels; the global spread and impact of HIV/AIDS; post 9/11 repercussions on USA foreign policy; and resilient interest in the health of the planet -- has led to appeals for a much more purposive role of the state and international institutions in national and global development outcomes. Certainly in the area of international finance, there has been a marked shift away from the state-centric 'house in order' approach towards a more international 'deliberately managed' one. With this the tradition of banking and professional secrecy has been stood on its head as states are forcing a wide variety of financial intermediaries to adhere to new anti-money laundering measures, standards of accounting and business ethics.

The contest between US and European-style regulation on the issue of global financial contagion at the dawn of the 21st century is but one aspect of a many-sided debate on the appropriateness of domestic and international public policy intervention in the market economy. What is secured from the Washington consensus of the 1990s is the important goal of capital mobility, only this time it is accompanied with the need for the state to: build institutional capacity in re-regulating business competition; insist through legislation good corporate governance and transparency of financial and non-financial businesses within the country; ensure adherence to macro-economic fundamentals; and, itself function as a purveyor of good governance observing the rule of law, and consecrating free trade as a developmental signpost. The coercive power of these requirements is nested in the ways in which these are tied to finance and aid for capacity- and institutional building, HIV/AIDS eradication initiatives, and poverty-alleviation strategies. Countries in the global South are at risk to an investment strike and capital flight should they fail to comply.

While the 'post-Washington consensus' is framed around a 'discursive clump' of issues, the nodal points do not neatly fit a stable, coherent, strand of agreement. No set of technocrats is obeying a

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22 Beginning with the international efforts of over 600 NGOs and grassroots movements to strike down the Multilateral Agreement on Investment and the 1998 Battle of Seattle, there have been protests against neoliberal globalisation, corporate power in the form of Transnational Companies (TNCs), and the exclusionary nature of global governance institutions. Throughout, justice claims are being made on behalf of a putative 'global civil society' concerned with fair trade, fair wages, the health of the planet and local environments, human rights, protection for minority groups and interests, cultural diversity and decent work among other issues.

23 The 'house-in-order' school was dominant in the early Reagan/Thatcher years. This occurred at a time when negotiations and debates on international monetary reform were based on the idea that each country should follow sound, non-inflationary policies 'at home'. With increased episodes of financial instability, the G7 Summit in Halifax began considering ways to deliberately intervene in the direction of international management. Some of the key challenges financial globalisation poses to central bankers include rising equity prices; the ease with which the US current account deficit can be financed from abroad; the weakening of its dollar as its trade deficit widens; the sharp wealth losses those creditor countries face on dollar-denominated assets. And in a financial crisis where Emergency Liquidity Assistance is required by a corporation deeply ensonced in financial trading, who is to give it - the home country or the host country -- and in what currency given the multilateral commitments of the financial firm? For more on these and related issues see the proceedings of the Fifth BIS Annual Conference: Financial Globalisation, Brunnen, Switzerland, 19-20 June 2006. http://www.bis.org/events/conf060619.htm (30 June 2006).

24 Indeed the Financing for Development Conference in Monterrey, Mexico in 2002 revealed more about the ways in which poverty-alleviation measures and greater access to aid are tied to a re-jigged relationship with the IMF and World Bank, than about a G7 commitment to financing the transition to market liberalisation in countries of the global South.
hidden functionality nested within the NIFA interaction structure. This would be difficult at any rate as the epistemic community of bankers, scholars, policy professionals and public officials, as indicated above, cannot escape the force of their societies, intra-elite class divisions, and the acts of resentment and resistance emanating from all corners of the globe. Certainly the raging controversies that underpin the continuing North-South divide, the dollar’s decline against the euro, and the serious run on the Doha Development Round of global trade talks speak to the infinite play of differences from which new ideational forces may emerge.

But nowhere is the consensus more marked with tension than in the debates and initiatives aimed at reforming the international financial system following the East Asian financial meltdown of the late 1990s and later, terrorist links to international financial networks. As indicated earlier, the initial response to the precise circumstances of currency and financial instability was to further enable free capital mobility while attenuating the negative effects of speculation. This strategy however, continued(s) to put elite global actors and policymakers in an inescapable bind. They were/are expected to impose international regulatory standards within capitalist financial structures that normalise price and asset-value relations and tax competition -- the very internal workings of which generate crises and ‘events’.

