

False profits: robbing the poor to keep the rich tax-free

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Introduction

It has been called the ‘ugliest chapter in global economic affairs since slavery’.¹ And, as with slavery before abolition, it is so widely accepted that for years it has excited little or no comment.

At first glance, the practice may appear merely a matter for accountants and corporate lawyers. For it concerns the manner in which businesses, in particular multinational corporations, shift billions of pounds of profits between jurisdictions to reduce, or even dodge completely, their tax bill.

With multinationals, a system called transfer pricing covers the sale between subsidiaries of the same parent company of everything from nuclear reactors to cornflakes. Also included are intangibles for which a price is levied, such as intellectual property rights, management services and insurance.

As long as the subsidiaries of the same multinational charge each other a fair market price – known in regulatory circles as an ‘arm’s length’ price – such transactions are perfectly legitimate.

However, with 60 per cent of world trade now taking place *within*, rather than *between*, multinational corporations,² the way fees are determined has become increasingly opaque as arm’s length pricing is forgotten and the figures are manipulated to reduce tax.

What makes this a matter of concern for all of us is the impact such tax dodging has on the global economy. Poor countries in particular are deprived of badly needed tax revenues – Christian Aid has estimated to the tune of US\$160bn a year.³

If that money was available to allocate according to current spending patterns, the amount going into health services could save the lives of 350,000 children under the age of five every year.⁴

Cooking the books is not restricted to multinationals. In their case there are a multitude of ways that a subsidiary in one country can charge a vastly reduced rate for goods or services to another subsidiary based elsewhere to minimise their tax liability. The process is known as 'transfer mispricing'.

Unrelated companies can make secret deals with each other for exactly the same reason. Goods and commodities are exported at knockdown prices from the country where they are produced to depress profits artificially and dodge tax. The company buying then sells them on at their true market value and splits the difference between the artificial and the true price with the original seller.

In a further scam, goods from the industrialised world are sold to developing countries at hugely inflated prices to enable the company that is the 'buyer' to shift large amounts of capital abroad while reducing the company profit margin and minimising its tax liability.

Jointly, all these practices are known as 'trade mispricing'. Much of the illicit capital made flows into the European Union (EU) and the United States (US) while the victims are all too often poorer countries where the revenue authorities have neither the expertise nor resources to fight back.

In April 2009, members of the G20 meet in London to discuss how to get the wheels of global trade moving again in the economic meltdown that has followed decades of lax regulation and banking secrecy.

One major topic of debate will be the role the world's 70-plus tax havens have played in allowing malfeasance to flourish. UK prime minister Gordon Brown has already promised a crackdown. France and Germany in particular are urging tough action.⁵

This could, of course, present the UK with something of a problem given that no fewer than 30 havens are in Commonwealth countries, Crown Dependencies or British Overseas Territories.

But across the Atlantic, US president Barack Obama has already shown he means business by sponsoring the Stop Tax Haven Abuse Act, which will give the US Treasury the power to take special measures against foreign jurisdictions and financial institutions that impede US tax enforcement. The US reckons that it loses some US\$100bn per year through offshore tax evasion.⁶

And the backlash doesn't stop there. A papal encyclical is also expected in the near future calling for the closure of all tax havens as part of the response to the global financial crisis. In the encyclical, the Pope will reportedly condemn

wholeheartedly 'unhealthy and inequitable financial practices'.⁷

This Christian Aid report is a timely warning that the drive to hold tax havens to account must be accompanied by a drive to shut down the loopholes that allow trade mispricing to flourish to the detriment of society, in both developed and developing countries.

Businesses that use the secrecy offered by tax havens to dodge tax also exploit accounting rules to move money around to reduce or entirely evade tax liabilities. At present, companies are only required to produce annual global consolidated accounts, rather than reporting where they make their profits and where they pay their taxes. New rules requiring such country-by-country reporting would help identify where trade mispricing has taken place.

This is the third Christian Aid report in a year⁸ highlighting how banking secrecy and lax regulation adversely impact on the developed and developing world. This is the same secrecy and lax regulation that has been behind much of the financial chaos currently engulfing economies worldwide.

In this report, we quantify for the first time the damage done to individual countries by trade mispricing. It's massive. We commissioned international trade pricing expert Simon Pak, president of the Trade Research Institute and associate professor at Penn State University in the US, to analyse EU and US trade data and estimate the amount of capital shifted from non-EU countries into the EU, the US, the UK and Ireland through bilateral trade mispricing.

Professor Pak, who has advised US Congress on this issue, analysed bilateral trade in every product between 2005 and 2007, calculated the parameters of the normal price range for products traded between countries, and estimated the amount of capital shifted by trades that are outside that normal price range.

The totals he arrived at included prices that had either been artificially depressed or artificially inflated for tax purposes. Some of the prices, he warns, would primarily have been doctored for money-laundering or capital flight purposes, but even in those cases, there would have been a tax consequence. His findings are also based on the assumption that the data analysed was free from reporting error.

In spite of the enormous sums Professor Pak's research exposes, they are just the tip of the iceberg. For he could only analyse publicly available trading data. Information held by tax havens, whose stock in trade is banking secrecy, would, if known, reveal a far more serious picture. Such jurisdictions are favoured by many multinational corporations.

The publicly available data does, however, include trading information from places within the EU and the US that have been criticised for operating in a manner akin to offshore havens. These include the City of London, Dublin's International Financial Services Centre (IFSC)⁹ and the state of Delaware in the US.

The developing countries attending the London G20 summit — Argentina, Brazil, China, India, Indonesia, Mexico and South Africa — will be interested to know from the details we have uncovered that they lost a total of £119.5bn in capital flight to their counterparts across the table, the EU and US, between 2005 and 2007. Meanwhile, the world's poorest countries lost £5.78bn in the same period.¹⁰

We estimate that if tax was raised on this capital, China would have an additional £20.2bn, Mexico would have an additional £10.5bn, and India would have an additional £3.6bn in their public coffers. Meanwhile, the world's 49 poorest countries would have raised an additional £1.8bn in tax.

Together, the total tax loss by emerging and developing countries is more than the annual global development aid budget and much greater than the £28-42bn the World Bank estimates will be required annually to meet the millennium development goals (MDGs) aimed at halving extreme poverty by 2015.¹¹ This estimate of tax loss on capital flows to the US and EU alone is consistent with Christian Aid's estimate in *Death and Taxes: the True Toll of Tax Dodging* published in May 2008 that US\$160bn (£80bn at the exchange rate that existed then) of revenue is lost by developing countries globally every year.¹²

Between 2005 and 2007, the total amount of capital flow from bilateral trade mispricing into the EU and the US alone from non-EU countries is estimated conservatively at more than £581.4bn (€850.1bn, US\$1.1tn). It breaks down specifically to £229.7bn (€335.8bn, US\$441.2bn) into the EU countries and £351.7bn (€514.3bn, US\$673.6bn) into the US. All conversion rates in this report are calculated at the average inter-bank rate for the year in question — the most accurate measure available.¹³

If tax was levied on this capital at current rates, non-EU countries could have raised £190.8bn in revenue (€279.0bn, US\$365.4bn) between 2005-2007, or £63.6bn (€93.0bn, US\$121.8bn) per year.

Among the low-income countries, the biggest tax losses between 2005 and 2007 lay in Nigeria (£502m), Pakistan (£305m), Vietnam (£251m) and Bangladesh (£186m).

Globally, mispricing is most prevalent in the following

commodity sectors based on the internationally accepted categorisation of trade, the Harmonised System of Commodity Classification drawn up under the auspices of the World Customs Organisation: nuclear reactors, boilers, machinery/mechanical appliances, computers (£181.3bn, although this probably partially also reflects the very wide fluctuations of legitimate pricing in this sector); electrical machinery and equipment, sound and TV recorders, telecommunications equipment (£169.1bn); mineral fuels, oils and waxes (£23.1bn); vehicles other than railway or tramway stock (£21.0bn); optical, photographic, medical, surgical instruments and accessories (£18.1bn); and pharmaceutical products (£10.7bn).

The picture of illicit capital flow in the low-income countries that lost the most tax in 2007 is set out below.

In Nigeria, £501m was lost from its burgeoning mineral fuel and oil industry. The country is an exporter of these products, which means that this sum was lost through the artificial lowering of the final sale price in order to minimise the tax liability in Nigeria. What made that figure all the more surprising was that the previous year, only £145m was lost in that trade category.

Conversely, £49m was lost in the category of nuclear reactors, boilers, machinery/mechanical appliances and computers. Nigeria has no nuclear or machine-manufacturing capacity so the sum involved related to in-country concerns paying excessive amounts for machinery and computers from elsewhere to reduce taxable profits in Nigeria while moving capital abroad.

Bangladesh meanwhile lost £266m from its knitting and crocheting apparel industry. Growth in this sector exceeded all expectations in 2007 in spite of rising costs because of energy price increases. To facilitate this growth the government invested in technical as well as financial support to help exports. Yet it lost out significantly on much-needed tax revenue because of mispricing.

In the same year, Vietnam, which has an extensive clothing industry, lost £68m in illicit capital flight from the export of apparel articles and accessories, and Pakistan lost £40m from pharmaceutical products.

As the global financial crisis bites, rich and poor countries alike are struggling to raise revenue. The evidence presented in this report is clear: clamping down on trade mispricing would bring global benefits.

Rich countries would enjoy a revenue stream that would go a long way to filling the gaps caused by government bail-outs during the credit crisis.

The reason is that much of the money pouring into the UK, US, EU and Ireland doesn't find its way into government exchequers, but goes instead to maximise profits for those holding shares in the corporations that are culpable.

In developing countries, the levying of proper taxes would help provide the revenue needed for education, healthcare and infrastructure, and go some way towards ending dependency on overseas aid, which at this time of crisis is already falling.

What would clamping down involve? Current international accounting standards require multinational companies to report accounts on a global consolidated basis.

This means that no one – neither governments' revenue departments, investors nor civil society organisations trying to monitor the activities of big business – know where taxable economic activity is occurring and where profits are declared. This makes it easy for companies to shift capital and pay tax (or not, as the case may be) where they choose.

At the same time, banking secrecy in offshore financial centres (tax havens) allows companies and wealthy individuals not only to hide assets, but also to hide what they are using those assets for.

The G20 has placed financial transparency and regulation at the top of the agenda for its London meeting. The German, French and US governments have made it clear that dealing with tax dodging is a priority for the summit.

Gordon Brown has called for 'a new global financial order founded on transparency, not opacity.'¹⁴ He has even presented himself as taking the lead on addressing the problem of tax havens, stating: 'We want the whole of the world to take action... that will mean action against regulatory and tax havens in parts of the world which have escaped the regulatory attention they need.'¹⁵

If the world's governments are serious about achieving international financial stability and founding a global financial system that serves humanity, then they will end the secrecy that allows tax havens to flourish, and close the regulatory loopholes exploited by companies to the detriment of countries rich and poor.

We propose two solutions.

- The introduction of a requirement that businesses operating transnationally must reveal publicly how much profit they make, how many people they employ and what they pay in tax in every country where they do business. That way abuses can be identified quickly. Such country-by-country reporting would show if a company was declaring unexpectedly high or low profits in different jurisdictions, including recognised tax havens. This would enable developing-country tax authorities to prioritise which financial flows need further investigation.
- Strong global rules to enable developing countries to determine whether they have been paid the right amount of tax, in the right place, at the right time. The rules would require all states to exchange automatically the information they hold from companies and individuals. Compliance would be evaluated objectively, with sanctions against states that refuse to part with the information.

To ensure these solutions are implemented effectively we recommend the following.

- That the G20 should establish an international standard for cooperation in taxation.¹⁶ This would provide for comprehensive exchange of information for assessment and collection of taxes, including automatic, on request and spontaneous exchanges of information.¹⁷
- The current system of bilaterally negotiated tax information exchange agreements (TIEAs) has demonstrably failed to deliver effective information exchange.¹⁸ A new standard would enable automatic sharing of information from both individual nationals and residents, and companies or trusts formed under the laws of, or resident in, each country. It would include a requirement that all banks and other financial institutions collect information, which should be available to the appropriate supervisors or regulators (including tax authorities), on the beneficial owners of all payments made, whether to residents or non-residents, individual and companies.
- That the G20 should request the International Accounting Standards Board to produce a draft standard on country-by-country reporting for multinational companies.

‘Much of the illicit capital made from trade mispricing flows into the European Union and the United States while the victims are all too often poorer countries where the revenue authorities have neither the expertise nor resources to fight back.’

Counting the cost: who are the losers and what's the damage?

Big business in Asia: while companies move their profits offshore to minimise their tax bill, local communities are often left with only the most basic of resources to cope with everyday life



Getting one over on the taxman has long been considered a smart way to do business. The phenomenon of tax dodging is widespread and accepted, particularly in the corporate world. But it is done without consideration of the consequences, not only for people living in poverty but also for the public services that companies themselves rely on to function.

They need factories and offices, roads and electricity, and frequently a skilled and educated workforce. As a legal entity, a company relies on law and order to protect its property rights and limit its liabilities. Ultimately, it needs a functioning society. That requires a stable source of revenue.

The UK Trades Union Congress (TUC) recently calculated the tax gap left in the UK by the ingenuity of corporate accountants to be £12bn each year. That figure corresponds to the annual income tax of 2.4m UK households. In other words, the tax those households pay is simply being used to plug the gap left by the tax dodging of big corporations.¹⁹

If this is the cost being paid by the public in a rich country like the UK, the cost to developing countries, where social services and healthcare are overstretched and education is limited, is far greater.

In these straitened times, the public and the politicians are starting to catch on. But while demands for reform have, laudably, focused on tightening regulations for non-domiciled individuals and clamping down on complex tax-avoidance structures set up in offshore financial centres, there has been little discussion of the biggest tax scam of all: trade mispricing.

This report uses the most detailed trade data available from the EU and US, which records bilateral trade in every commodity. This data is used to calculate the amount of money lost by non-EU countries into the EU and the US through trade mispricing. It is estimated at more than £581.4bn (€850.1bn, US\$1.1tn), specifically £229.7bn (€335.8bn, US\$441.2bn) into the EU countries and £351.7bn (€514.3bn, US\$673.6bn) into the US.

In the remainder of this report, we present data on the scale of money leached from poorer countries to the EU, the US, the UK and Ireland in recent years. We present annual capital shift and lost tax revenue, in detail, by country and by trade sector.

Annual capital flow through mispriced trade from non-EU countries to EU, US, UK and Ireland

The estimated amount of capital flow through mispriced trade to EU countries during 2005-2007 is £229.7bn, of which £33.9bn is to the UK, and £4bn is to Ireland. For the same period, the estimated amount of capital flow through mispriced trade to the US is about £351.7bn.²⁰

Table 1: annual capital flow through mispriced trade from non-EU countries to EU, US, UK and Ireland (RoI) (million GBP)

	2005	2006	2007	Total
US	84,756	90,681	176,302	351,739
EU	55,515	50,940	123,236	229,691
UK	9,255	18,061	6,568	33,884
RoI	1,162	1,651	1,194	4,007

Annual capital flow through mispriced trade by country income group

Tables 2a-d show the amount of capital flow as a result of mispriced trade by country income group as defined by the World Bank. Countries recorded in US and EU data, but not classified in the World Bank income classification (because they are too small), are presented separately. The tables show flows into EU countries and the US through bilateral trade mispricing during the three-year period, 2005-2007. In each case, capital flows out of low- and middle-income countries accounted for a significant proportion of the total.²¹ The lower middle-income countries contributed to total capital flow to the EU countries by about 14 per cent (£31.1bn) between 2005 and 2007 while for the US the ratio was 16 per cent (£55.3bn). For the UK, the amount of trade mispricing capital flow from the low-income countries (the 49 poorest countries) accounted for 14 per cent of total capital flow (£4.8bn), almost equivalent to the UK Department for International Development's (DFID) entire aid budget for 2006/7.²² For Ireland, capital flow from low-income countries accounted for 5 per cent (£183m) of all capital shifted, more than 20 per cent of Ireland's total annual aid budget (estimated at £830m (€899m) in 2008).²³

Table 2a: amount of annual capital flow to EU27 through bilateral trade mispricing by country class (million GBP)

Country class	2005	2006	2007	3-year total
Total	55,515	50,940	123,236²⁴	229,691
High income	40,667	27,106	44,419	112,192
Upper middle income	5,654	8,910	59,652	74,215
Lower middle income	6,858	8,353	15,902	31,113
Low income	1,600	5,523	2,199	9,322
Not in World Bank classification	736	1,048	1,065	2,849

Numbers shown in tables 2a to 4f have been rounded up to whole figures, which may cause a small (one digit) variation in sum totals.

Table 2b: amount of annual capital flow to US through bilateral trade mispricing with non-EU27 countries by country class (million GBP)

Country class	2005	2006	2007	3-year total
Total	84,756	90,682	176,302	351,740
High income	49,685	45,584	45,199	140,468
Upper middle income	13,968	20,045	104,812	138,825
Lower middle income	15,929	19,551	19,827	55,306
Low income	1,971	1,749	2,472	6,193
Not in World Bank classification	3,203	3,753	3,992	10,948

Table 2c: amount of annual capital flow to UK through bilateral trade mispricing with non-EU27 countries by country class (million GBP)

Country class	2005	2006	2007	3-year total
Total	9,255	18,061	6,567	33,884
High income	7,445	11,058	4,299	22,803
Upper middle income	742	1,787	714	3,242
Lower middle income	709	809	1,059	2,578
Low income	255	4,252	251	4,758
Not in World Bank classification	104	155	244	503

Table 2d: amount of annual capital flow to Ireland through bilateral trade mispricing with non-EU27 countries by country class (million GBP)

Country class	2005	2006	2007	3-year total
Total	1,162	1,652	1,193	4,007
High income	779	1,412	970	3,160
Upper middle income	73	69	69	211
Lower middle income	125	115	78	318
Low income	136	11	36	183
Not in World Bank classification	49	45	41	134

Annual capital flows through trade mispricing by country

The top ten countries with the largest amount of capital flows to all EU countries between 2005 and 2007 are listed in table 3a. Capital flows to the US between 2005 and 2007 are listed in table 3b, those to the UK are listed in table 3c and those to Ireland are listed in table 3d. In each case, developing and emerging economies at the G20 table account for large amounts of capital shifted, notably China, Mexico and Brazil.

Table 3a: annual capital flow through bilateral trade mispricing from non-EU27 countries to EU by country (million GBP)

Top ten countries	2005	2006	2007	3-year total
Total for all countries	55,515	50,940	123,236	229,691
US	20,314	9,890	25,947	56,151
Turkey	983	1,127	52,912	55,022
Japan	9,326	7,634	4,752	21,712
China	3,772	3,956	11,806	19,534
Russia	1,935	3,928	2,962	8,825
Switzerland	2,524	2,704	2,875	8,103
Norway	1,537	1,428	2,657	5,622
South Korea	709	747	3,160	4,616
South Africa	334	893	965	2,192
Israel	451	384	958	1,793

Table 3b: annual capital flow through bilateral trade mispricing from non-EU countries to US by country (million GBP)

Top ten countries	2005	2006	2007	3-year total
Total for all countries	84,756	90,681	176,302	351,739
Malaysia	1,779	6,809	84,363 ²⁵	92,951
Japan	18,994	16,142	15,691	50,827
China	11,551	15,551	15,355	42,457
Canada	12,582	14,601	13,657	40,840
Mexico	8,610	9,808	12,379	30,797
South Korea	4,111	5,519	5,074	14,704
Taiwan	3,197	3,749	3,980	10,926
Singapore	6,939	1,861	1,928	10,728
Switzerland	2,356	2,766	3,746	8,868
Brazil	1,224	1,569	5,121	7,914

Table 3c: amount of annual capital flow through bilateral trade mispricing from non-EU countries to UK by country (million GBP)

Top ten countries	2005	2006	2007	3-year total
Total for all countries	9,255	18,061	6,568	33,884
US	2,945	3,107	2,230	8,282
Japan	791	6,044 ²⁶	469	7,304
China	512	482	620	1,614
Switzerland	457	403	375	1,235
Norway	642	162	199	1,003
Turkey	185	299	154	638
Hong Kong	193	218	183	594
Canada	142	205	176	523
Taiwan	100	150	234	484
Thailand	63	160	170	393

	2005	2006	2007	3-year total
Top ten countries				
Total for all countries	1,162	1,651	1,194	4,007
Turkey	444	1,061	715	2,220
US	96	94	43	233
China	96	55	42	193
Russia	67	33	36	136
South Korea	49	45	40	134
Norway	25	77	31	133
Japan	34	43	41	118
Switzerland	10	9	34	53
South Africa	5	3	23	31
Israel	6	5	16	27

Lost tax revenue from bilateral trade mispricing capital flows

Lost tax revenue on the lost capital as a result of bilateral trade mispricing was estimated using top marginal corporate tax rates (the applicable rate of tax on profit).²⁷ The total lost tax revenue from all non-EU countries to the EU and the US between 2005 and 2007 is conservatively estimated at £190.8bn.²⁸ Of this, £39.5bn was lost by developing countries in the G20 and £1.8bn by low-income countries. The breakdown for developing G20 countries is presented in table 4a, and the breakdown of the top ten low-income countries is presented in table 4b.

	2005	2006	2007	3-year total
G20 developing countries				
Total	9,520	13,268	16,685	39,473
China	4,759	6,437	8,963	20,160
Mexico	2,948	3,358	4,200	10,507
India	676	2,112	815	3,603
Brazil	612	746	1,982	3,339
South Africa	168	365	370	903
Indonesia	255	158	262	675
Argentina	102	92	93	287

Table 4b: lost tax revenue from bilateral trade mispricing from low-income countries to EU and US by country (million GBP)				
Top ten lost tax revenue countries	2005	2006	2007	3-year total
Total for all low-income countries	544	478	775	1,796
Nigeria	179	101	222	502
Pakistan	124	86	95	305
Vietnam	67	79	105	251
Bangladesh	36	42	108	186
Ivory Coast	36	36	87	159
Ghana	12	30	32	74
Cambodia	8	11	12	31
Kenya	11	12	9	32
Chad	5	11	14	30
Senegal	10	9	9	28

The top ten countries with lost tax revenue because of trade mispricing are listed in table 4c for EU, 4d for the US, 4e for UK and 4f for Ireland.

Table 4c: lost tax revenue from bilateral trade mispricing from non-EU countries to EU by country (million GBP)				
Top ten lost tax revenue countries	2005	2006	2007	3-year total
Total for all countries	20,483	17,160	41,263	78,906
US	9,182	4,470	11,728	25,380
Turkey	295	338	15,874	16,507
Japan	3,926	3,214	2,001	9,141
China	1,245	1,305	3,896	6,446
Russia	464	943	711	2,118
Switzerland	608	652	693	1,953
Norway	430	400	744	1,574
South Korea	195	205	869	1,269
United Arab Emirates	362	359	375	1,096
Israel	158	135	335	628

Table 4d: lost tax revenue from bilateral trade mispricing from non-EU countries to US by country (million GBP)

Top ten lost tax revenue countries	2005	2006	2007	3-year total
Total for all countries	27,781	30,041	54,118	111,940
Malaysia	498	1,906	23,622	26,026
Japan	7,996	6,796	6,606	21,398
Canada	4,542	5,271	4,930	14,743
China	3,812	5,132	5,067	14,011
Mexico	2,842	3,236	4,085	10,163
South Korea	1,131	1,518	1,395	4,044
Taiwan	799	937	995	2,731
Brazil	416	533	1,741	2,690
Switzerland	568	666	903	2,137
India	412	410	493	1,315

Table 4e: lost tax revenue from bilateral trade mispricing from non-EU countries to UK by country (million GBP)

Top ten lost tax revenue countries	2005	2006	2007	3-year total
Total for all countries	3,317	6,893	2,356	12,566
US	1,331	1,404	1,008	3,743
Japan	333	2,545	198	3,076
India	57	1,517	50	1,624
China	169	159	204	532
United Arab Emirates	172	164	79	415
Switzerland	110	97	90	297
Norway	180	45	56	281
Canada	51	74	64	189
Taiwan	25	38	58	121
Thailand	19	48	51	118

Table 4f: lost tax revenue from bilateral trade mispricing from non-EU countries to Ireland by country (million GBP)

Top ten lost tax revenue countries	2005	2006	2007	3-year total
Total for all countries	423	656	467	1,546
US	201	480	323	1,004
Japan	40	39	18	97
China	32	18	14	64
Norway	7	21	9	37
Taiwan	12	11	10	33
Switzerland	8	10	10	28
Hong Kong	12	6	6	24
Canada	4	3	12	19
South Africa	2	1	7	10
United Arab Emirates	1	2	6	9

Capital flows resulting from bilateral trade mispricing for the top ten product groups for the five countries losing the most capital

Tables 5a to 5e display a commodity-group breakdown of capital flow as a result of bilateral trade mispricing for the countries which lose most capital.

Table 5a: amount of annual capital flow from China to EU and US by product group (million GBP)

Top ten commodity groups	2005	2006	2007	3-year total
Commodity group²⁹				
Nuclear reactors, boilers, machinery/ mechanical appliances, computers	4,475.49	5,540.77	10,478.41	20,494.67
Electrical machinery & equipment, sound & TV recorders, telecoms equipment	3,202.82	4,567.58	5,866.87	13,637.27
Ceramic products	699.29	1,213.94	752.81	2,666.04
Apparel articles & clothing accessories – not knitted or crocheted	598.89	589.65	771.22	1,959.76
Organic chemicals	220.44	318.57	1,337.34	1,876.35
Furniture, bedding, cushions, lamps, prefabricated buildings	450.12	492.00	530.73	1,472.85
Optical, photographic, medical, surgical instruments & accessories	354.28	521.03	491.21	1,366.52
Footwear, gaiters and the like	439.31	434.03	459.69	1,333.03
Apparel articles & clothing accessories – knitted or crocheted	352.05	425.01	482.05	1,259.11
Plastics and articles thereof	371.10	444.87	394.73	1,210.70

Table 5b: amount of annual capital flow through bilateral trade mispricing from Japan to EU and US by product group (million GBP)**Top ten commodity groups**

Commodity name	2005	2006	2007	3-year total
Nuclear reactors, boilers, machinery/mechanical appliances, computers	6,374.70	11,748.61	11,110.03	29,233.34
Electrical machinery & equipment, sound & TV recorders, telecoms equipment	6,109.62	3,554.74	2,351.99	12,016.35
Tanning and dye, paint, putty, inks etc	6,665.48	43.72	41.42	6,750.62
Vehicles other than railway or tramway stock	1,824.76	2,560.11	1,900.73	6,285.60
Optical, photographic, medical, surgical instruments & accessories	2,350.52	1,236.31	1,254.20	4,841.03
Organic chemicals	430.14	1,042.65	412.63	1,885.42
Pharmaceutical products	353.48	398.57	309.98	1,062.03
Miscellaneous chemical products	366.45	276.59	334.78	977.82
Tools and cutlery of base metals	324.40	430.13	186.07	940.60
Plastics and articles thereof	308.06	258.90	263.25	830.21

Table 5c: amount of annual capital flow resulting from bilateral trade mispricing from Russia to EU and US by product group (million GBP)**Top ten commodity groups**

Commodity name	2005	2006	2007	3-year total
Mineral fuel, oils and waxes	108.14	104.22	778.54	990.91
Wood and articles of wood, wood charcoal	8.32	31.28	819.72	859.31
Electrical machinery & equipment, sound & TV recorders, telecoms equipment	331.04	20.14	448.26	799.44
Pearls, stones, precious metals, imitation jewellery, coins	101.38	218.01	87.96	407.35
Railway or tramway locomotives, rolling stock, signals	153.81	10.07	240.32	404.19
Aircraft, spacecraft and parts thereof	70.38	35.48	165.20	271.06
Pharmaceutical products	53.37	0.80	56.59	110.76
Clocks and watches and parts thereof	25.33	6.30	58.51	90.13
Miscellaneous chemical products	23.13	2.63	61.46	87.22
Iron and steel	22.50	5.31	44.07	71.88

Table 5d: amount of annual capital flow resulting from bilateral trade mispricing from South Korea to EU and US by product group (million GBP)**Top ten commodity groups**

Commodity name	2005	2006	2007	3-year total
Nuclear reactors, boilers, machinery/mechanical appliances, computers	2,222.94	3,402.16	2,110.74	7,735.83
Electrical machinery & equipment, sound & TV recorders, telecoms equipment	1,128.66	1,195.70	3,446.83	5,771.19
Vehicles other than railway or tramway stock	438.61	493.97	538.67	1,471.25
Tools and cutlery of base metals	28.61	20.92	1,044.60	1,094.14
Optical, photographic, medical, surgical instruments & accessories	127.82	166.00	165.30	459.13
Plastics and articles thereof	105.82	101.88	81.76	289.46
Aircraft, spacecraft and parts thereof	70.68	117.82	44.10	232.60
Articles of iron or steel	50.71	88.14	61.04	199.89
Pharmaceutical products	44.54	55.40	68.72	168.66
Miscellaneous chemical products	38.35	51.88	54.28	144.51

Table 5e: annual capital flow resulting from bilateral trade mispricing from Turkey to EU by product group (million GBP)**Top ten commodity groups**

Commodity name	2005	2006	2007	3-year total
Nuclear reactors, boilers, machinery/mechanical appliances, computers	293.19	241.19	52,013.11 ³⁰	52,547.50
Electrical machinery & equipment, sound & TV recorders, telecoms equipment	100.85	273.48	193.38	567.70
Vehicles other than railway or tramway stock	62.58	80.16	74.42	217.15
Apparel articles & clothing accessories – not knitted or crocheted	74.25	74.26	57.73	206.25
Apparel articles & clothing accessories – knitted or crocheted	70.66	58.62	70.15	199.43
Iron and steel	41.45	51.70	74.87	168.02
Plastic and articles thereof	80.59	37.90	37.27	155.76
Pharmaceutical products	38.87	51.62	52.26	142.74
Mineral fuels, oils and waxes	46.16	20.13	18.58	84.87
Rubber and articles thereof	12.39	13.14	57.14	82.67

Capital flows in top ten product groups for some of the lowest-income countries losing the most capital

Table 6a: amount of annual capital flow resulting from bilateral trade mispricing from Bangladesh to EU and US by product group (million GBP)

Top ten commodity groups

Commodity name	2005	2006	2007	3-year total
Apparel articles & clothing accessories – knitted or crocheted	29.91	43.72	265.65	339.28
Apparel articles & clothing accessories – not knitted or crocheted	55.19	63.50	60.10	178.79
Electrical machinery & equipment, sound & TV recorders, telecoms equipment	9.79	5.11	5.40	20.30
Headgear and parts thereof	4.57	8.33	6.91	19.81
Textile articles; needlecraft sets; worn clothing	3.98	3.53	3.66	11.17
Nuclear reactors, boilers, machinery/mechanical appliances, computers	1.06	2.77	4.69	8.52
Fish, crustaceans and aquatic invertebrates	2.09	2.66	2.55	7.30
Raw hides and skins and leather	3.47	1.42	2.29	7.18
Footwear, gaiters and the like	1.19	1.38	0.55	3.12
Pharmaceutical products	0.59	1.75	0.78	3.12

Table 6b: amount of annual capital flow resulting from bilateral trade mispricing from Vietnam to EU and US by product group (million GBP)

Top ten commodity groups

Commodity name	2005	2006	2007	3-year total
Apparel articles & clothing accessories – not knitted or crocheted	49.28	57.42	67.78	174.48
Footwear, gaiters and the like	43.01	38.09	33.99	115.08
Apparel articles & clothing accessories – knitted or crocheted	30.73	28.97	51.63	111.33
Plastics and articles thereof	4.07	17.37	27.68	49.11
Leather articles, saddlery, handbags etc	7.02	12.63	11.04	30.69
Fish, crustaceans and aquatic invertebrates	6.16	8.07	11.06	25.29
Wood and articles of wood, wood charcoal	2.86	13.58	2.81	19.24
Mineral fuels, oils and waxes	3.67	6.25	5.64	15.55
Coffee, tea, mate or spices	5.74	5.34	4.34	15.42
Ceramic products	0.83	7.22	7.23	15.28

Table 6c: amount of annual capital flow through bilateral trade mispricing from Pakistan to EU and US by product group (million GBP)**Top ten commodity groups**

Commodity name	2005	2006	2007	3-year total
Pharmaceutical products	56.00	49.44	39.88	145.31
Copper and articles thereof	52.28	22.92	43.73	118.92
Knitted or crocheted fabrics	26.45	25.80	28.04	80.28
Iron and steel	32.91	26.18	19.86	78.95
Wood pulp etc; recovered (waste & scrap) paper & paperboard	16.15	18.10	23.18	57.42
Wool & animal hair, including yarn and woven fabric	8.26	8.69	10.95	27.90
Vehicles other than railway or tramway stock	4.45	6.76	2.10	13.31
Miscellaneous chemical products	5.78	1.64	4.74	12.16
Tin and articles thereof	3.93	2.61	1.58	8.12
Inorganic chemicals, organic/inorganic compounds of precious metals	2.94	1.42	3.61	7.97

Table 6d: amount of annual capital flow resulting from bilateral trade mispricing from Nigeria to EU and US by product group (million GBP)**Top ten commodity groups**

Commodity name	2005	2006	2007	3-year total
Mineral fuels, oils and waxes	378.36	145.28	501.24	1,024.88
Nuclear reactors, boilers, machinery/mechanical appliances, computers	64.88	79.27	49.42	193.57
Electrical machinery & equipment, sound & TV recorders, telecoms equipment	65.11	28.39	33.24	126.74
Vehicles other than railway or tramway stock	14.38	23.47	32.67	70.52
Wood and articles of wood, wood charcoal	0.32	0.45	20.59	21.35
Raw hides and skins and leather	1.73	6.36	10.85	18.94
Cereals	2.63	2.96	10.24	15.83
Articles of iron or steel	4.19	3.93	3.51	11.63
Pharmaceutical products	2.79	2.81	1.91	7.51
Miscellaneous edible preparations	1.20	3.22	2.67	7.09