It is not surprising therefore, that the virtue of capital account liberalisation and the associated allocative power of the market continue to be called into question as concern has been raised across all points on the ideological compass, about the ways in which short term speculative capital undermines economies with strong macroeconomic fundamentals. A corollary to this concern is the matter of recovering and exposing criminal and terrorist links to speculative capital and international money management networks. The impulse is towards integrating offshore financial centres (OFCs) more fully and flexibly into the global financial system in order to sever the perceived link between money laundering and terrorist financing, of which more will be discussed in a later section. But, for the moment, capital mobility and the ideological supremacy of financial interests over the policy-making agenda remains manifest.

Across the intellectual and policy worlds, pragmatic re-assessments abound on the question of deregulating capital controls. Bhagwati (1998) argues that the dominance of short-term speculative capital flows under free capital mobility is not productive, but rather is characterised by panics and manias, which will continue to be ‘a source of considerable economic difficulty.’ Sachs (1997) and Felix (2003) suggest the need for a strong regulatory state, casting doubt as to whether liberated capital markets can function stably and rationally. Others demur stating that what is required is for governments to enact legislation to ensure fair business competition, good corporate governance and transparency.

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25 The Doha Round has gone awry largely because major differences abound between core and emerging countries relative to balancing market openings in agriculture with those in industrial goods (i.e. modalities upon which to begin talks on agriculture and non-agriculture market access).


But the response by policy-makers and others at the G-7 Summit meeting in Cologne 1999 was to retain the capital mobility policy imperative while agreeing to a re-regulatory resolve to suture over the power of capital markets. This would see the creation of the Group of 20 (G-20) – a community of international financial institutions (IFIs), emerging markets and core states, and the FSF -- established to promote international financial stability through information exchange and international co-operation in financial supervision and surveillance.\(^{30}\)

Countries of the global South have come to enact the terms of the post-Washington consensus through the role the Fund and the Bank play in safeguarding international financial standards and codes into their lending criteria. This often features intensive audits of compliance with the Fund and Bank’s Reports on Observance of Standards and Codes (ROSCs). The ROSCs comprise ‘eleven areas where standards are important for the institutional underpinning of macroeconomic and financial stability’.\(^{31}\) The eleven modules are: data dissemination, fiscal practices, monetary and financial policy transparency, banking supervision, insurance supervision, securities market regulation, payments systems, corporate governance, accounting, auditing, insolvency regimes, and creditor rights. Each unit represents an ‘internationally agreed standard’, which is then benchmarked against country practices in a given area of state policy and market behaviour. The Fund and Bank’s ROSCs engage in a mutually reinforcing way with other NIFA monitoring agencies, augmenting each other’s disciplinary reach through power clustering. For example, the Offshore Group of Banking Supervisors and the Offshore Group of Insurance Supervisors establishes and seeks to ensure ‘internationally agreed standards’ in bank and insurance regulations. The Basel Committee on Banking Supervision (BCBS), located at the BIS, continues to work on creating a new accord – beyond the 1988 Basle agreement -- with internationally agreed rules on the amount of capital international banks are required to hold relative to the financial risks they take on. These standards are expected to be incorporated into the work of the FSF, the Fund and the Bank as market actors have long been encouraged to use BCBS standards as a benchmark.

The work of the G-20 forms part of the NIFA amalgam of regimes and surveillance committees mobilised to promote the ‘proper management’ of financial liberalisation in the developing world. However, the OECD, the Fund, the Bank, the BIS, the European-based Financial Action Task Force (FATF) and the Financial Crimes Enforcement Network (FinCEN) of the US Treasury constitute the more influential spaces where international standards and codes of conduct are constructed. But this is not to discount the centrality of Wall Street in this citadel. Wall Street has exceptional clout in Washington. Wall Street, the Treasury Department, the State Department, the Fund and the Bank are held together by a network of like-minded luminaries who in some cases have been employed by two or more of these institutions over the course of their careers.\(^{32}\) Wall Street and Washington benefit from retention of the free capital mobility policy for a vibrant, maximally open international capital market allows for the rest of the world to invest in enormous quantities of its corporate equities and Treasury bonds (Bhagwati 1998; Gowan 1999; Soederberg 2001; Brenner 2004). This is good for staving off the negative impact the US trade and current account deficit would have on the world economy; and for creating the

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\(^{30}\) The G20 includes the G-7, a senior representative from the European Union, the World Bank, the Bank’s Development Committee, the IMF, the Fund’s new International Monetary and Financial Committee, and the following ‘systematically important’ market economies: Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea and Turkey.