Appendix 1: detailed data tables

Table 1: capital loss, proportion of total trade and tax loss to EU27 by country

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to EU27 by country										
Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
	TOTAL	81,137.19	74,686.23	179,962.25				29,936.93	25,159.14	60,257.15
0660	Afghanistan	5.50	13.64	5.24	1.7	3.2	1.3	1.10	2.73	1.05
0070	Albania	40.55	34.11	47.32	2.3	1.7	2.0	4.05	3.41	4.73
0208	Algeria	393.60	2,561.88	358.86	1.5	9.4	1.4	39.36	256.19	35.89
0830	American Samoa	0.00	0.22	2.81	0.0	5.5	20.5	-	-	-
0043	Andorra	27.91	26.43	28.13	2.0	2.0	2.2	-	-	-
0330	Angola	103.84	73.33	142.96	2.3	1.4	2.0	36.34	25.66	50.04
0446	Anguilla	0.02	0.01	0.08	0.1	0.1	0.4	0.00	0.00	0.00
0891	Antarctica	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0459	Antigua and Barbuda	0.58	0.41	0.56	0.1	0.1	0.1	0.20	0.14	0.20
0528	Argentina	138.90	152.48	122.08	1.4	1.3	0.9	48.62	53.37	42.73
0077	Armenia	9.82	9.09	48.40	1.0	1.1	5.1	1.96	1.82	9.68
0474	Aruba	4.69	4.02	5.16	0.9	0.9	1.2	1.31	1.13	1.45
0800	Australia	2,362.71	665.37	649.60	8.1	2.1	2.0	708.81	199.61	194.88
0078	Azerbaijan	37.06	56.99	47.98	0.9	0.8	0.5	8.15	12.54	10.56
0357	British Indian Ocean Territory (Chagos Islands)	0.07	0.00	0.00	1.8	0.0	0.0	-	-	-
0453	Bahamas	0.90	18.27	1.73	0.0	0.9	0.1	0.00	0.00	0.00
0640	Bahrain	17.66	26.75	29.49	1.1	1.5	1.4	8.12	12.31	13.57
0666	Bangladesh	66.01	84.45	409.20	1.3	1.3	6.8	19.80	25.33	122.76
0469	Barbados	2.52	1.21	1.08	1.0	0.5	0.5	0.63	0.30	0.27
0073	Belarus	98.88	142.42	98.00	1.5	1.6	1.1	23.73	34.18	23.52
0421	Belize	2.50	0.52	1.14	1.2	0.4	0.7	0.04	0.01	0.02
0284	Benin	7.76	6.96	38.51	1.7	1.3	5.7	2.95	2.65	14.63
0413	Bermuda	69.97	1.13	1.04	2.7	0.1	0.1	0.00	0.00	0.00
0675	Bhutan	0.00	0.01	0.00	0.0	0.1	0.0	0.00	0.00	0.00
0516	Bolivia	14.81	3.25	2.11	5.0	1.1	0.6	3.70	0.81	0.53

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to EU27 by country										
Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
0093	Bosnia-Herzegovina	109.31	129.14	88.41	2.7	2.9	1.8	10.93	12.91	8.84
0391	Botswana	9.55	13.05	3.60	0.4	0.7	0.4	2.39	3.26	0.90
0892	Bouvet Island (Norway)	0.01	0.01	0.00	0.5	0.3	0.0	-	-	-
0508	Brazil	839.71	915.52	1,033.44	2.2	2.1	2.0	285.50	311.28	351.37
0468	British Virgin Islands	17.80	25.72	30.03	2.8	4.6	4.5	0.00	0.00	0.00
0703	Brunei	0.80	0.45	1.11	0.5	0.2	0.5	0.24	0.13	0.33
0236	Burkina Faso	5.65	9.35	6.16	1.7	2.7	1.6	1.98	3.27	2.15
0328	Burundi	1.38	0.40	0.37	1.2	0.4	0.4	0.48	0.14	0.13
0696	Cambodia	9.22	10.79	8.15	1.4	1.4	1.0	1.84	2.16	1.63
0302	Cameroon	59.15	81.99	326.08	2.1	2.2	9.3	22.77	31.57	125.54
0404	Canada	728.91	978.22	1,120.17	1.9	2.3	2.4	263.14	353.14	404.38
0021	Canary Islands and Ceuta (Spain)	8.47	11.75	10.64	1.8	2.0	1.6	-	-	-
0247	Cape Verde	4.03	7.20	9.17	1.4	2.0	2.1	1.21	2.16	2.75
0463	Cayman Islands	84.38	51.98	96.41	3.0	1.7	5.5	0.00	0.00	0.00
0306	Central African Republic	1.63	2.88	2.84	1.3	2.0	2.1	-	-	-
0244	Chad	2.01	1.46	2.73	0.5	0.8	1.2	0.80	0.58	1.09
0512	Chile	129.83	207.74	303.25	1.1	1.3	1.8	22.07	35.32	51.55
0720	China	5,512.70	5,799.98	17,240.80 ³¹	2.7	2.3	5.8	1,819.19	1,913.99	5,689.46
0834	Christmas Island	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0833	Cocos (Keeling) Islands	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0480	Colombia	88.97	73.49	69.63	1.6	1.2	1.0	34.25	28.29	26.81
0375	Comoros	0.48	0.96	0.57	1.1	1.6	1.4	0.17	0.34	0.20
0318	Congo (Brazzaville)	14.11	24.76	107.53	1.7	2.4	8.1	0.56	0.99	4.30
0322	Congo (Dem Rep)	66.06	20.43	20.25	5.6	1.7	1.5	2.64	0.82	0.81
0837	Cook Islands	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0436	Costa Rica	36.97	32.94	20.51	1.0	0.8	0.5	11.09	9.88	6.15
0092	Croatia	334.76	327.57	477.87	2.3	2.0	2.7	67.29	65.84	96.05
0448	Cuba	19.92	29.02	22.35	1.3	1.5	1.3	5.98	8.71	6.71
0338	Djibouti	1.23	1.08	2.25	1.1	0.7	1.2	0.31	0.27	0.56
0460	Dominica	0.70	0.08	0.09	1.8	0.2	0.3	0.18	0.02	0.02
0456	Dominican Republic	15.24	83.94	46.49	1.2	5.6	2.6	3.81	20.99	11.62
0500	Ecuador	37.06	32.81	20.33	1.5	1.3	0.8	9.26	8.20	5.08
0220	Egypt	216.65	219.41	363.94	1.7	1.4	2.2	73.66	74.60	123.74
0428	El Salvador	6.52	5.05	10.20	1.1	0.6	1.4	1.63	1.26	2.55
0310	Equatorial Guinea	5.60	15.16	15.17	0.3	0.7	0.6	1.96	5.30	5.31

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to EU27 by country										
Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
0336	Eritrea	0.39	0.18	0.07	0.3	0.2	0.1	0.12	0.05	0.02
0334	Ethiopia	6.71	10.36	18.76	0.8	1.2	1.9	2.01	3.11	5.63
0529	Falkland Islands	2.45	0.84	1.59	1.6	0.6	1.0	0.61	0.21	0.40
0041	Faroe Isles	10.18	13.16	14.64	1.4	1.8	1.8	1.83	2.37	2.64
0823	Federated States of Micronesia	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0815	Fiji	0.03	0.11	0.19	0.0	0.1	0.1	0.01	0.03	0.06
0096	Former Yugoslav Republic of Macedonia	38.99	43.08	88.95	1.5	1.4	2.3	-	-	-
0822	French Polynesia	14.84	16.12	15.63	1.4	2.6	2.5	-	-	-
0894	French Southern Territories	0.01	0.02	0.01	0.1	0.3	0.1	-	-	-
0314	Gabon	43.72	18.89	87.03	3.2	1.3	5.2	15.30	6.61	30.46
0252	Gambia	1.38	2.45	1.59	1.3	2.2	1.4	0.48	0.86	0.56
0625	Gaza/Jericho (Occupied Palestinian Territories)	0.56	0.24	0.49	1.1	0.5	0.8	-	-	-
0076	Georgia	11.57	14.21	19.63	1.2	1.0	1.3	2.31	2.84	3.93
0276	Ghana	38.11	119.67	121.86	1.8	4.8	4.5	13.34	41.88	42.65
0044	Gibraltar	33.08	39.56	37.32	1.5	1.2	1.1	0.00	0.00	0.00
0406	Greenland	12.39	11.89	14.19	1.6	1.6	1.8	3.72	3.57	4.26
0473	Grenada	0.09	0.27	0.11	0.2	0.8	0.3	0.03	0.08	0.03
0831	Guam	0.37	0.38	0.33	0.8	0.8	0.9	0.13	0.13	0.11
0416	Guatemala	8.05	17.07	9.48	1.0	1.7	1.0	2.50	5.29	2.94
0260	Guinea	8.86	6.00	10.54	1.1	0.7	1.1	3.10	2.10	3.69
0257	Guinea Bissau	0.59	0.53	1.01	0.7	0.8	1.6	-	-	-
0488	Guyana	1.49	0.74	1.21	0.7	0.3	0.4	0.52	0.26	0.42
0452	Haiti	0.76	4.31	2.43	0.7	2.5	2.0	0.23	1.29	0.73
0835	Heard Island & McDonald Islands (Australia)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0045	Holy See (Vatican City)	0.36	0.16	0.14	1.5	0.7	0.8	-	-	-
0424	Honduras	9.27	4.84	59.85	1.5	0.7	7.9	2.78	1.45	17.95
0740	Hong Kong	1,073.90	1,013.72	1,002.77	3.6	3.1	3.3	187.93	177.40	175.48
0024	Iceland	67.99	77.06	92.49	1.6	1.6	1.7	10.20	11.56	13.87
0664	India	1,053.64	6,817.20	1,286.46	2.7	14.9	2.4	385.63	2,495.10	470.85
0700	Indonesia	760.04	252.83	710.73	5.0	1.5	4.0	228.01	75.85	213.22
0616	Iran	410.29	278.10	274.27	1.8	1.1	1.2	102.57	69.53	68.57
0612	Iraq	86.74	52.14	105.05	1.7	0.8	1.3	13.01	7.82	15.76

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to EU27 by country										
Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
0624	Israel	659.48	563.39	1,398.82	2.9	2.4	5.6	230.82	197.19	489.59
0272	Ivory Coast	140.08	146.38	356.64	4.6	4.1	8.9	49.03	51.23	124.83
0464	Jamaica	7.11	12.44	6.68	0.6	1.6	0.9	2.37	4.14	2.22
0732	Japan	13,630.48	11,191.85	6,939.42	11.9	9.4	5.9	5,738.43	4,711.77	2,921.49
0628	Jordan	58.79	42.14	66.31	2.2	1.5	2.4	9.23	6.62	10.41
0079	Kazakhstan	221.00	157.36	220.01	1.6	0.8	1.2	66.30	47.21	66.00
0346	Kenya	41.53	46.45	29.69	2.2	2.2	1.3	12.46	13.93	8.91
0812	Kiribati	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0095	Kosovo	0.00	4.11	6.24	0.0	1.4	1.4	0.00	0.41	0.62
0636	Kuwait	141.08	100.71	114.21	2.1	1.3	1.4	77.60	55.39	62.82
0083	Kyrgyz Republic (formerly Kyrgyzstan)	1.49	2.13	2.61	1.2	1.2	1.1	0.30	0.43	0.52
0684	Laos	1.58	1.68	1.38	0.9	1.0	0.8	0.55	0.59	0.48
0604	Lebanon	69.87	59.25	77.36	2.1	1.8	2.2	10.48	8.89	11.60
0395	Lesotho	0.27	2.20	2.54	0.4	2.7	1.9	0.07	0.55	0.63
0268	Liberia	4.36	1.35	1.93	0.3	0.1	0.2	1.52	0.47	0.68
0216	Libyan Arab Jamahiriya	362.13	134.76	199.99	1.6	0.5	0.7	144.85	53.91	80.00
0037	Liechtenstein	52.18	37.11	62.21	2.5	1.6	2.3	7.83	5.57	9.33
0743	Macao	6.47	8.90	5.96	1.2	1.3	0.9	0.78	1.07	0.72
0370	Madagascar	13.76	11.41	19.68	1.7	1.3	2.0	4.13	3.42	5.90
0386	Malawi	1.48	2.13	2.63	0.6	0.9	0.9	0.44	0.64	0.79
0701	Malaysia	632.82	1,241.11	491.49	2.6	4.5	1.7	177.19	347.51	137.62
0667	Maldives	0.64	0.67	0.77	0.6	0.6	0.6	0.00	0.00	0.00
0232	Mali	13.25	17.20	14.07	3.1	3.2	2.8	4.64	6.02	4.92
0824	Marshall Islands	0.13	0.03	0.54	0.0	0.0	0.1	0.00	0.00	0.02
0228	Mauritania	6.95	8.10	9.19	0.8	0.8	0.9	1.74	2.03	2.30
0373	Mauritius	30.39	22.06	21.19	1.5	1.1	1.2	4.56	3.31	3.18
0377	Mayotte (France)	3.30	2.80	4.84	2.6	1.6	1.9	-	-	-
0023	Melilla (Spain)	7.70	7.75	8.85	2.0	1.7	2.0	-	-	-
0412	Mexico	473.61	539.29	509.91	1.9	1.9	1.6	156.29	177.96	168.27
0074	Moldova	24.23	23.57	34.85	1.6	1.4	1.6	3.63	3.54	5.23
0716	Mongolia	0.38	0.95	1.78	0.3	0.6	0.8	0.12	0.28	0.53
0097	Montenegro	0.00	7.20	46.03	0.0	0.9	4.6	0.00	0.65	4.14
0470	Montserrat	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0204	Morocco	287.48	299.77	312.42	1.4	1.7	1.6	100.62	104.92	109.35
0366	Mozambique	6.41	25.48	21.87	0.5	1.7	1.3	2.05	8.15	7.00
0676	Myanmar (Burma)	5.06	5.48	5.48	1.4	1.4	1.3	1.52	1.64	1.64
0809	New Caledonia	13.81	21.47	25.30	1.5	1.8	1.7	-	-	-
0389	Namibia	3.16	6.57	14.17	0.3	0.5	1.3	1.10	2.30	4.96

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to EU27 by country										
Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
0803	Nauru	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0672	Nepal	1.90	1.96	3.76	1.1	1.4	2.5	0.38	0.39	0.75
0478	Netherlands Antilles	5.81	6.48	7.67	0.8	0.5	0.8	1.16	1.30	1.53
0804	New Zealand	82.82	88.30	92.83	1.4	1.6	1.6	27.33	29.14	30.63
0432	Nicaragua	3.26	10.50	109.31	1.6	4.8	42.2	0.98	3.15	32.79
0240	Niger	4.59	1.93	15.63	1.3	0.6	3.5	1.60	0.67	5.47
0288	Nigeria	318.31	317.25	287.76	2.3	1.8	1.6	101.86	101.52	92.08
0838	Niue	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0836	Norfolk Island	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0724	North Korea	0.81	0.66	0.69	0.4	0.3	0.6	-	-	-
0820	Northern Mariana Islands	0.73	0.02	0.02	5.1	0.1	0.3	-	-	-
0028	Norway	2,246.48	2,093.43	3,880.41	2.5	2.0	3.6	629.01	586.16	1,086.51
0649	Oman	48.56	31.71	41.57	2.6	1.6	1.6	5.83	3.81	4.99
0662	Pakistan	248.19	128.77	173.62	3.7	1.8	2.5	101.76	52.80	71.18
0825	Palau	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0442	Panama	15.19	21.87	33.63	0.7	0.8	1.0	4.56	6.56	10.09
0801	Papua New Guinea	1.32	0.92	2.49	0.3	0.2	0.5	0.40	0.28	0.75
0520	Paraguay	4.22	5.68	3.48	1.0	1.2	0.6	0.42	0.57	0.35
0504	Peru	37.92	38.81	60.92	1.1	0.8	1.1	11.38	11.64	18.28
0708	Philippines	183.87	228.41	179.89	1.8	2.3	1.9	58.84	73.09	57.56
0813	Pitcairn	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0644	Qatar	103.66	166.66	156.46	2.4	2.5	2.0	36.28	58.33	54.76
0075	Russia	2,827.86	5,759.47	4,325.74	1.9	3.1	2.1	678.69	1,382.27	1,038.18
0324	Rwanda	0.58	0.86	0.52	0.5	0.6	0.4	0.20	0.30	0.18
0408	Saint Pierre and Miquelon	0.32	0.55	0.23	1.2	1.3	0.8	-	-	-
0311	São Tomé and Príncipe	0.33	0.73	1.29	0.8	1.4	3.0	-	-	-
0329	Saint Helena	0.11	0.05	0.12	0.4	0.1	0.5	0.03	0.01	0.04
0047	San Marino	2.58	4.81	3.06	0.8	1.4	0.8	-	-	-
0632	Saudi Arabia	741.66	558.87	690.57	2.0	1.4	1.9	148.33	111.77	138.11
0248	Senegal	43.64	38.62	38.23	2.2	2.1	1.8	14.40	12.74	12.61
0098	Serbia	0.00	202.80	280.89	0.0	2.4	2.5	0.00	20.28	28.09
0094	Serbia and Montenegro (till 31/05/2006)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0355	Seychelles	2.49	4.49	2.25	0.5	1.1	0.5	0.00	0.00	0.00
0264	Sierra Leone	3.43	2.73	5.28	1.1	1.1	2.2	1.03	0.82	1.58
0706	Singapore	1,885.98	1,457.40	702.02	5.4	3.8	1.9	339.48	262.33	126.36

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to EU27 by country										
Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
0806	Solomon Islands	0.04	0.01	0.14	0.3	0.1	0.6	0.01	0.00	0.04
0342	Somalia	0.01	0.11	0.00	0.1	0.7	0.0	-	-	-
0388	South Africa	488.25	1,310.18	1,408.57	1.4	3.5	3.5	146.47	393.05	422.57
0893	South Georgia & the South Sandwich Islands	0.00	0.00	0.02	0.0	0.0	0.6	-	-	-
0728	South Korea	1,036.13	1,094.79	4,615.27	1.9	1.8	7.4	284.93	301.07	1,269.20
0669	Sri Lanka	53.79	53.10	37.37	2.0	1.8	1.2	17.48	17.26	12.15
0449	St Kitts and Nevis	0.05	0.08	0.04	0.2	0.2	0.1	0.00	0.00	0.00
0465	St Lucia	1.08	146.19	0.89	0.5	36.4	0.6	0.36	48.68	0.30
0467	St Vincent	21.87	0.16	0.49	4.0	0.1	0.2	8.20	0.06	0.18
0224	Sudan	16.70	21.59	12.73	1.1	1.3	1.1	5.85	7.56	4.45
0492	Surinam	6.01	13.89	6.99	1.6	3.4	1.5	-	-	-
0393	Swaziland	0.23	0.24	0.14	0.2	0.2	0.1	0.07	0.07	0.04
0039	Switzerland	3,688.62	3,964.62	4,198.47	2.6	2.6	2.6	888.96	955.47	1,011.83
0608	Syria	60.01	77.21	57.15	1.0	1.2	0.9	16.80	21.62	16.00
0082	Tadjikistan	1.09	2.73	3.38	0.6	0.8	1.0	0.27	0.68	0.84
0736	Taiwan	964.35	1,401.38	1,371.11	2.7	3.6	3.6	241.09	350.34	342.78
0352	Tanzania	12.75	23.81	36.05	1.6	2.5	3.3	3.83	7.14	10.81
0680	Thailand	643.98	694.04	768.01	3.1	3.2	3.2	193.19	208.21	230.40
0626	Timor-Leste (East Timor)	0.01	0.03	0.01	0.1	0.2	0.1	0.00	0.01	0.00
0280	Togo	12.57	7.74	8.83	1.9	0.8	0.8	4.65	2.86	3.27
0839	Tokelau	0.15	0.97	0.39	0.3	1.9	0.7	-	-	-
0817	Tonga	0.25	0.19	0.10	4.8	1.5	2.9	0.08	0.06	0.03
0472	Trinidad and Tobago	8.21	18.52	10.02	0.9	1.1	0.7	2.05	4.63	2.50
0212	Tunisia	212.79	241.09	555.49	1.5	1.5	3.0	74.48	84.38	194.42
0052	Turkey	1,437.29	1,651.60	77,267.16 ³²	1.8	1.9	79.7	431.19	495.48	23,180.15
0080	Turkmenistan	3.72	0.89	2.09	0.3	0.1	0.3	0.74	0.18	0.42
0454	Turks and Caicos Islands	0.31	0.11	0.07	0.9	0.3	0.2	0.00	0.00	0.00
0807	Tuvalu	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0350	Uganda	11.29	7.41	20.41	2.0	1.3	2.8	3.39	2.22	6.12
0072	Ukraine	359.71	506.44	768.19	1.7	1.9	2.4	89.93	126.61	192.05
0647	United Arab Emirates	961.13	956.92	996.79	2.8	3.2	3.2	528.62	526.31	548.24
0524	Uruguay	6.83	12.23	9.71	0.7	0.8	0.7	2.05	3.67	2.91
0832	US minor outlying islands (Pacific & Caribbean)	0.26	0.10	0.00	2.0	0.9	0.0	-	-	-
0400	US	29,689.25	14,500.78	37,890.10	7.4	3.4	9.0	13,419.54	6,554.35	17,126.33

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to EU27 by country

Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
0081	Uzbekistan	9.42	12.72	8.34	0.9	1.1	0.5	0.94	1.27	0.83
0816	Vanuatu	0.04	0.00	0.01	0.1	0.0	0.1	0.00	0.00	0.00
0484	Venezuela	78.35	73.98	100.66	1.2	0.8	1.1	26.64	25.15	34.22
0690	Vietnam	123.55	127.44	172.38	1.7	1.4	1.5	34.59	35.68	48.27
0457	Virgin Isles	0.52	0.81	0.46	0.6	0.6	0.2	0.00	0.00	0.00
0811	Wallis and Futuna Islands (South Pacific)	0.14	0.04	0.02	1.6	0.4	0.2	-	-	-
0819	(West) Samoa	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0653	Yemen	11.29	9.39	7.66	1.3	1.1	0.6	3.95	3.29	2.68
0378	Zambia	1.83	4.77	3.94	0.6	0.8	0.6	0.64	1.67	1.38
0382	Zimbabwe	2.38	4.65	4.43	0.5	0.9	0.9	0.73	1.44	1.37

Table 2: capital loss, proportion of total trade and tax loss to US by country

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to US by country										
Country code	Country name	Capital flow (million USD)			Proportion of total trade (%)			Tax loss (million USD)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
	TOTAL	154,090.34	166,835.12	352,696.49				50,507.80	55,269.88	108,263.82
5310	Afghanistan	6.87	4.29	22.12	2.1	0.9	3.9	1.37	0.86	4.42
4810	Albania	0.15	0.31	0.26	0.3	0.6	0.6	0.02	0.03	0.03
7210	Algeria	220.90	103.79	340.22	1.9	0.6	1.7	22.09	10.38	34.02
4271	Andorra	0.06	0.00	0.39	0.6	0.0	2.6	-	-	-
7620	Angola	237.54	91.75	210.07	2.5	0.7	1.5	83.14	32.11	73.52
2481	Anguilla	0.38	0.16	1.58	1.1	0.3	1.6	-	-	-
2484	Antigua and Barbuda	3.86	1.47	2.98	2.0	0.7	1.2	1.35	0.52	1.04
3570	Argentina	356.68	294.30	362.13	4.1	3.4	3.5	124.84	103.00	126.74
4631	Armenia	1.74	2.09	1.12	1.6	1.6	0.8	0.35	0.42	0.22
2779	Aruba	66.19	59.93	38.41	1.9	1.8	1.1	18.53	16.78	10.75
6021	Australia	1,746.21	1,546.12	1,822.07	7.6	6.0	6.5	523.86	463.84	546.62
4632	Azerbaijan	2.04	1.90	43.84	1.2	0.2	2.1	0.45	0.42	9.65
2360	Bahamas	103.26	64.37	70.82	4.2	2.4	2.4	-	-	-
5250	Bahrain	14.88	10.10	18.91	1.9	0.9	1.6	6.85	4.65	8.70
5380	Bangladesh	133.40	154.19	161.75	4.4	4.3	4.2	40.02	46.26	48.53
2720	Barbados	24.09	4.88	14.10	5.7	1.0	2.9	6.02	1.22	3.52
4622	Belarus	11.22	0.96	7.92	3.0	0.2	0.7	2.69	0.23	1.90
2080	Belize	7.85	4.13	5.13	2.5	1.1	1.5	0.14	0.07	0.09
7610	Benin	2.14	4.83	4.36	3.0	4.2	1.5	0.81	1.84	1.66
2320	Bermuda	16.74	10.75	14.69	2.9	1.6	2.1	-	-	-
5682	Bhutan	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
3350	Bolivia	13.31	10.64	19.05	2.6	1.8	3.0	3.33	2.66	4.76
4793	Bosnia-Herzegovina	0.73	0.45	21.68	0.8	0.6	48.1	0.07	0.04	2.17
7930	Botswana	13.43	2.48	8.14	5.5	0.9	3.4	3.36	0.62	2.04
3510	Brazil	2,225.85	2,885.65	10,243.52 ³³	5.6	6.3	20.4	756.79	981.12	3,482.80
2482	British Virgin Islands	1.55	1.45	2.82	1.0	0.6	1.3	-	-	-
7810	British Indian Ocean Territory (Chagos Islands)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
5610	Brunei	13.37	4.03	8.57	2.2	0.7	1.6	4.01	1.21	2.57
7600	Burkina Faso	0.09	0.00	0.00	0.3	0.0	0.0	0.03	0.00	0.00
7670	Burundi	0.12	0.09	0.01	1.0	1.1	0.1	0.04	0.03	0.00
5550	Cambodia	65.69	83.51	113.83	3.6	3.7	4.4	13.14	16.70	22.77
7420	Cameroon	1.28	2.92	2.17	0.5	0.7	0.5	0.49	1.12	0.84
1220	Canada	22,873.55	26,863.15	27,321.61	4.6	5.0	4.9	8,257.35	9,697.60	9,863.10

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to US by country										
Country code	Country name	Capital flow (million USD)			Proportion of total trade (%)			Tax loss (million USD)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
7643	Cape Verde	0.10	0.00	0.01	0.8	0.0	0.2	0.03	0.00	0.00
2440	Cayman Isles	12.79	5.40	14.83	1.8	0.8	2.2	-	-	-
7540	Central African Republic	0.37	0.00	0.09	1.8	0.0	0.4	-	-	-
7560	Chad	19.31	49.77	67.06	1.3	2.5	3.0	7.72	19.91	26.82
3370	Chile	627.45	456.16	548.02	5.3	2.8	3.2	106.67	77.55	93.16
5700	China	21,000.04	28,609.55	30,716.82	7.4	8.3	7.9	6,930.01	9,441.15	10,136.55
6024	Christmas Island	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
6023	Cocos (Keeling) Islands	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
3010	Colombia	520.96	506.81	639.13	3.7	3.2	3.6	200.57	195.12	246.07
7890	Comoros	0.01	0.00	0.00	0.4	0.0	0.1	0.00	0.00	0.00
7630	Congo (Brazzaville)	38.42	50.62	30.09	2.2	1.6	0.9	1.54	2.02	1.20
7660	Congo (Dem Rep)	35.52	1.69	6.43	10.9	1.1	2.0	1.42	0.07	0.26
6142	Cook Islands	0.03	0.00	0.01	1.1	0.0	0.2	0.01	0.00	0.00
2230	Costa Rica	383.43	379.49	1,738.92 ³⁴	5.5	4.8	20.4	115.03	113.85	521.68
4791	Croatia	6.02	3.63	8.30	1.2	0.7	1.4	1.21	0.73	1.67
2390	Cuba	2.19	0.94	9.05	0.6	0.3	2.0	0.66	0.28	2.71
7770	Djibouti	0.05	0.06	1.21	0.1	0.1	1.9	0.01	0.01	0.30
2486	Dominica	0.87	0.10	0.65	1.3	0.1	0.8	0.22	0.02	0.16
2470	Dominican Republic	684.12	322.90	307.28	7.4	3.3	3.0	171.03	80.73	76.82
3310	Ecuador	210.68	113.49	163.95	2.7	1.2	1.8	52.67	28.37	40.99
7290	Egypt	182.78	137.47	271.82	3.5	2.1	3.5	62.14	46.74	92.42
2110	El Salvador	107.97	110.06	114.77	2.8	2.7	2.6	26.99	27.51	28.69
7380	Equatorial Guinea	19.90	11.39	15.27	1.1	0.5	0.8	6.97	3.99	5.34
7741	Eritrea	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
7749	Ethiopia	5.76	3.81	3.63	1.0	1.8	1.4	1.73	1.14	1.09
3720	Falkland Islands	0.00	5.26	0.00	0.0	37.9	0.0	0.00	1.31	0.00
4091	Faroe Isles	0.12	0.00	0.31	1.7	0.0	3.1	0.02	0.00	0.06
6820	Federated States of Micronesia	0.38	0.09	0.46	1.4	0.3	1.1	-	-	-
6863	Fiji	4.18	0.88	1.87	2.1	0.5	1.0	1.30	0.27	0.58
3170	French Guiana	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
6414	French Polynesia	2.38	0.97	2.56	1.4	0.6	1.4	-	-	-
7905	French Southern Territories	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
7550	Gabon	56.51	16.04	56.01	1.9	1.1	2.1	19.78	5.62	19.60
7500	Gambia	0.49	0.27	0.65	1.6	1.3	3.2	0.17	0.09	0.23

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to US by country										
Country code	Country name	Capital flow (million USD)			Proportion of total trade (%)			Tax loss (million USD)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
5082	Gaza/Jericho (Occupied Palestinian Territories)	0.00	0.00	0.00	0.2	0.0	0.0	-	-	-
4633	Georgia	8.65	6.01	10.79	2.1	1.6	2.0	1.73	1.20	2.16
7490	Ghana	13.71	7.84	16.17	2.8	1.6	2.6	4.80	2.74	5.66
4720	Gibraltar	0.00	0.00	2.91	0.0	0.0	0.5	-	-	-
1010	Greenland	0.28	0.02	0.08	1.2	0.2	0.6	0.08	0.01	0.02
2489	Grenada	0.81	0.16	1.16	0.9	0.2	1.3	0.24	0.05	0.35
2831	Guadeloupe	2.36	0.04	1.00	4.2	0.1	0.7	-	-	-
2050	Guatemala	201.15	165.85	250.15	3.4	2.5	3.5	62.36	51.41	77.55
7460	Guinea	3.23	1.64	1.82	1.6	1.0	1.1	1.13	0.57	0.64
7642	Guinea Bissau	0.00	0.00	0.03	0.0	0.0	0.5	-	-	-
3120	Guyana	3.25	1.84	3.91	1.1	0.6	1.3	1.14	0.64	1.37
2450	Haiti	16.37	21.07	13.53	1.4	1.6	1.1	4.91	6.32	4.06
6029	Heard Island & McDonald Islands (Australia)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
4752	Holy See (Vatican City)	0.00	0.00	0.18	0.0	0.0	1.0	-	-	-
2150	Honduras	176.71	157.45	171.43	2.5	2.1	2.0	53.01	47.24	51.43
5820	Hong Kong	2,095.02	1,786.42	2,077.65	8.3	7.0	7.7	366.63	312.62	363.59
4000	Iceland	12.37	9.86	14.71	1.6	1.6	1.8	1.86	1.48	2.21
5330	India	2,045.17	2,063.48	2,693.38	7.6	6.5	6.5	748.53	755.23	985.78
5600	Indonesia	601.37	652.71	770.54	4.0	4.0	4.2	180.41	195.81	231.16
5070	Iran	44.48	14.29	21.92	16.5	5.9	6.9	11.12	3.57	5.48
5050	Iraq	236.39	173.51	258.15	2.3	1.3	2.0	35.46	26.03	38.72
5081	Israel	1,666.94	3,027.26	1,980.71	6.3	10.1	5.9	583.43	1,059.54	693.25
7480	Ivory Coast	13.35	5.10	10.71	1.0	0.6	1.4	4.67	1.79	3.75
2410	Jamaica	58.16	45.65	66.15	2.8	1.8	2.2	19.37	15.20	22.03
5880	Japan	34,531.73	29,698.09	31,391.19	17.9	14.3	15.1	14,537.86	12,502.90	13,215.69
5110	Jordan	70.05	65.15	173.76	3.7	3.1	7.9	11.00	10.23	27.28
4634	Kazakhstan	32.93	6.62	24.02	2.0	0.4	1.2	9.88	1.98	7.21
7790	Kenya	12.43	13.26	19.76	1.3	1.5	2.2	3.73	3.98	5.93
6226	Kiribati	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
5130	Kuwait	189.64	124.42	137.15	3.0	2.0	2.1	104.30	68.43	75.43
4635	Kyrgyz Republic (formerly Kyrgyzstan)	0.08	0.00	0.31	0.2	0.0	0.6	0.02	0.00	0.06
5530	Laos	0.01	0.15	0.51	0.1	1.0	1.5	0.00	0.05	0.18
5040	Lebanon	16.56	13.41	27.62	3.0	1.3	3.0	2.48	2.01	4.14