Constructing Danger and Risk in International Finance

The sneak terrorist attack on New York and Washington on September 11, 2001 provided the basis for enhancing the search for anomalies in the international financial system to prevent terrorist financing. Previously, the anti-money laundering regulation of the 1980s and 1990s was aimed at tracing the illicit gains of the criminal underworld (particularly in the narcotics and arms trade) and of corrupt public officials. Since 9/11, the emphasis is on security through prior identification and exposure of suspicious transactions. Know-Your-Customer guidelines have been amplified by the new imperative to shut down terrorist-funded networks.

The impetus towards international financial re-regulation has expanded beyond the terms laid out in the 1999 report of the G-7 Meeting in Cologne entitled 'Strengthening the International Financial Architecture.' The original four main objectives remain broadly in place:

1. strengthening financial regulation in industrial countries;
2. strengthening macroeconomic policies and financial systems in emerging markets;
3. improving crisis prevention and management and involving the private sector; and
4. promoting social policies to protect the poor and most vulnerable elements of society

The war on terrorist financing, however, has produced a virtual behemoth in global governance, morphing the initial NIFA financial superstructures onto intelligence and security ones. Between 2002 and 2006, the aim has been to screen and monitor the international financial system at all levels in order to track terrorist finance networks. Over this period there has been a torrent of related directives, regulations, advisories, and best practice guides emanating from a variety of international organisations. But it is the interagency Terrorist Finance Working Group (TFWG) (comprising officials from the US Treasury, State, Homeland Security, Defense and Justice Departments), FinCEN, the FATF, the IMF, the World Bank and the UK’s Serious Organised Crime Agency (SOCA) that constitute the NIFA network’s epistemic centre. They share an extraordinary faith in the ability to track criminals and their assets through the continuous monitoring of financial transactions for money laundering risks. They share in the construction of OFCs of the global South as specifically suspect or vulnerable to tax evasion and money laundering. They nonetheless establish working groups on financial crimes with countries around the world seeking to establish uniformity on how banks should monitor and assess their clients; and they probe the use of captives, futures insurance companies and financial transactions involving foreign jurisdictions as a matter of course. Certainly the USA PATRIOT Act of (October) 2001 listed these as money laundering typologies. A recent FATF (2005) report would affirm the same indicating that the use of newer offshore financial services and remittance systems has become the new characteristics and trends of money laundering and terrorist financing. Both versions of the PATRIOT Act - the 2001 enactment and the recently revised 2005 Act – indeed identify domestic transactions involving offshore financial

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34 The USA PATRIOT ACT (2001) became The USA PATRIOT Improvement and Reauthorisation Act of 2005, signed by President George Bush (Jr), on March 9, 2006. For the various ways money laundering is considered and legally addressed, see Title III – International Money Laundering Abatement and Anti-terrorist Financing Act of 2001, of the PATRIOT ACT.

jurisdictions as the source of greatest vulnerability. The UK’s Proceeds of Crime Act 2002 (which came into force in February 2003) and Canada’s Proceeds of Crime (Money Laundering) and Terrorist Financing Act (2000) - which, incidentally, predated the events of 9/11 - also identified transactions involving OFCs as suspect.

The centrality of OFCs in the new anti-money laundering offensive harkens back to a 1980s presumed link between criminal finance and the appeal of zero-tax jurisdictions with its low friction characteristics (read regulatory lax) and its premium on offering discretionary services. That this presumption should persist is odd as the intelligence indicates that the surreptitiousness of criminal finance makes it difficult to assess whether it receives greater shield by flowing its money through offshore financial centres in the global South, through those in the North (for example, Dubai, Switzerland Portugal or Belgium) or through the putatively venerable financial institutions of New York and the City of London. This was confirmed repeatedly in a number of studies questioning the assumptions underlying European and North American-inspired anti-money laundering policy of the mid-1990s. An analysis of the Dutch database of suspect financial transactions for the years 1994-1996 was undertaken by Petrus van Duyne and Hervy de Miranda. It provided a detailed insight into the money volume at risk, the reasons for disclosure, and the persons and corporations involved. The results revealed that as much as 48% of the disclosed money reports had to be discarded as there was no money involved or there was no crime-money. They also noted that 179 persons were responsible for 89% of the disclosed money movements, a finding of little crime-enforcement value. The presumed link between money laundering activity and banks has been questioned in a variety of recent reports. We learn from various reports of the FATF between 1997 and 2004 as well as the Egmont Group of Financial Intelligence Units investigating real and/or alleged money laundering activity that apart from transactions across international banks:

[m]oney launderers….also use the derivatives market, small businesses, informal remittance networks (hawala), property and stock trading, the securities market, the payment of life insurance premiums, false loans schemes, shell corporations, silver, gold and the diamonds markets, accounting firms, and a lawyer willing to set up annuity packages to hide the laundering activity of a client.