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to US by country										
Country code	Country name	Capital flow (million USD)			Proportion of total trade (%)			Tax loss (million USD)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
7990	Lesotho	9.95	4.42	17.42	2.4	1.1	3.9	2.49	1.10	4.35
7650	Liberia	8.75	1.87	2.62	5.3	0.9	1.4	3.06	0.66	0.92
7250	Libyan Arab Jamahiriya	21.02	9.36	78.66	1.3	0.3	2.0	8.41	3.74	31.46
4411	Liechtenstein	10.58	5.83	14.24	3.4	1.7	4.7	1.59	0.87	2.14
5660	Macao	75.97	69.06	63.33	5.6	4.8	4.8	9.12	8.29	7.60
4794	Macedonia (Former Yugoslav Republic of)	1.05	0.23	1.72	1.3	0.4	1.6	-	-	-
7880	Madagascar	11.19	6.15	13.96	3.2	1.9	3.8	3.36	1.84	4.19
7970	Malawi	5.05	0.70	1.89	3.5	0.7	1.7	1.52	0.21	0.57
5570	Malaysia	3,234.55	12,526.90	168,769.93 ³⁵	7.3	25.5	379.5	905.67	3,507.53	47,255.58
5683	Maldives	0.14	0.27	0.21	0.9	1.4	1.0	-	-	-
7450	Mali	0.08	0.05	0.05	0.2	0.1	0.1	0.03	0.02	0.02
6810	Marshall Islands	0.66	0.04	0.28	0.6	0.1	0.8	0.02	0.00	0.01
2839	Martinique	0.11	0.05	1.63	0.2	0.1	0.8	-	-	-
7410	Mauritania	0.39	0.00	0.04	0.5	0.0	0.0	0.10	0.00	0.01
7850	Mauritius	19.98	4.15	20.56	7.9	1.6	8.7	3.00	0.62	3.08
7881	Mayotte (France)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
2010	Mexico	15,654.40	18,043.67	24,765.09	5.4	5.4	7.1	5,165.95	5,954.41	8,172.48
4641	Moldova	1.47	1.83	1.29	1.6	2.7	1.7	0.22	0.27	0.19
4272	Monaco	4.97	0.84	0.20	9.2	1.3	0.3	-	-	-
5740	Mongolia	10.20	2.12	4.24	6.2	1.6	3.9	3.06	0.64	1.27
4804	Montenegro	0.00	0.00	0.26	0.0	0.0	0.5	0.00	0.00	0.02
2485	Montserrat	0.00	0.00	0.00	0.1	0.0	0.0	-	-	-
7140	Morocco	20.04	28.94	28.58	2.1	2.1	1.5	7.01	10.13	10.00
7870	Mozambique	1.47	0.79	1.95	2.0	1.0	1.6	0.47	0.25	0.62
5460	Myanmar (Burma)	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
6412	New Caledonia	0.54	0.28	1.31	0.8	0.3	1.0	-	-	-
7920	Namibia	2.91	1.07	2.10	1.2	0.4	0.6	1.02	0.37	0.74
6862	Nauru	0.00	0.00	0.09	0.0	0.0	1.0	-	-	-
5360	Nepal	5.42	4.20	3.67	4.0	3.6	3.1	1.08	0.84	0.73
2771	Netherlands Antilles	39.25	49.40	63.97	1.9	1.9	2.2	7.85	9.88	12.79
6141	New Zealand	363.68	259.51	303.15	6.3	4.3	5.1	120.02	85.64	100.04
2190	Nicaragua	45.96	51.95	84.67	2.6	2.3	3.4	13.79	15.59	25.40
7510	Niger	1.93	0.96	0.98	1.3	0.4	1.2	0.68	0.33	0.34
7530	Nigeria	620.00	185.01	995.13	2.4	0.6	2.8	198.40	59.20	318.44
6144	Niue	0.00	0.00	0.09	0.0	0.0	4.3	-	-	-
6022	Norfolk Island	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
5790	North Korea	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to US by country										
Country code	Country name	Capital flow (million USD)			Proportion of total trade (%)			Tax loss (million USD)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
4039	Norway	349.59	309.44	805.91	4.0	3.3	7.8	97.89	86.64	225.66
5230	Oman	29.14	14.02	42.79	2.5	0.8	2.0	3.50	1.68	5.14
5350	Pakistan	241.09	223.10	227.67	5.4	3.9	4.1	98.85	91.47	93.34
6830	Palau	0.13	0.01	0.26	1.0	0.1	1.8	0.02	0.00	0.04
2250	Panama	79.00	95.80	157.39	3.2	3.1	3.8	23.70	28.74	47.22
6040	Papua New Guinea	3.35	2.83	8.13	3.0	2.2	4.7	1.01	0.85	2.44
3530	Paraguay	32.06	108.34	21.76	3.4	11.2	1.7	3.21	10.83	2.18
3330	Peru	441.72	194.53	369.00	6.0	2.2	4.0	132.52	58.36	110.70
5650	Philippines	1,794.85	2,344.51	2,150.48	11.1	13.5	12.6	574.35	750.24	688.15
6225	Pitcairn Islands	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
5180	Qatar	78.90	35.56	127.54	5.5	2.2	3.9	27.61	12.45	44.64
7904	Reunion	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
4621	Russia	545.85	429.25	747.22	2.8	1.8	2.8	131.00	103.02	179.33
7690	Rwanda	0.26	0.27	0.45	1.6	1.3	1.6	0.09	0.09	0.16
1610	Saint Pierre and Miquelon	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
7644	São Tomé and Príncipe	0.00	0.00	0.02	0.0	0.0	0.2	-	-	-
7580	Saint Helena	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
4751	San Marino	0.01	0.00	0.00	0.3	0.0	0.0	-	-	-
5170	Saudi Arabia	1,064.72	567.45	1,827.53	3.1	1.4	4.0	212.94	113.49	365.51
7440	Senegal	1.36	1.29	2.96	0.8	1.1	1.7	0.45	0.43	0.98
4802	Serbia	0.00	0.00	6.02	0.0	0.0	3.6	0.00	0.00	0.60
4799	Serbia and Montenegro (till 31/05/2006)	4.91	1.86	0.00	2.6	0.9	0.0	-	-	-
7800	Seychelles	0.05	0.02	0.07	0.2	0.1	0.4	-	-	-
7470	Sierra Leone	0.73	4.29	0.90	1.5	5.7	0.9	0.22	1.29	0.27
5590	Singapore	12,615.13	3,422.52	3,858.41	35.3	8.1	8.6	2,270.72	616.05	694.51
6223	Solomon Islands	0.02	0.00	0.03	0.6	0.0	0.5	0.01	0.00	0.01
7700	Somalia	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
7910	South Africa	409.43	594.84	538.96	4.2	5.0	3.7	122.83	178.45	161.69
5800	South Korea	7,474.17	10,153.23	10,150.90	10.5	13.0	12.3	2,055.40	2,792.14	2,791.50
5420	Sri Lanka	218.57	190.66	212.09	9.6	8.0	9.2	71.04	61.96	68.93
2483	St Kitts and Nevis	2.81	3.65	2.13	2.0	2.1	1.3	-	-	-
2487	St Lucia	4.49	1.13	2.19	2.7	0.6	1.1	1.50	0.38	0.73
2488	St Vincent	0.38	0.04	0.95	0.6	0.1	1.4	0.14	0.02	0.36
7320	Sudan	2.81	0.02	1.05	2.4	0.0	1.4	0.99	0.01	0.37
3150	Surinam	4.69	2.33	5.31	1.2	0.6	1.2	-	-	-
4031	Svalbard (Norway)	0.11	0.00	0.00	2.0	0.0	0.0	-	-	-

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to US by country										
Country code	Country name	Capital flow (million USD)			Proportion of total trade (%)			Tax loss (million USD)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
7950	Swaziland	7.78	2.80	3.53	3.7	1.7	2.0	2.33	0.84	1.06
4419	Switzerland	4,282.58	5,087.82	7,492.57	18.1	17.8	23.6	1,032.10	1,226.17	1,805.71
5020	Syria	3.36	0.09	3.76	0.7	0.0	0.8	0.94	0.03	1.05
5830	Taiwan	5,812.24	6,897.24	7,963.24	10.2	11.3	12.3	1,453.06	1,724.31	1,990.81
4642	Tajikistan	0.10	0.00	0.20	0.0	0.0	0.4	-	-	-
7830	Tanzania	2.77	2.47	11.11	2.1	1.3	5.0	0.83	0.74	3.33
5490	Thailand	1,665.32	1,634.87	2,040.95	6.1	5.3	6.5	499.60	490.46	612.29
5601	Timor-Leste (East Timor)	0.00	0.00	0.01	0.0	0.0	0.1	0.00	0.00	0.00
7520	Togo	0.97	1.76	3.85	2.8	1.6	1.3	0.36	0.65	1.42
6143	Tokelau	0.54	0.03	0.33	0.6	0.1	0.5	-	-	-
6864	Tonga	0.19	0.12	0.21	1.3	0.7	1.1	0.06	0.03	0.06
2740	Trinidad and Tobago	226.19	306.06	195.52	2.4	3.1	1.8	56.55	76.52	48.88
7230	Tunisia	22.37	14.29	21.03	4.6	1.7	2.4	7.83	5.00	7.36
4890	Turkey	403.53	362.50	492.06	4.3	3.3	4.4	121.06	108.75	147.62
4643	Turkmenistan	1.37	0.60	2.97	0.4	0.3	0.7	0.27	0.12	0.59
2430	Turks, and Caicos Islands	5.16	0.70	8.49	2.1	0.2	2.1	-	-	-
6227	Tuvalu	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
7780	Uganda	2.66	0.31	1.66	3.0	0.4	1.5	0.80	0.09	0.50
4623	Ukraine	42.98	36.86	66.06	2.6	1.5	2.6	10.74	9.21	16.51
8220	Unidentified countries	0.90	0.00	3.40	0.4	0.0	0.8	-	-	-
5200	United Arab Emirates	369.79	380.35	585.80	3.7	2.9	4.5	203.39	209.19	322.19
3550	Uruguay	21.26	25.66	22.61	2.0	2.6	2.0	6.38	7.70	6.78
4644	Uzbekistan	1.18	0.29	0.39	0.7	0.1	0.2	0.12	0.03	0.04
6224	Vanuatu	0.01	0.01	0.02	0.1	0.1	0.1	-	-	-
3070	Venezuela	1,215.43	692.02	993.19	3.0	1.5	2.0	413.25	235.29	337.69
5520	Vietnam	281.06	360.41	513.44	3.6	3.7	4.1	78.70	100.92	143.76
6413	Wallis and Futuna Islands (South Pacific)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
5083	West Bank administered by Israel	0.02	0.00	0.02	0.5	0.0	0.1	-	-	-
6150	(West) Samoa	0.50	0.00	0.55	2.2	0.0	2.5	0.14	0.00	0.15
7370	Western Sahara	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
5210	Yemen	3.25	3.72	10.21	0.7	0.5	1.1	1.14	1.30	3.57
7940	Zambia	0.53	0.32	1.67	0.9	0.4	1.4	0.19	0.11	0.58
7960	Zimbabwe	2.98	0.33	1.32	2.2	0.2	0.7	0.92	0.10	0.41

Table 3: capital loss, proportion of total trade and tax loss to UK by country

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to UK by country										
Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
	TOTAL	13,526.81	26,480.32	9,590.53				4,847.77	10,106.29	3,441.42
0660	Afghanistan	0.01	0.35	0.37	0.1	1.2	0.7	0.00	0.07	0.07
0070	Albania	0.14	0.02	0.04	0.8	0.2	0.2	0.01	0.00	0.00
0208	Algeria	8.20	10.05	7.84	1.0	0.7	0.5	0.82	1.00	0.78
0830	American Samoa	0.00	0.22	2.81	0.0	19.2	72.2	-	-	-
0043	Andorra	0.15	0.22	0.22	1.2	2.3	2.5	-	-	-
0330	Angola	4.09	2.44	3.18	1.7	0.7	0.5	1.43	0.86	1.11
0446	Anguilla	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0891	Antarctica	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0459	Antigua and Barbuda	0.43	0.20	0.13	1.9	0.3	0.3	0.15	0.07	0.04
0528	Argentina	23.49	38.40	16.87	3.7	4.5	1.8	8.22	13.44	5.90
0077	Armenia	0.11	0.01	0.00	1.7	0.0	0.0	0.02	0.00	0.00
0474	Aruba	1.74	1.58	2.51	2.6	3.3	2.9	0.49	0.44	0.70
0800	Australia	1,937.84 ³⁶	139.46	181.97	30.5	2.2	2.8	581.35	41.84	54.59
0078	Azerbaijan	2.28	3.29	3.99	0.6	0.3	0.5	0.50	0.72	0.88
0357	British Indian Ocean Territory (Chagos Islands)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0453	Bahamas	0.25	0.26	0.16	0.2	0.2	0.5	0.00	0.00	0.00
0640	Bahrain	3.83	6.21	7.44	0.8	1.3	1.8	1.76	2.86	3.42
0666	Bangladesh	8.02	14.71	11.71	0.8	1.2	1.0	2.41	4.41	3.51
0469	Barbados	0.98	0.44	0.42	0.9	0.5	0.4	0.24	0.11	0.10
0073	Belarus	3.19	26.52	5.00	0.7	2.3	0.5	0.76	6.37	1.20
0421	Belize	1.98	0.23	0.31	2.4	0.4	0.5	0.03	0.00	0.01
0284	Benin	0.16	0.36	0.25	0.3	0.7	0.4	0.06	0.14	0.09
0413	Bermuda	0.37	0.63	0.54	1.3	2.1	1.9	0.00	0.00	0.00
0675	Bhutan	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0516	Bolivia	0.60	0.16	0.24	1.3	0.5	0.7	0.15	0.04	0.06
0093	Bosnia-Herzegovina	0.72	0.25	0.28	1.7	0.7	0.7	0.07	0.02	0.03
0391	Botswana	7.14	11.04	0.44	0.3	0.6	0.1	1.78	2.76	0.11
0892	Bouvet Island (Norway)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0508	Brazil	62.90	143.98	58.45	1.8	3.7	1.4	21.38	48.95	19.87
0468	British Virgin Islands	0.11	0.04	0.16	0.1	0.1	0.4	0.00	0.00	0.00
0703	Brunei	0.20	0.18	0.89	0.3	0.2	0.6	0.06	0.05	0.27
0236	Burkina Faso	0.00	0.00	0.02	0.0	0.0	0.3	0.00	0.00	0.01
0328	Burundi	0.00	0.00	0.01	0.1	0.0	0.3	0.00	0.00	0.00

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to UK by country										
Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
0696	Cambodia	2.02	1.62	1.43	1.5	1.1	0.8	0.40	0.32	0.29
0302	Cameroon	0.90	0.97	40.75	0.5	0.6	32.8	0.35	0.37	15.69
0404	Canada	206.69	301.46	257.20	2.3	2.9	2.3	74.61	108.83	92.85
0021	Canary Islands and Ceuta (Spain)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0247	Cape Verde	0.01	0.00	0.02	0.1	0.0	0.4	0.00	0.00	0.01
0463	Cayman Isles	0.15	0.27	0.08	0.7	1.3	0.4	0.00	0.00	0.00
0306	Central African Republic	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0244	Chad	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0512	Chile	18.24	10.20	15.72	2.0	1.0	1.6	3.10	1.73	2.67
0720	China	749.36	705.98	904.70	2.6	2.1	2.4	247.29	232.97	298.55
0834	Christmas Island	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0833	Cocos (Keeling) Islands	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0480	Colombia	15.66	6.62	6.38	2.5	1.0	0.9	6.03	2.55	2.46
0375	Comoros	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0318	Congo (Brazzaville)	0.09	0.37	0.25	0.2	0.7	0.3	0.00	0.01	0.01
0322	Congo (Dem Rep)	0.23	0.34	0.17	0.9	1.4	1.0	0.01	0.01	0.01
0837	Cook Islands	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0436	Costa Rica	6.82	2.01	3.97	0.8	0.3	0.5	2.05	0.60	1.19
0092	Croatia	4.27	4.79	6.05	1.8	1.6	1.8	0.86	0.96	1.22
0448	Cuba	0.07	0.04	0.07	0.2	0.1	0.2	0.02	0.01	0.02
0338	Djibouti	0.10	0.03	0.17	1.3	0.4	1.8	0.03	0.01	0.04
0460	Dominica	0.53	0.06	0.06	1.9	0.2	0.4	0.13	0.01	0.02
0456	Dominican Republic	1.70	1.80	2.31	1.1	0.9	1.2	0.43	0.45	0.58
0500	Ecuador	1.79	2.07	1.25	1.6	1.7	0.9	0.45	0.52	0.31
0220	Egypt	18.42	21.93	86.99	1.5	1.3	5.1	6.26	7.46	29.58
0428	El Salvador	1.72	0.65	0.16	2.9	1.4	0.7	0.43	0.16	0.04
0310	Equatorial Guinea	0.02	0.05	0.32	0.0	0.1	0.5	0.01	0.02	0.11
0336	Eritrea	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0334	Ethiopia	0.68	1.05	1.48	1.2	1.5	1.6	0.20	0.32	0.44
0529	Falkland Islands	0.14	0.13	0.19	0.4	0.3	0.5	0.03	0.03	0.05
0041	Faroe Isles	1.71	1.73	1.80	1.0	1.1	1.1	0.31	0.31	0.32
0823	Federated States of Micronesia	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0815	Fiji	0.00	0.09	0.05	0.0	0.1	0.1	0.00	0.03	0.02
0096	Former Yugoslav Republic of Macedonia	0.63	0.55	0.77	1.0	0.9	1.0	-	-	-
0822	French Polynesia	0.26	0.04	0.16	1.8	0.4	1.5	-	-	-

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to UK by country										
Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
0894	French Southern Territories	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0314	Gabon	0.14	0.14	0.61	0.3	0.3	1.1	0.05	0.05	0.21
0252	Gambia	0.26	0.78	0.21	1.0	3.4	0.9	0.09	0.27	0.07
0625	Gaza/Jericho (Occupied Palestinian Territories)	0.06	0.00	0.03	1.3	0.0	1.1	-	-	-
0076	Georgia	0.42	0.94	0.33	0.7	1.0	0.3	0.08	0.19	0.07
0276	Ghana	5.75	8.25	26.47	1.4	1.8	5.0	2.01	2.89	9.26
0044	Gibraltar	5.44	5.37	13.49	1.6	1.3	3.8	0.00	0.00	0.00
0406	Greenland	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0473	Grenada	0.04	0.12	0.04	0.2	1.0	0.5	0.01	0.04	0.01
0831	Guam	0.09	0.08	0.07	1.2	0.8	1.2	0.03	0.03	0.02
0416	Guatemala	0.51	5.16	0.79	0.9	7.3	1.4	0.16	1.60	0.25
0260	Guinea	0.01	0.10	0.08	0.0	0.2	0.3	0.00	0.03	0.03
0257	Guinea Bissau	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0488	Guyana	0.48	0.24	0.78	0.5	0.3	0.8	0.17	0.08	0.27
0452	Haiti	0.04	0.07	0.12	0.4	0.6	0.9	0.01	0.02	0.04
0835	Heard Island & McDonald Islands (Australia)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0045	Holy See (Vatican City)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0424	Honduras	0.14	0.25	0.39	0.3	0.6	0.9	0.04	0.08	0.12
0740	Hong Kong	281.78	319.22	266.73	3.9	4.3	3.8	49.31	55.86	46.68
0024	Iceland	10.40	7.20	10.57	1.5	0.9	1.3	1.56	1.08	1.59
0664	India	228.24	6,076.49 ³⁷	197.48	2.9	74.4	2.1	83.54	2,224.00	72.28
0700	Indonesia	25.28	34.91	55.33	1.3	1.8	3.0	7.58	10.47	16.60
0616	Iran	8.39	6.62	7.34	1.2	0.9	1.1	2.10	1.65	1.83
0612	Iraq	3.28	2.53	9.53	2.1	2.5	6.5	0.49	0.38	1.43
0624	Israel	103.18	128.92	79.86	3.2	4.1	2.7	36.11	45.12	27.95
0272	Ivory Coast	0.57	0.91	28.32	0.3	0.5	13.8	0.20	0.32	9.91
0464	Jamaica	1.79	4.43	2.37	0.8	1.5	0.9	0.60	1.48	0.79
0732	Japan	1,155.60	8,861.96 ³⁸	685.31	6.2	49.6	4.2	486.51	3,730.88	288.52
0628	Jordan	14.83	4.90	3.37	5.3	2.0	1.4	2.33	0.77	0.53
0079	Kazakhstan	5.51	5.43	8.49	1.6	0.5	1.1	1.65	1.63	2.55
0346	Kenya	8.05	15.25	13.48	1.4	2.3	2.0	2.42	4.57	4.04
0812	Kiribati	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0095	Kosovo	0.00	0.03	0.00	0.0	1.4	0.0	0.00	0.00	0.00
0636	Kuwait	35.30	28.38	27.05	3.2	1.6	1.7	19.42	15.61	14.88

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to UK by country										
Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
0083	Kyrgyz Republic (formerly Kyrgyzstan)	0.33	0.01	0.01	8.4	0.3	0.2	0.07	0.00	0.00
0684	Laos	0.22	0.26	0.28	0.6	0.6	0.7	0.08	0.09	0.10
0604	Lebanon	12.87	9.23	18.12	3.9	2.8	4.9	1.93	1.38	2.72
0395	Lesotho	0.00	0.00	0.01	0.1	0.1	0.5	0.00	0.00	0.00
0268	Liberia	0.09	0.03	0.02	0.3	0.1	0.1	0.03	0.01	0.01
0216	Libyan Arab Jamahiriya	3.55	3.68	12.35	0.5	0.3	1.1	1.42	1.47	4.94
0037	Liechtenstein	0.75	0.91	0.11	1.6	1.0	0.2	0.11	0.14	0.02
0743	Macao	1.22	2.46	1.51	1.1	1.6	0.9	0.15	0.30	0.18
0370	Madagascar	0.61	0.16	0.19	1.9	0.4	0.3	0.18	0.05	0.06
0386	Malawi	0.61	0.53	0.68	1.4	1.5	1.7	0.18	0.16	0.20
0701	Malaysia	93.71	257.40	172.71	2.5	6.2	4.4	26.24	72.07	48.36
0667	Maldives	0.07	0.11	0.10	0.2	0.4	0.3	0.00	0.00	0.00
0232	Mali	0.00	0.03	0.00	0.0	0.5	0.0	0.00	0.01	0.00
0824	Marshall Islands	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0228	Mauritania	0.05	0.01	0.08	0.1	0.0	0.3	0.01	0.00	0.02
0373	Mauritius	5.71	3.71	3.82	1.0	0.6	0.7	0.86	0.56	0.57
0377	Mayotte (France)	0.00	0.02	0.00	0.0	0.6	0.0	-	-	-
0023	Melilla (Spain)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0412	Mexico	104.23	126.37	62.66	4.3	4.8	2.4	34.40	41.70	20.68
0074	Moldova	0.66	1.01	0.73	2.9	2.3	1.8	0.10	0.15	0.11
0716	Mongolia	0.00	0.03	0.06	0.0	0.2	0.4	0.00	0.01	0.02
0097	Montenegro	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0470	Montserrat	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0204	Morocco	14.87	14.68	17.94	1.6	1.5	1.7	5.20	5.14	6.28
0366	Mozambique	0.48	5.31	1.10	0.4	2.6	0.6	0.15	1.70	0.35
0676	Myanmar (Burma)	1.15	1.18	0.41	1.7	1.9	0.9	0.35	0.35	0.12
0809	New Caledonia	0.16	0.02	0.12	1.1	0.1	0.6	-	-	-
0389	Namibia	0.20	0.23	0.21	0.0	0.0	0.1	0.07	0.08	0.07
0803	Nauru	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0672	Nepal	0.30	0.38	0.64	1.4	1.7	3.0	0.06	0.08	0.13
0478	Netherlands Antilles	0.54	0.38	0.64	0.9	0.2	0.6	0.11	0.08	0.13
0804	New Zealand	25.78	21.80	38.60	1.8	1.6	2.7	8.51	7.19	12.74
0432	Nicaragua	0.06	0.11	0.02	0.3	0.5	0.2	0.02	0.03	0.01
0240	Niger	0.01	0.00	0.00	0.1	0.0	0.0	0.00	0.00	0.00
0288	Nigeria	30.54	46.20	27.50	2.3	3.1	1.5	9.77	14.78	8.80
0838	Niue	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0836	Norfolk Island	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0724	North Korea	0.00	0.00	0.00	0.1	0.0	0.0	-	-	-

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to UK by country

Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
0820	Northern Mariana Islands	0.02	0.01	0.01	0.5	0.4	0.7	-	-	-
0028	Norway	938.49	237.81	290.56	4.5	1.0	1.2	262.78	66.59	81.36
0649	Oman	7.93	5.76	8.07	2.0	1.6	1.8	0.95	0.69	0.97
0662	Pakistan	32.81	26.89	26.58	2.5	2.0	2.1	13.45	11.03	10.90
0825	Palau	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0442	Panama	4.92	5.89	4.25	3.6	3.2	1.7	1.48	1.77	1.28
0801	Papua New Guinea	0.49	0.16	0.57	0.5	0.3	0.9	0.15	0.05	0.17
0520	Paraguay	0.11	0.38	0.19	0.7	1.9	1.0	0.01	0.04	0.02
0504	Peru	3.67	3.41	4.82	1.5	0.9	1.7	1.10	1.02	1.45
0708	Philippines	19.50	39.26	98.81	1.3	2.7	7.1	6.24	12.56	31.62
0813	Pitcairn Islands	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0644	Qatar	47.99	111.79	11.03	8.0	12.0	1.1	16.80	39.13	3.86
0075	Russia	304.61	801.88	184.42	3.1	7.4	1.6	73.11	192.45	44.26
0324	Rwanda	0.02	0.01	0.01	0.3	0.2	0.1	0.01	0.00	0.00
0408	Saint Pierre and Miquelon	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0311	São Tomé and Príncipe	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0329	Saint Helena	0.11	0.05	0.12	0.4	0.4	0.8	0.03	0.01	0.04
0047	San Marino	0.13	0.18	0.04	0.6	1.0	0.2	-	-	-
0632	Saudi Arabia	100.32	110.18	103.58	2.3	3.0	2.9	20.06	22.04	20.72
0248	Senegal	0.21	1.11	0.29	0.1	0.4	0.1	0.07	0.37	0.09
0098	Serbia	0.00	1.64	5.73	0.0	0.9	2.5	0.00	0.16	0.57
0094	Serbia and Montenegro (till 31/05/2006)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0355	Seychelles	0.42	2.58	0.83	0.4	2.7	1.0	0.00	0.00	0.00
0264	Sierra Leone	0.48	1.16	1.03	1.2	3.7	3.8	0.14	0.35	0.31
0706	Singapore	400.65	133.17	171.13	4.9	1.6	2.0	72.12	23.97	30.80
0806	Solomon Islands	0.00	0.00	0.07	0.0	0.0	1.0	0.00	0.00	0.02
0342	Somalia	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0388	South Africa	135.92	736.10	213.05	1.8	8.6	2.3	40.78	220.83	63.91
0893	South Georgia & South Sandwich Islands	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0728	South Korea	191.57	210.56	122.09	2.9	3.1	1.9	52.68	57.90	33.57
0669	Sri Lanka	20.59	18.97	13.73	2.6	2.2	1.5	6.69	6.17	4.46
0449	St Kitts and Nevis	0.01	0.03	0.02	0.1	0.3	0.2	0.00	0.00	0.00
0465	St Lucia	0.32	0.33	0.69	0.7	0.5	1.6	0.11	0.11	0.23
0467	St Vincent	0.07	0.04	0.12	0.3	0.2	0.6	0.03	0.02	0.04
0224	Sudan	4.10	4.57	2.36	1.8	1.9	1.2	1.44	1.60	0.83

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to UK by country										
Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
0492	Surinam	0.45	0.02	0.13	3.2	0.1	1.1	-	-	-
0393	Swaziland	0.19	0.15	0.06	0.3	0.3	0.1	0.06	0.05	0.02
0039	Switzerland	667.72	591.28	547.77	5.7	5.8	5.3	160.92	142.50	132.01
0608	Syria	1.51	11.62	1.07	0.5	2.3	0.6	0.42	3.25	0.30
0082	Tadjikistan	0.02	0.00	0.00	0.2	0.0	0.0	0.00	0.00	0.00
0736	Taiwan	145.70	220.29	341.00	3.1	4.3	6.6	36.43	55.07	85.25
0352	Tanzania	2.43	4.43	4.15	1.6	2.6	2.6	0.73	1.33	1.24
0680	Thailand	92.03	235.28	247.82	2.7	6.5	6.4	27.61	70.58	74.35
0626	Timor-Leste (East Timor)	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0280	Togo	6.05	2.29	0.09	4.2	1.1	0.2	2.24	0.85	0.03
0839	Tokelau	0.15	0.13	0.36	0.3	0.3	0.9	-	-	-
0817	Tonga	0.25	0.19	0.10	7.7	4.1	5.6	0.08	0.06	0.03
0472	Trinidad and Tobago	3.00	1.88	1.52	1.5	0.6	0.6	0.75	0.47	0.38
0212	Tunisia	7.30	5.63	4.31	1.7	1.5	1.0	2.56	1.97	1.51
0052	Turkey	269.74	437.65	224.73	3.2	4.6	2.3	80.92	131.30	67.42
0080	Turkmenistan	0.07	0.00	0.00	0.3	0.0	0.0	0.01	0.00	0.00
0454	Turks and Caicos Islands	0.00	0.00	0.05	0.0	0.0	1.3	0.00	0.00	0.00
0807	Tuvalu	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0350	Uganda	3.89	0.61	0.94	5.7	1.0	1.2	1.17	0.18	0.28
0072	Ukraine	10.91	11.91	13.14	2.3	1.9	1.7	2.73	2.98	3.28
0647	United Arab Emirates	458.19	437.02	209.22	4.7	6.8	4.1	252.00	240.36	115.07
0524	Uruguay	1.42	3.32	1.16	1.1	2.3	0.9	0.43	1.00	0.35
0832	US minor outlying islands (Pacific & Caribbean)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0400	US	4,303.59	4,555.20	3,257.36	6.1	6.1	4.4	1,945.22	2,058.95	1,472.33
0081	Uzbekistan	0.14	0.02	0.34	0.2	0.0	0.4	0.01	0.00	0.03
0816	Vanuatu	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0484	Venezuela	7.59	7.69	15.20	0.9	0.6	1.4	2.58	2.62	5.17
0690	Vietnam	30.90	15.31	15.66	2.6	1.2	1.1	8.65	4.29	4.38
0457	Virgin Isles	0.13	0.11	0.05	0.2	2.8	1.4	0.00	0.00	0.00
0811	Wallis and Futuna Islands (South Pacific)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0819	(West) Samoa	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0653	Yemen	0.93	0.84	0.59	1.2	1.1	0.7	0.32	0.29	0.21
0378	Zambia	0.76	1.60	1.06	1.1	1.5	1.1	0.27	0.56	0.37
0382	Zimbabwe	0.90	1.01	0.50	0.7	1.1	0.7	0.28	0.31	0.16

Table 4: capital flow, proportion of total trade and tax loss to Ireland by country

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to Ireland by country										
Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
	TOTAL	1,698.71	2,421.41	1,742.55				618	962	682
0660	Afghanistan	0.02	0.05	0.02	0.5	0.9	0.3	0.00	0.01	0.00
0070	Albania	0.00	0.01	0.06	0.0	0.2	0.9	0.00	0.00	0.01
0208	Algeria	0.14	0.16	1.21	0.3	0.2	3.8	0.01	0.02	0.12
0830	American Samoa	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0043	Andorra	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0330	Angola	0.09	0.03	0.13	1.4	0.3	1.3	0.03	0.01	0.04
0446	Anguilla	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0891	Antarctica	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0459	Antigua and Barbuda	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0528	Argentina	0.61	0.44	0.51	0.6	0.4	0.4	0.21	0.15	0.18
0077	Armenia	0.00	0.00	0.00	0.4	0.4	0.7	0.00	0.00	0.00
0474	Aruba	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0800	Australia	24.78	30.31	21.29	3.2	3.5	2.3	7.43	9.09	6.39
0078	Azerbaijan	0.00	0.03	0.02	0.0	0.6	0.6	0.00	0.01	0.00
0357	British Indian Ocean Territory (Chagos Islands)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0453	Bahamas	0.00	0.00	0.07	0.1	0.1	2.5	0.00	0.00	0.00
0640	Bahrain	0.20	0.74	1.16	1.7	3.7	3.7	0.09	0.34	0.53
0666	Bangladesh	0.27	0.35	0.36	0.8	0.9	1.0	0.08	0.10	0.11
0469	Barbados	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0073	Belarus	0.09	0.07	0.02	0.7	0.6	0.4	0.02	0.02	0.01
0421	Belize	0.03	0.00	0.71	0.4	0.0	17.6	0.00	0.00	0.01
0284	Benin	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0413	Bermuda	0.00	0.00	0.00	0.1	0.0	0.0	0.00	0.00	0.00
0675	Bhutan	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0516	Bolivia	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0093	Bosnia-Herzegovina	0.25	0.06	0.19	3.3	0.4	1.5	0.02	0.01	0.02
0391	Botswana	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0892	Bouvet Island (Norway)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0508	Brazil	26.25	8.95	9.08	8.1	3.0	2.7	8.93	3.04	3.09
0468	British Virgin Islands	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0703	Brunei	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0236	Burkina Faso	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0328	Burundi	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to Ireland by country

Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
0696	Cambodia	0.14	0.08	0.10	1.5	0.5	0.6	0.03	0.02	0.02
0302	Cameroon	0.49	0.71	4.36	1.3	3.6	16.9	0.19	0.27	1.68
0404	Canada	15.20	13.85	50.09	2.5	1.9	7.2	5.49	5.00	18.08
0021	Canary Islands and Ceuta (Spain)	0.01	0.00	0.00	0.4	0.0	0.0	-	-	-
0247	Cape Verde	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0463	Cayman Islands	0.00	0.00	0.01	0.8	0.0	0.5	0.00	0.00	0.00
0306	Central African Republic	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0244	Chad	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0512	Chile	0.71	0.43	0.25	0.8	0.5	0.3	0.12	0.07	0.04
0720	China	139.59	81.10	61.00	5.8	3.1	1.9	46.07	26.76	20.13
0834	Christmas Island	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0833	Cocos (Keeling) Islands	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0480	Colombia	0.32	0.97	1.10	1.2	3.0	2.7	0.12	0.37	0.42
0375	Comoros	0.00	0.00	0.00	0.0	0.2	0.0	0.00	0.00	0.00
0318	Congo (Brazzaville)	0.07	0.05	0.04	0.7	0.7	0.4	0.00	0.00	0.00
0322	Congo (Dem Rep)	0.15	0.10	0.45	1.1	0.4	2.2	0.01	0.00	0.02
0837	Cook Islands	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0436	Costa Rica	1.74	13.49	0.03	0.8	3.2	0.0	0.52	4.05	0.01
0092	Croatia	0.15	0.68	0.80	0.3	1.2	1.7	0.03	0.14	0.16
0448	Cuba	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0338	Djibouti	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0460	Dominica	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0456	Dominican Republic	0.03	0.00	0.00	0.4	0.0	0.0	0.01	0.00	0.00
0500	Ecuador	0.01	0.03	0.01	0.1	0.2	0.1	0.00	0.01	0.00
0220	Egypt	2.78	7.29	20.57	3.8	7.8	16.9	0.94	2.48	6.99
0428	El Salvador	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0310	Equatorial Guinea	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0336	Eritrea	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0334	Ethiopia	0.32	0.04	0.63	5.0	0.7	8.4	0.10	0.01	0.19
0529	Falkland Islands	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0041	Faroe Isles	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0823	Federated States of Micronesia	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0815	Fiji	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0096	Former Yugoslav Republic of Macedonia	0.00	0.04	0.35	0.1	0.3	2.6	-	-	-
0822	French Polynesia	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to Ireland by country

Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
0894	French Southern Territories	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0314	Gabon	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0252	Gambia	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0625	Gaza/Jericho (Occupied Palestinian Territories)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0076	Georgia	0.01	0.03	0.02	0.2	0.7	0.3	0.00	0.01	0.00
0276	Ghana	0.11	0.17	0.23	0.3	0.6	0.6	0.04	0.06	0.08
0044	Gibraltar	0.02	0.00	0.02	0.6	0.0	0.8	0.00	0.00	0.00
0406	Greenland	0.00	0.00	0.00	0.0	0.2	0.0	0.00	0.00	0.00
0473	Grenada	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0831	Guam	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0416	Guatemala	0.00	0.05	0.02	0.0	1.0	0.3	0.00	0.01	0.01
0260	Guinea	0.04	0.07	0.17	0.1	0.1	0.2	0.01	0.03	0.06
0257	Guinea Bissau	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0488	Guyana	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0452	Haiti	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0835	Heard Island & McDonald Islands (Australia)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0045	Holy See (Vatican City)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0424	Honduras	0.00	0.00	0.10	0.0	0.0	1.7	0.00	0.00	0.03
0740	Hong Kong	97.77	48.33	52.41	10.9	5.5	5.8	17.11	8.46	9.17
0024	Iceland	3.94	13.44	0.29	7.5	18.8	0.7	0.59	2.02	0.04
0664	India	192.62	9.51	18.92	60.6	2.7	4.6	70.50	3.48	6.92
0700	Indonesia	3.04	1.54	3.30	1.4	0.8	2.1	0.91	0.46	0.99
0616	Iran	0.17	0.99	0.18	0.7	4.0	0.6	0.04	0.25	0.04
0612	Iraq	0.00	1.68	0.08	0.0	12.3	0.9	0.00	0.25	0.01
0624	Israel	8.96	6.72	6.40	2.2	2.2	2.2	3.14	2.35	2.24
0272	Ivory Coast	0.20	0.22	19.72	1.8	1.8	206.0	0.07	0.08	6.90
0464	Jamaica	0.00	0.00	0.00	0.1	0.1	0.0	0.00	0.00	0.00
0732	Japan	140.23	137.58	62.81	4.3	4.8	2.4	59.04	57.92	26.44
0628	Jordan	0.74	0.33	1.96	2.5	1.0	4.8	0.12	0.05	0.31
0079	Kazakhstan	0.07	0.34	0.32	0.9	2.6	1.5	0.02	0.10	0.10
0346	Kenya	0.07	0.52	0.16	0.3	2.0	0.5	0.02	0.15	0.05
0812	Kiribati	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0095	Kosovo	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0636	Kuwait	1.00	1.70	0.53	2.0	2.6	0.9	0.55	0.93	0.29