The Caribbean, OFCs, and Risk

The concern about the authenticity of Caribbean financial jurisdictions is one that has a longer history than the current offensive. It extends to the competing conceptions of the operational activity of offshore financial sectors. The fundamental imaginative act at work is the motif of the rational, western form at variance with the exotic and sexualised ‘other’. Not unlike encounters in the colonial past, the Caribbean and Pacific OFCs have been cast simultaneously as geographies to be conquered and temptations to be


38 The information here is drawn from the FATF website: www.fatf-gafi.org (6 April 2006). This is also corroborated by the cases published by the Egmont Group of Financial Intelligence Units and available from the UK’s National Criminal Intelligence Services’ website: www.ncis.gov.uk/publications (6 April 2006).
resisted. As the dominant discourse goes, financial rationality is undermined by limitations in financial regulation in emerging economies and offshore financial markets.

The BIS refers to offshore financial markets as tax havens. This tendency is also in evidence in the literature of the late 20th century. Spitz (1983) and Ginsburg (1991) glean no real discernible difference between a tax haven and an offshore financial centre (OFC). For Spitz, a tax haven is a territory where assets can be accumulated and transferred with minimal tax liability; and an OFC is a place where international financial business can be conducted in a fiscally neutral way. Ginsburg concurs. Oddly, the City of London does not qualify as a tax haven, but it is instead considered the hub of global finance. In recent times, the term `offshore' has been use to mean so many things. Offshore has been invoked to refer to foreign investment, the establishment of export processing zones and unregulated international financial markets (such as the Euromarket). Palan (2006) usefully favours its use when applied to a set of juridical realms marked by more or less withdrawal of regulation and taxation. These are essentially juridical enclaves created by states, a spatiality, I would argue, that co-constitutes the `civilising mission' of financial globalisation. These spaces facilitate, for example, international company registration, organise `flag of convenience' facilities for international shipping companies, and function as administrative centres for multinational corporations. They also provide high net worth individuals and firms protection from (core) national regulation and taxation without the need to physically relocate. But most crucially the key to the sustained success of the offshore financial market lies in its supple, fiduciary knowledge technologies. This is reflected in the plethora of legal and accounting strategies aimed at exploiting loopholes in shifting international financial orders. To maintain the `offshore' advantage, the successful OFC has had to continually reinvent discretion. `Onshore' financial centres have had to respond accordingly to the competition for international business. This is where it could be said that the Caribbean and other OFCs of the global South contribute to financial market civilisation, although the point could hardly be acknowledged given the tendency to dismiss these as potential havens for shady dealings.

The Caribbean region has captured a sizeable share of the world's (captive) insurance market. Bermuda is home to 75% of the Fortune 100 companies and one of the world's leaders in captive insurance, reinsurance and financial line insurance markets. According to Standard & Poor's 2005 'Global Reinsurance Highlights Report', 13 of the world's top 40 reinsurers are based in Bermuda, and Bermuda is the fourth largest reinsurance market in the world after Germany, the US and Switzerland. Some estimate that if one includes offshore bank funds, offshore insurance business, and that of private trust companies, a total of US$9,000 billion dollars resides in, or passes through the Caribbean. Palan (2002) makes the general point that as much as half of the world's stock of money either resides in, or is

39 According to Spitz (1983), a tax haven is a `jurisdiction' `a) where there are no relevant taxes; b) where taxes are levied only on internal taxable events but not at all, or at low rates, on profits from foreign sources; c) where special tax privileges are granted to certain types of taxable persons or events. Such special tax privileges may be accorded by the domestic internal tax system or may derive from a combination of domestic and treaty provisions.' See B. Spitz (ed.). 1983. Tax Havens Encyclopedia, Issue 15, London: Butterworths.