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to Ireland by country

Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
0083	Kyrgyz Republic (formerly Kyrgyzstan)	0.00	0.00	0.00	0.0	0.5	3.0	0.00	0.00	0.00
0684	Laos	0.00	0.00	0.00	0.1	0.0	0.0	0.00	0.00	0.00
0604	Lebanon	1.38	0.24	1.47	5.4	0.7	4.4	0.21	0.04	0.22
0395	Lesotho	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0268	Liberia	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0216	Libyan Arab Jamahiriya	0.15	0.20	0.45	0.8	1.0	0.5	0.06	0.08	0.18
0037	Liechtenstein	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0743	Macao	0.00	0.02	0.00	0.0	0.2	0.0	0.00	0.00	0.00
0370	Madagascar	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0386	Malawi	0.00	0.86	0.23	0.1	7.7	3.7	0.00	0.26	0.07
0701	Malaysia	36.89	45.56	5.62	3.2	3.2	0.5	10.33	12.76	1.57
0667	Maldives	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0232	Mali	0.05	0.08	0.29	0.6	0.9	2.4	0.02	0.03	0.10
0824	Marshall Islands	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0228	Mauritania	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0373	Mauritius	0.12	0.00	0.06	2.9	0.1	1.1	0.02	0.00	0.01
0377	Mayotte (France)	0.07	0.00	0.00	5.0	0.0	0.0	-	-	-
0023	Melilla (Spain)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0412	Mexico	13.61	3.32	8.98	2.5	0.5	1.3	4.49	1.10	2.96
0074	Moldova	0.00	0.00	0.00	0.2	0.1	0.0	0.00	0.00	0.00
0716	Mongolia	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0097	Montenegro	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0470	Montserrat	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0204	Morocco	1.24	1.06	0.71	1.0	1.1	0.8	0.43	0.37	0.25
0366	Mozambique	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0676	Myanmar (Burma)	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0809	New Caledonia	0.00	0.00	0.09	0.0	0.0	3.1	-	-	-
0389	Namibia	0.05	0.04	0.00	2.4	2.2	0.0	0.02	0.01	0.00
0803	Nauru	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0672	Nepal	0.00	0.00	0.00	0.0	0.0	0.8	0.00	0.00	0.00
0478	Netherlands Antilles	0.00	0.00	0.00	0.0	0.6	0.0	0.00	0.00	0.00
0804	New Zealand	1.59	2.11	1.92	1.6	2.1	1.7	0.52	0.69	0.63
0432	Nicaragua	0.01	0.00	0.00	0.4	0.1	0.0	0.00	0.00	0.00
0240	Niger	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0288	Nigeria	0.97	2.96	6.48	0.9	2.0	3.5	0.31	0.95	2.07
0838	Niue	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0836	Norfolk Island	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to Ireland by country

Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
0724	North Korea	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0820	Northern Mariana Islands	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0028	Norway	36.12	112.62	44.55	2.0	5.6	2.5	10.11	31.53	12.47
0649	Oman	0.82	3.49	0.35	4.0	14.9	1.5	0.10	0.42	0.04
0662	Pakistan	0.68	0.88	1.09	1.2	1.5	1.9	0.28	0.36	0.44
0825	Palau	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0442	Panama	0.32	0.51	0.31	2.7	3.0	2.6	0.10	0.15	0.09
0801	Papua New Guinea	0.04	0.00	0.00	0.6	0.0	0.0	0.01	0.00	0.00
0520	Paraguay	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0504	Peru	0.02	0.01	0.02	0.1	0.1	0.1	0.01	0.00	0.01
0708	Philippines	19.28	65.59	8.91	4.3	12.1	1.1	6.17	20.99	2.85
0813	Pitcairn Islands	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0644	Qatar	0.62	0.18	0.33	3.5	0.9	1.3	0.22	0.06	0.12
0075	Russia	6.60	10.69	12.64	2.2	3.0	3.3	1.58	2.57	3.03
0324	Rwanda	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0408	Saint Pierre and Miquelon	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0311	São Tomé and Príncipe	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0329	Saint Helena	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0047	San Marino	0.00	0.03	0.01	0.0	5.1	2.9	-	-	-
0632	Saudi Arabia	7.33	6.94	14.61	2.6	2.1	4.0	1.47	1.39	2.92
0248	Senegal	1.08	0.13	1.32	2.6	0.4	2.9	0.36	0.04	0.43
0098	Serbia	0.00	0.12	0.26	0.0	2.2	0.3	0.00	0.01	0.03
0094	Serbia and Montenegro (till 31/05/2006)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0355	Seychelles	0.03	0.06	0.06	1.1	2.0	1.6	0.00	0.00	0.00
0264	Sierra Leone	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0706	Singapore	43.10	45.81	20.71	2.9	2.5	1.5	7.76	8.25	3.73
0806	Solomon Islands	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0342	Somalia	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0388	South Africa	7.85	4.71	33.70	1.9	1.0	6.5	2.35	1.41	10.11
0893	South Georgia & the South Sandwich Islands	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0728	South Korea	55.47	23.90	20.13	6.5	3.1	2.5	15.25	6.57	5.54
0669	Sri Lanka	2.30	0.82	0.30	9.2	4.2	1.9	0.75	0.27	0.10
0449	St Kitts and Nevis	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0465	St Lucia	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0467	St Vincent	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to Ireland by country

Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
0224	Sudan	0.09	0.02	0.33	0.5	0.1	2.3	0.03	0.01	0.12
0492	Surinam	0.00	0.01	0.00	0.0	1.5	0.0	-	-	-
0393	Swaziland	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0039	Switzerland	50.34	62.67	59.98	1.4	2.1	1.7	12.13	15.10	14.46
0608	Syria	0.06	0.20	0.07	0.6	1.4	0.4	0.02	0.06	0.02
0082	Tadjikistan	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0736	Taiwan	71.54	65.46	58.97	3.9	3.3	2.7	17.89	16.36	14.74
0352	Tanzania	0.02	0.03	0.03	0.3	0.3	0.3	0.01	0.01	0.01
0680	Thailand	11.74	3.59	7.46	2.7	0.8	1.9	3.52	1.08	2.24
0626	Timor-Leste (East Timor)	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0280	Togo	0.00	0.02	0.35	0.0	0.3	3.5	0.00	0.01	0.13
0839	Tokelau	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0817	Tonga	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0472	Trinidad and Tobago	0.15	0.15	0.19	1.5	1.2	1.3	0.04	0.04	0.05
0212	Tunisia	0.00	0.31	0.07	0.0	1.4	0.1	0.00	0.11	0.02
0052	Turkey	9.35	6.92	23.75	1.7	1.0	3.0	2.80	2.08	7.13
0080	Turkmenistan	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0454	Turks and Caicos Islands	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0807	Tuvalu	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0350	Uganda	0.01	0.04	0.04	0.3	0.8	0.5	0.00	0.01	0.01
0072	Ukraine	0.66	2.09	1.90	2.2	6.5	3.9	0.16	0.52	0.47
0647	United Arab Emirates	2.51	6.53	14.91	1.4	2.6	4.7	1.38	3.59	8.20
0524	Uruguay	0.17	0.14	0.14	2.7	1.3	1.3	0.05	0.04	0.04
0832	US minor outlying islands (Pacific & Caribbean)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0400	US	649.20	1,555.93	1,043.72	2.8	6.9	4.7	293.44	703.28	471.76
0081	Uzbekistan	0.00	0.00	0.00	0.4	0.2	0.1	0.00	0.00	0.00
0816	Vanuatu	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0484	Venezuela	0.28	0.54	0.82	0.9	1.2	1.8	0.09	0.18	0.28
0690	Vietnam	1.10	0.39	1.90	2.0	0.5	1.9	0.31	0.11	0.53
0457	Virgin Isles	0.01	0.06	0.00	1.3	5.2	0.3	0.00	0.00	0.00

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to Ireland by country

Country code	Country name	Capital flow (million EUR)			Proportion of total trade (%)			Tax loss (million EUR)		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
0811	Wallis and Futuna Islands (South Pacific)	0.00	0.00	0.00	0.0	0.0	0.0	-	-	-
0819	(West) Samoa	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0653	Yemen	0.25	0.10	0.03	11.2	3.3	0.8	0.09	0.03	0.01
0378	Zambia	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00
0382	Zimbabwe	0.00	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00

Table 5: capital flow resulting from bilateral trade mispricing by trade sector to US and EU³⁹

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to EU and US by commodity group

HS2 code	Description	EU (million EUR)			US (million USD)			EU + US total (million GBP)			
		2005	2006	2007	2005	2006	2007	2005	2006	2007	2005-2007
	TOTAL	81,137	74,686	179,962	154,090	166,835	352,696	140,271	141,622	299,539	581,431
01	Live animals	91	91	81	87	72	89	110	101	100	311
02	Meat and edible meat of offal	77	84	95	282	264	249	208	200	189	597
03	Fish, crustaceans and aquatic invertebrates	123	135	127	259	361	303	227	288	239	754
04	Dairy produce, eggs and honey	52	161	113	46	53	79	61	138	117	316
05	Products of animal origin	27	29	29	64	73	65	53	59	53	165
06	Live trees, plants, bulbs etc; cut flowers etc	27	24	27	100	114	116	73	79	77	229
07	Edible vegetables and certain roots and tubers	83	61	79	218	373	272	177	245	190	612
08	Edible fruits and nuts; citrus fruit or melon peel	124	96	107	246	264	268	220	209	207	636
09	Coffee, tea, mate or spices	102	79	65	120	159	153	136	140	121	397
10	Cereals	72	43	91	161	578	412	138	343	268	749
11	Milling products; malt; starch; inulin; wheat gluten	13	27	39	20	28	27	20	33	40	93
12	Oil seeds etc; misc grain, seed, fruit, plant etc	133	97	113	211	278	439	207	217	297	722
13	Lac; gums, resins and other vegetable sap and extracts	32	38	31	57	44	42	53	49	42	145
14	Vegetable plaiting materials and products	2	6	2	4	3	21	3	6	12	21
15	Animal or vegetable fats, oils etc & waxes	86	81	94	70	55	126	97	85	128	310
16	Edible preparations of meat, fish, crustaceans etc	45	52	46	103	114	105	87	97	84	268
17	Sugar and sugar confectionery	44	47	34	88	132	86	78	104	66	248
18	Cocoa and cocoa preparations	72	62	94	64	39	64	85	63	96	245
19	Prepared cereal, flour, starch or milk; bakers' wares	85	85	125	139	144	130	135	136	151	422
20	Prepared vegetables, fruits, nuts or other plant parts	78	84	94	144	145	160	132	136	144	413

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to EU and US by commodity group

HS2 code	Description	EU (million EUR)			US (million USD)			EU + US total (million GBP)			
		2005	2006	2007	2005	2006	2007	2005	2006	2007	2005-2007
21	Miscellaneous edible preparations	293	371	418	256	323	292	341	429	432	1,202
22	Beverages, spirits and vinegar	422	446	538	181	208	210	388	417	473	1,279
23	Food industry residues, animal feeds	126	148	149	113	109	179	149	160	192	501
24	Tobacco and manufactured tobacco substitutes	78	146	268	82	68	51	98	137	209	443
25	Salt, sulphur, earth and stone, lime and cement	129	264	285	478	474	431	351	438	411	1,199
26	Ores, slag and ash	200	439	955	198	248	461	246	435	884	1,565
27	Mineral fuels, oils and waxes	4,255	5,358	3,573	7,110	4,906	15,108	6,822	6,321	9,998	23,141
28	Inorganic chemicals, organic/inorganic compounds of precious metals	226	353	280	871	1,050	930	634	812	657	2,102
29	Organic chemicals	19,344	1,335	1,583	11,806	4,830	6,696	19,729	3,536	4,431	27,696
30	Pharmaceutical products	2,947	3,474	3,602	1,877	2,516	2,802	3,049	3,737	3,867	10,653
31	Fertilisers	29	23	53	69	135	135	58	89	103	250
32	Tanning and dye, paint, putty, inks etc	9,980	323	339	349	386	395	7,021	430	430	7,881
33	Essential oils etc; perfumery, cosmetic etc preps	17	27	23	261	207	247	155	131	139	426
34	Soap etc; waxes, polishes etc; candles; dental preps	115	132	148	247	346	285	214	278	243	735
35	Albuminoidal substances; modified starch; glue; enzymes	185	114	132	158	198	176	213	185	178	577
36	Explosives; pyrotechnics; matches; pyro alloys etc	0	0	1	43	29	54	24	16	27	68
37	Photographic or cinematographic goods	877	173	123	370	341	321	804	303	245	1,352
38	Miscellaneous chemical products	795	936	1,305	1,637	1,648	1,869	1,444	1,534	1,828	4,807
39	Plastics and articles thereof	1,966	888	936	3,302	4,757	3,422	3,162	3,192	2,352	8,705
40	Rubber and articles thereof	298	409	593	2,304	2,738	1,572	1,471	1,767	1,192	4,429
41	Raw hides and skins and leather	163	193	181	97	79	67	165	175	157	497

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to EU and US by commodity group

HS2 code	Description	EU (million EUR)			US (million USD)			EU + US total (million GBP)			
		2005	2006	2007	2005	2006	2007	2005	2006	2007	2005-2007
42	Leather articles, saddlery, handbags etc	118	210	172	843	926	994	544	646	614	1,805
43	Furskins and artificial fur; manufactures thereof	21	28	19	35	40	29	34	41	28	102
44	Wood and articles of wood, wood charcoal	2,209	2,295	5,475	1,113	1,760	1,004	2,124	2,522	4,251	8,897
45	Cork and articles of cork	0	0	0	2	1	1	1	1	1	3
46	Manufacture of straw, esparto etc; basketware & wickerwork	0	0	0	33	39	54	18	21	27	66
47	Wood pulp etc; recovered (waste & scrap) paper & paperboard	179	86	109	210	184	178	238	159	164	560
48	Paper and paperboard articles, articles of paper pulp	364	435	452	786	854	747	681	761	682	2,124
49	Printed books, newspapers, manuscripts etc	0	0	0	876	825	1,392	482	448	696	1,626
50	Silk, including yarn and woven fabric thereof	74	18	19	17	32	18	60	30	22	112
51	Wool & animal hair, including yarn & woven fabric	82	81	84	9	9	9	61	60	62	183
52	Cotton, including yarn and woven fabric thereof	222	135	174	135	138	157	226	167	197	590
53	Vegetable textile fibres and yarns	15	27	17	5	5	16	13	21	20	54
54	Manmade filaments including yarns and woven fabrics	234	133	149	159	144	146	247	169	175	591
55	Manmade staple fibres including yarns and woven fabrics	66	72	190	74	72	79	86	88	169	343
56	Wadding, felt, spun yarn, twine, rope etc	43	49	128	148	140	142	110	110	159	379
57	Carpets and other textile floor coverings	87	88	143	262	222	203	204	181	199	584
58	Special woven fabrics; tufted fabric; lace; tapestries etc	14	17	13	98	84	74	64	57	46	167
59	Impregnated, coated, covered or laminated textile products	55	63	132	682	180	201	412	141	190	744

Amount of annual capital flow resulting from bilateral trade mispricing from non-EU27 countries to EU and US by commodity group

HS2 code	Description	EU (million EUR)			US (million USD)			EU + US total (million GBP)			
		2005	2006	2007	2005	2006	2007	2005	2006	2007	2005-2007
60	Knitted or crocheted fabrics	0	0	0	78	82	71	43	45	36	123
61	Apparel articles & clothing accessories – knitted or crocheted	628	678	1,169	1,746	1,956	1,928	1,390	1,525	1,764	4,680
62	Apparel articles & clothing accessories – not knitted or crocheted	931	858	1,230	1,991	1,978	2,000	1,732	1,661	1,842	5,234
63	Textile articles; needlecraft sets; worn clothing	47	47	52	926	1,007	1,827	542	579	949	2,070
64	Footwear, gaiters and the like	466	381	461	690	799	859	698	694	745	2,137
65	Headgear and parts thereof	47	77	127	163	172	170	122	146	172	440
66	Umbrellas, walking-sticks, riding-crops etc, parts	10	10	15	53	62	60	36	40	40	116
67	Prep feathers, down etc; artif flowers; hair art	0	0	0	15	11	16	8	6	8	22
68	Art of stone, plaster, cement, asbestos, mica etc	38	49	46	581	767	681	345	450	372	1,168
69	Ceramic products	105	137	148	2,769	2,341	8,590	1,595	1,366	4,396	7,357
70	Glass and glassware	256	259	490	620	715	1,411	516	565	1,041	2,123
71	Pearls, stones, precious metals, imitation jewellery, coins	2,605	6,218	2,833	1,500	1,464	1,834	2,608	5,037	2,857	10,502
72	Iron and steel	508	690	876	790	843	783	782	929	991	2,701
73	Articles of iron or steel	585	778	779	1,982	2,128	2,341	1,490	1,687	1,704	4,881
74	Copper and articles thereof	216	367	344	289	570	567	307	560	519	1,386
75	Nickel and articles thereof	54	78	118	125	100	172	106	107	166	380
76	Alumium and articles thereof	218	348	304	711	797	902	540	671	659	1,870
78	Lead and articles thereof	2	4	6	8	16	34	6	11	21	39
79	Zinc and articles thereof	18	46	35	39	57	241	33	62	145	241
80	Tin and articles thereof	7	8	12	12	11	23	11	11	20	42
81	Base metals and cermets (composites of ceramic and metallic materials)	52	49	48	104	82	161	93	78	113	284
82	Tools and cutlery of base metals	95	46	59	1,145	1,793	3,114	695	1,006	1,597	3,298

Appendix 2: technical methodology

This report uses the 'price filter analysis' method to estimate how many imports to the EU and US from non-EU27⁴⁰ countries are underpriced, and how many exports from the EU and US are overpriced, to facilitate illicit capital transfer from non-EU27 countries.

Data description and source

The study uses the most detailed trade statistics available publicly for EU countries and the US:

- EU countries: statistics showing trade in goods are published by the Statistical Office of the European Communities (Eurostat)
- the US: The US Exports/Imports of Merchandise trade data is published by the US Census Bureau.

The statistics on the EU's trade with non-member countries published by Eurostat include the monthly quantity and value of import and export trades since 1988. The statistics are detailed for every product classification for each EU member country, and for every partner country. The implied price (or unit value) for each record can be calculated using value and quantity of the defined unit of measure (for example tonnes of wheat or terajoules of electricity). Some product records are excluded in calculating trade mispricing when the particular product category has no defined measure of units. The number of records in the trade data ranges between 5 million and more than 7 million per month during the 2005-2007 period. The total number of records in 2007, for example, is 83.7 million. This study estimates the trade mispricing annually for EU countries as a group using the monthly data from 2005 to the end of 2007. The mispricing for UK and Ireland is estimated annually using the monthly data for ten years from 1998 to 2007, although only data for 2005-2007 is presented in this report.

The trade mispricing in US merchandise trade is estimated using the US Exports (and Imports) of Merchandise trade data published monthly by the US Census Bureau. The US trade data is available monthly from 1989 for every product classification, for every partner country, and for every customs district. As in the case of EU trade data, some product records are excluded in calculating trade mispricing when the particular product

category has no defined measure of units. Trade mispricing in US trade data is estimated annually for 2005, 2006 and 2007. The number of records in the trade data is more than 10 million per year during the 2005-2007 period.

Price filter analysis method

A price filter analysis method⁴¹ attempts to evaluate each transaction against an arm's length price range. Arm's length pricing is the price range that a product would fetch on the open market.⁴² Upper and lower quartile prices are calculated for every commodity classification between trading countries. Every record in the trade database is then evaluated for mispricing against the inter-quartile range for the corresponding commodity classification (NC8 for EU and HS10 for the US). The price range between an upper quartile price and a lower quartile price is assumed to be the arm's length price range. If the declared price of a particular transaction falls within the inter-quartile price range, it is assumed to be an arm's length transaction, that is, it is considered to be normal.

If a price is above the upper quartile price, the overpriced amount is assumed to be the deviation of the price from the upper quartile price. Similarly, if a price is below the lower quartile price, the underpriced amount is assumed to be the deviation of the price from the lower quartile price.⁴³ The mispriced amount for each transaction is estimated as:

$$\text{Underpriced amount} = \text{MAX}(0, \text{LoQ} - P)$$

$$\text{Overpriced amount} = \text{MAX}(0, P - \text{UpQ})$$

Where P = declared price (implied in quantity and value in each trade record), LoQ = lower quartile price, and UpQ = upper quartile price.

This approach estimates the mispriced amount for each transaction record, enabling an estimation of total of capital flows into EU countries and the US. The total capital flow to EU countries and the US is the total of all overpriced import amounts and underpriced export amounts of all trades by non-EU countries. The advantage of the price filter analysis method is that the mispriced amount of each transaction is directly estimated using EU trade data and the US trade data.

Therefore, the level of accuracy does not depend on trade data from non-EU countries.

An important assumption in the price filter analysis method is that the estimated inter-quartile price range is an arm's length price range. This assumption is somewhat arbitrary. However, the assumption is considered reasonable as the US IRS transfer pricing regulation, Internal Revenue Code 482, specifies that an inter-quartile range is an acceptable arm's length transaction range. The price-filter method may also adopt a different price range as an arm's length price range, such as:

$$(\text{Mean price}) \pm \alpha (\text{Standard deviation})$$

The upper and lower quartile prices are estimated for each commodity classification only when there are at least eight records although a minimum of four samples are necessary in calculating quartiles. As a consequence, no mispricing amount is estimated for any commodity with less than a total of eight records having the same commodity code (NC8 or HS10) in the database.

The overpriced EU/US export amounts are aggregated for every commodity classification (HS2) and non-EU country, as are the underpriced EU/US import amounts.

Lost tax revenue on capital flows as a result of trade mispricing is calculated on a country-by-country basis by multiplying the capital flow by corporate marginal tax rate for each country in question.⁴⁴ Where corporate marginal tax rates (the applicable rate of tax on profits) were unavailable, lost tax revenue was not calculated. Although this estimation is limited as it does not distinguish between tax rates for different industry sectors, or take account of tax relief schemes within each country, it provides a broad estimate for the amount of revenue lost.

European data produces capital shift figures in Euro (EUR), while US data produces figures in US dollars (USD). Where figures are converted to pounds (GBP), calculations use the mean of daily interbank rates for the year in question.

Limitations of the price filter analysis method

The price filter analysis method yields the net amount of capital inflow to EU and the US, instead of the total amount, as the EU and US trade data includes grouped records (records with multiple transactions), some overpriced and some underpriced. These grouped records will understate the amount of mispricing since overpriced transactions and underpriced transactions in a grouped record may offset each other in estimating capital inflow.

Some product classifications include diverse products in various subgroups, resulting in wide inter-quartile price ranges. This may result in classifying legitimate transactions of high-end products as overpriced, legitimate transactions of low-end products as underpriced, and abnormally priced transactions of mid-range products as legitimate. However, the transaction misclassification of the high-end and the low-end products

as abnormally priced may offset each other as well as the transaction misclassification of the mid-range products.

Transactions in large quantity with declared prices only marginally different from arm's length prices may not be detected if the declared abnormal prices fall within the inter-quartile range. However, the total mispriced amounts may be substantial. This will have an effect of understating the estimated mispriced amounts (underpriced or overpriced).

Other limitations of the price filter analysis method include:

- that detailed transaction data of a country of interest is not included in this analysis
- that the estimation of an inter-quartile price range may require special attention for products with highly volatile prices during the period in question as in the case of crude oil price with spot price ranging between 36/bbl and 145/bbl during 2008. For certain cases with high price volatility, inter-quartile price ranges may be estimated for a shorter period of time, such as monthly. The current study has used inter-quartile ranges for each calendar year. Commodities with high price volatility may be examined in a future study
- that the analysis here assumes that the quantity and pricing data reported in the EU and US are consistent with those reported in the relevant partner country. This latter point can only be verified by comparing data from the partner country, and this exercise would be expected to reveal disparities where false invoicing has occurred. This form of trade pricing abuse is estimated by Baker⁴⁵ to add substantially to illicit capital outflows from developing countries, so the overall estimates here may substantially understate the true scale of the problem.

Endnotes

- 1** Raymond W Baker, 'The ugliest chapter in global economic affairs since slavery', speech to Global Financial Integrity Program, 28 June 2007.
- 2** J Neighbour, 'Transfer pricing: keeping it at arm's length', *OECD Observer*, January 2002, www.oecdobserver.org/news/fullstory.php/aid/670/Transfer_p
- 3** *Death and Taxes: the True Toll of Tax Dodging*, Christian Aid, 2008.
- 4** *Ibid.*
- 5** 'G20 urged to crack down on tax havens', *Financial Times*, 4 March 2009, www.ft.com/cms/s/0/980c6210-085b-11de-8a33-0000779fd2ac.html
- 6** US Senate committee press release, 'Levin, Coleman, Obama introduce Stop Tax Haven Abuse Act (S. 681): bill targets \$100 billion in lost tax revenue each year from offshore tax dodges', 17 February 2007.
- 7** Anne Thomas, 'Pope to call for closure of tax havens', *Christian Today*, 24 February 2009.
- 8** *Death and Taxes: the True Toll of Tax Dodging*, Christian Aid, 2008. *The Morning After the Night Before: the Impact of the Financial Crisis on the Developing World*, Christian Aid, 2008.
- 9** The City of London and Dublin's International Financial Services Centre (IFSC) are classified by the IMF as Offshore Financial Centres (OFCs). Ahmed Zoromé, *Concept of Offshore Financial Centers: In Search of an Operational Definition*, Working Paper 07/87, Washington DC: IMF, 2007.
- 10** Forty-nine low-income countries as defined by the World Bank. The World Bank, Country Classification Data, <http://go.worldbank.org/K2CKM78CC0>
- 11** Originally US\$40-60bn. Exchange rate calculated at the mid-market rate on 21 February 2009. This is providing that policies and institutions are improved in the developing world. S Devarajan, M Miller and E V Swanson, 'Goals for development: history, prospects, and costs', *World Bank Policy Research Working Paper No. 2819*.
- 12** This estimate was made in *Death and Taxes: the True Toll of Tax Dodging*, Christian Aid, 2008 on the basis of figures generated by Raymond Baker, *Capitalism's Achilles Heel: Dirty Money and how to Renew the Free-Market System*, Wiley, 2005, and quoted by the World Bank for the scale of illicit capital movements via trade. In fact, we can extrapolate from the estimates presented in the current report, assuming that developing countries' trade with the rest of the world, other than the EU and US, is equally characterised by abusive pricing. This may be an underestimate as this effectively assumes that trade through tax havens is no 'dirtier' than trade with the EU and US directly. On this basis, the average global figure for illicit capital outflows from developing countries from 2005-2007 is £277.4bn. The average marginal tax rates used in *Death and Taxes: the True Toll of Tax Dodging* were 31.2 per cent for low-income countries, 30.2 per cent for lower-middle income countries and 25.0 per cent for upper-middle income countries. Taking 30 per cent as a rough average for all developing countries implies a tax loss of £83.2bn, which at the contemporary exchange rate used in *Death and Taxes: the True Toll of Tax Dodging* is equivalent to US\$162.9bn.
- 13** Exchange rate data provided by FXHistory®: historical currency exchange rates, www.oanda.com/convert/fxhistory
- 14** The Associated Press, 'Brown wants a new financial order', *International Herald and Tribune*, 26 September 2008.
- 15** J Eaglesham and A Barker, 'Britain urges crackdown on tax havens', *Financial Times*, 19 February 2009.
- 16** This could easily, for example, be based on the existing *Council of Europe/OECD Convention on Mutual Cooperation in Tax Matters*, 1988.
- 17** The Council of Europe/OECD multilateral convention should be made open for signature by all states. Council of Europe and OECD member states should agree to it, making no significant reservations, and those that have such reservations should withdraw them. They should also extend its provisions to all their dependent territories.
- 18** There are two main reasons why bilateral agreements have failed. While countries that are economically powerful can obtain such agreements with countries operating as tax havens, poorer countries wanting to obtain such agreements are rebuffed. In addition, the burden of proof that a jurisdiction asking for information must address is often beyond the reach of under-resourced and inexperienced tax authorities in poorer countries.
- 19** Trades Union Congress, *Tax Avoidance by Companies and the Wealthy Costs Everyone at Work £1,000 a Year*, 1 February 2008.
- 20** Two specific records from 2007 EU import data are excluded from all calculations because of unrealistically large quantities recorded. 1 Spain's import of natural gas liquefied from Qatar (NC8=27111100) in July 2007: 317,706,500 terajoule. 2 Slovakia's import of vans and wagons from Serbia (NC8=86069900) in August 2007: 8,606,990,001 units of vans and wagons.
- 21** These results are only applicable to trades with non-EU27 countries. Any trade mispricing of import and export trades between two EU countries are excluded. Similarly, all trades with EU countries are excluded in the calculation of the mispricing in the US data as this study is focused on non-EU countries. The share of capital flows by the high-income country group would be higher than indicated in this study if all intra-EU trades and US-EU trades are included in the estimates.
- 22** Total DFID programme spend for 2006/7 £4.92bn. *DFID Annual Report 2008: Making It Happen*, p202. www.dfid.gov.uk/pubs/files/departamental-report/2008/default.asp
- 23** www.irishaid.gov.ie/about.asp
- 24** This large increase over 2005 and 2006 results from Turkey's export of shearing machines (NC8: 84623991) to Spain once in large quantity (7,000,005 units). This appears to be the result of a one-off erroneous reporting of quantity.
- 25** This large increase over 2005 and 2006 results from Malaysia's 2007 export of fixed resistors in large quantities multiple times at prices much lower than one cent. This resulted in an estimated undervalued amount of more than US\$164bn while the corresponding undervalued amount during 2006 is only US\$283m. Given that there are at least 18 low-priced transactions, this does not seem likely to reflect a one-time recording error.
- 26** This figure reflects the fact that in 2006, the UK imported 96,292 units of offset printing machinery from Japan with an estimated underpriced amount of EUR7816m.
- 27** The highest marginal corporate tax rate is the proportion paid in tax of each additional income unit received at the highest level of income.
- 28** Tax losses were not calculated for all countries, as marginal corporate tax rates were not available for all jurisdictions. In these calculations, we do not extrapolate upwards on the basis of reasonable estimated rates, but simply report the data for those countries with known tax rates.
- 29** All commodity groups according to the Harmonised System of Commodity Classification drawn up under the auspices of the World Customs Organisation.
- 30** This large increase over 2005 and 2006 results from Turkey's export of shearing machines (NC8: 84623991) to Spain once in large quantity (7,000,005 units). This appears to be the result of a one-off erroneous reporting of quantity.
- 31** This figure reflects the import into Spain in 2007 of 40m refrigerator-freezer units at EUR0.27 per unit and over 26m units at EUR0.56 per unit resulting in an estimated undervalued amount of EUR8,085m. During the same year, Poland also imported 654,127 tons of accessories of automatic data-processing machines at an average unit value of EUR1.19 per ton, resulting in an estimated undervalued amount of EUR2,146m.
- 32** This large increase over 2005 and 2006 results from Turkey's export of shearing machines (NC8: 84623991) to Spain once in large quantity (7,000,005 units). This appears to be the result of a one-off erroneous reporting of quantity.
- 33** This large increase reflects the fact that in 2007 the US imported magnesite bricks multiple times from Brazil with a total underpriced amount of US\$6,882m.
- 34** This large increase reflects the fact that in 2007 the US imported processors and controllers from Costa Rica multiple times at a total underpriced amount estimated at US\$1,360m.
- 35** This large increase over 2005 and 2006 results from Malaysia's 2007 export of fixed resistors in

large quantities multiple times at prices much lower than one cent. This resulted in an estimated undervalued amount of more than US\$164bn while the corresponding undervalued amount during 2006 is only US\$283m. Given that there are at least 18 low-priced transactions, this does not seem likely to reflect a one-time recording error.

36 This large figure reflects the fact that in 2005 the UK imported tool or cutter grinding machines from Australia at an estimated underpriced amount of EUR1,720m.

37 This figure reflects the fact that in 2006 the UK imported 3.5m inertial navigation systems for aeronautical or space navigation from India with an estimated underpriced amount of EUR5,775m. It appears the quantity reported may be in error.

38 This figure reflects the fact that in 2006, the UK imported 96,292 units of offset printing machinery from Japan with an estimated underpriced amount of EUR7,816m.

39 All trade categories are taken from the internationally accepted Harmonised System of Commodity Classification drawn up under the auspices of the World Customs Organisation. The basic categories are designated HS2. More detailed categories range up to HS10. For the purposes of this report our findings are presented using the HS2 categories.

40 In the analysis of EU data, the US is included in non-EU countries.

41 This section is adapted from Simon Pak, 'Estimating capital transfers from trade mispricing and double invoicing', an unpublished draft manuscript presented at the 2009 Annual Convention of Allied Social Science Associations, San Francisco, 3 January 2009.

42 The price at which a buyer and an unrelated seller would freely agree to transact or trade as if they were unrelated, so that there is no conflict of interest in the transaction.

43 Bhagwati's (1964) partner-country analysis is an alternative approach to estimating trade mispricing. This relies on bilateral trade data, such as the International Monetary Fund's Direction of Trade data. Rather than estimating an arm's length value, its ability accurately to estimate trade mispricing rests on an assumption that the declared values in the partner countries

represent correct market values. However, it is not uncommon that the partner country's declared values are different from the market value.

44 Corporate marginal tax rates obtained from the World Bank *Doing Business Indicators*, supplemented by KPMG's 2008 tax survey, www.lowtax.net, and www.heritage.org for countries not covered in the World Bank data.

45 Raymond W Baker, *Capitalism's Achilles Heel, Dirty Money and how to Renew the Free-Market System*, Wiley, 2005.

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As world governments struggle to maintain financial stability in the present economic meltdown, they face a hidden menace – tax dodging by big business on a massive scale.

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