41 The S&P report was based on a ranking of the top 150 global reinsurers. See also M.J. Moody (2005) 'Bermuda’s Influence Spreads’, Rough Notes Magazine, November (online edition), Indiana: The Rough Notes Company, Inc.

passing through ‘tax havens’, meaning the bulk location of offshore financial jurisdictions in the global South.

Reading articles appearing in *Euromoney*, *Offshore Alert*, and in the online legal research network, *Thomson Legal Record*, OFCs seem confined to the apocryphal field of ‘a shelter’ for tax evaders, perpetually in need of regulatory guidelines and rules from a supranational authority whether it be from the OECD, the FATF, the FSF or the BIS. Tax evasion equals male dis-honour but it touches on the idea of the OFC as temptress and locates blame in the nature of the Caribbean as exoticised, eroticised space. With the creation of the NIFA, the inconsistencies and contingencies inherent in financial rationality are recast as external to finance through these discourses of danger and temptation. Generally the headlines and bylines read as follows:

‘Offshore Banking Centres: Cleaning Up Offshore’...‘time the Bank of England finally blew the whistle...’ (*Euromoney*, April 1996);  ‘Broadening Horizons: Battered but still Standing’, ‘Estimates of the amount of money siphoned out of Russia to offshore financial centres such as Cyprus range between $50 billion and $150 billion’ (*Euromoney*, January 1998); ‘Offshore Banks Reform to Survive’, ‘The role and regulatory control of offshore centres needs to be tightened ... Scandal upon scandal will cumulatively weaken financial markets...’ (*Euromoney*, March 2004).

In an *Offshore Alert Newsletter* under the title “The Tax Haven Bulldog” (10 July 2006) featuring the role and mission of the publisher of the monthly Offshore Business News & Research in Miami, we are told that: “David Marchant is on a mission. His aim is to expose crime, fraud and financial abuses offshore to hopefully make it a safer place to do business and invest. He is not afraid of a fight and often invites litigation by publishing his often sensational and biting exposés about suspected wrongdoing in the Caribbean. Located in Miami, critics may wonder if Marchant's often critical attacks on the various tax havens may be clandestinely supported by various sectors of the US (and G7) governments who make no bones about the fact that they would like to drastically reduce bank secrecy offshore in an attempt to stamp out tax evasion and avoidance.... He writes about scams, corruption and other matters of concern to investors in Bermuda, the Caymans and the Bahamas.”

It is not uncommon to find that even as the forbidden and tolerated are catalogued, little circumstantial evidence is presented to support central claims of a central OFC link to fraud and money laundering. Take for example, the passage below drawn from the Thomson Legal Record online directory, seeking to cast OFCs as financial man’s lair:

Fraudsters will incorporate fictitious companies or small financial institutions to launder the proceeds of crime-usually in jurisdictions where local enforcement authorities are weak and ineffective. Banking confidentiality laws can also be difficult to pierce in these particular jurisdictions. For example, the lure of tax benefits for offshore Caribbean investments has been used to disguise many investment frauds in recent years. All of these international criminal strategies make detection and recovery more difficult and expensive. It is particularly difficult to effect recoveries in most Eastern European countries and in Caribbean financial centres such as the Cayman Islands, Turks and Caicos Islands, St. Vincent, Antigua, Vanuatu, and Liechtenstein.43

Recall as well that a number of U.S. reports on tax evasiveness and money laundering appeared in the 1980s seeking to investigate the full nature, character and use of offshore banking facilities in the Caribbean. These were *The Gordon Report: Tax Havens and Their Use by United States Taxpayers -- An

43 This essay entitled ‘US-Canada Cross-Border Corporate Fraud’ is authored by Farah Malik of *Gowling Lafleur Henderson LLP, Thomson Legal Record* (Ottawa, Canada).
Overview, (1981); Crime and Secrecy: The Use of Offshore Banks and Companies prepared by the US Senate's Committee on Governmental Affairs in 1983; and the 1984 study, Tax Havens in the Caribbean Basin, prepared by the US Department of Treasury. The findings were on the whole unflattering, condemnatory and at best suspicious of Commonwealth Caribbean offshore banking operations. The OECD Harmful Tax Report of 2000 went further by recommending economic sanctions to be applied to Caribbean and Pacific OFCs should these fail to implement ‘best practice’ reforms.44

As with the colonial imagination, Pacific and Caribbean OFCs represent the exotic, sensual and feminised world, in need of inclusion and mastering. Danger is insinuated by the term ‘tax haven’, seen as a morally degenerate centre of intrigue underlying a dubious strategy of combining low tax, banking secrecy and regulatory laxity. Caribbean OFCs continue to be pathologised and feminised in this way while onshore financial centres are presented as robust, rational, and prudent -- the stuff of Westernised male honour and virtue. This is indeed ironic in the face of corporate scandals in the USA, for example, Enron, WorldCom, Global Crossing and so on. It also represents a very paternalist/colonist arms-length reading of OFCs as creatures of Western financial developments where it is instead enmeshed in the configuration of ethics and sociality of the modern capital market. Debates about capital controls, exchange rate determination and how to value internet stocks yield meanings produce cumulative and communicable knowledge – and so do legal arguments about tax liability involving companies with foreign partners, and involving asset transfers in exchange for stock. Following recent court losses in its fight against tax shelters, the US based Internal Revenue Service (IRS) is learning that transactions that have economic substance aside from tax benefits have a good chance of being upheld in the courts. These outcomes are the product of shared expertise involving a slew of professionals drawn from across the financial world.

The CARICOM leaders considered the blacklisting of Caribbean tax havens and the sanctions by the OECD in 2001 as ill-advised and criticised the OECD Report. Caribbean countries argued that the listing of tax regimes as harmful is a matter of sovereignty and should not be ordered by external agencies or countries. Expanding hospitality services and the international financial and business sector has been the pragmatic response to development challenges in parts of the region. But the classification of OFCs, and money flows from migrant sources in the wake of the war against terrorist financing raises real fears among state elites. For many Eastern Caribbean countries such as Dominica, St. Vincent and the Grenadines, St. Lucia and Grenada, the imminent loss of special prices and preferential market access for bananas to Europe after 2009 will narrow the scope for economic viability outside of pursuing the ‘offshore’ option. The possibility of a halting, unreliable flow of money from West Indians living in North America and Britain via informal remittance networks could have devastating effects on working populations ensconced in low-paid mundane jobs in the services sector. A Report of the Inter-American Dialogue and the World Bank (2004) entitled ‘Diasporas in Caribbean Development’, indicated that ‘(r)emittances to six Caribbean countries…totalled over $6 billion in 2003’, and that the remittance market ‘is dominated by informal methods of transfer...’ as there is a mistrust of banking institutions. The Report also revealed that ‘(r)emittances reach low-income households more directly than any other financial flow, and they also bring income into the poor rural areas, which receive around 40 percent of remittances in the Caribbean.’45 In 2005, some US $53.6 billion in remittances were sent by Latin

44 The blacklist was published by the OECD (November 24, 2000) under the title ‘Framework for a Collective Memorandum of Understanding on Eliminating Harmful Tax Practices’.

American and Caribbean workers living abroad via informal and formal networks – up by 17% from the previous year.  

Certainly the FATF’s (2002: 7) identification of “characteristics of financial transactions that may be a cause for increased scrutiny” seems to include almost any use of banking accounts that does not involve a regular income and expenditure (salary and mortgage, for example). FATF (2002: 7) regards as suspicious “accounts that receive relevant periodical deposits and are dormant at other periods” and “a dormant account containing a minimal sum [which] suddenly receives a deposit or series of deposits followed by daily cash withdrawals.”

FATF further encourages banks to scrutinise cases where the “stated occupation of the transactor is not commensurate with the level or type of activity” and regards as suspicious more specifically cases where “a student or an unemployed individual…receives or sends large numbers of wire transfers.” All doubts and discussion concerning what constitutes terrorist financing and how to track it – a discussion which is ongoing (Naylor 1999) – is silenced inside FATF’s classification.

Altogether Caribbean development options are exposed by the impulses and discourses underpinning the NIFA. What is needed is for a purposive appeal for inclusion in this complex network. It is difficult indeed to plot the coordinates of the region’s future development outside of a re-drawn battle over ideas on development policy, the scope of our capital markets and how we in turn are affected by US based capital account liberalisation, and the kinds of campaigns we must engage in having OFCs become a part of the NIFA. Certainly the failure to include OFCs in the (relevant) decision-making interaction structures of the NIFA, preserves the epistemic privilege that goes with imagining/portraying low tax, low regulation ‘shores’ as the sine qua non of financial rationality and prudence.

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