

[Analytical Studies](#) > [Analysis on the Brussels Summit](#)

[G8 Summits](#) > [2014 Brussels Summit](#)

The G7: Fighting Financial Crime to Support Development

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At a G7 summit held for the first time in Brussels under the auspices of the European Union, the G7 leaders addressed illicit finance from the perspective of development. The G7 leaders reaffirmed previous commitments made at other G8 summits in the areas of anti-money laundering, tax evasion, counter-terrorist financing and corruption. However, they highlighted that security and development are key to building a lasting peace in areas affected by terrorism, organized crime, corruption, instability and poverty.

Countries identified as falling within these categories include the Sahel, Somalia, Nigeria, South Sudan and the Central Africa Republic. These are countries within which terrorist groups, including Boko Haram, Al Shabaab and al Qaeda in the Islamic Maghreb (AQIM), to name a few, are known to be actively recruiting, fundraising and building their operational capacity to launch terrorist attacks and further destabilize the region. This remains a key security concern, particularly with the rise in terrorist attacks on the African continent.

To stem illicit finance, the G7 leaders reiterated that they would continue to support developing countries to tackle tax evasion and illicit finance flows by:

- Helping developing countries to strengthen their tax bases and helping create "stable and sustainable states";
- Denying safe haven to the proceeds of corruption;
- Working to recover and return stolen assets;

- Preventing the misuse of companies and other legal arrangements to hide proceeds of corruption, tax evasion, money laundering and other crimes;
- Ensuring timely availability of beneficial ownership information to financial intelligence units, tax and law enforcement authorities;
- Implementing the national action plans on transparency of corporate structures agreed at Lough Erne in 2013;
- Launching a new initiative on Strengthening Assistance for Complex Contract Negotiations (CONNEX) to aid in the negotiation of complex commercial contracts in the extractives sector, aimed at decreasing corruption and capital outflows that should remain in countries with a large amount of natural resources; and
- Building on existing efforts to tackle corruption, including at the G20, the United Nations Office on Drugs and Crime, and the World Bank's Stolen Asset Recovery Initiative.

In the area of countries in transition and asset recovery, the G7 leaders confirmed their commitment to the Deauville Partnership and welcomed the third Arab Forum on Asset Recovery. The Deauville Partnership was set up in May 2011 to engage Arab Spring countries and support them in transition towards "free, democratic and tolerant societies." The partnership currently consists of Canada, Canada, Egypt, France, Germany, Italy, Japan, Jordan, Libya, Kuwait, Morocco, Qatar, Russia, Saudi Arabia, Tunisia, Turkey, the United Arab Emirates, the United Kingdom, the United States and the European Union. This highlights the international coordination effort required to repatriate assets to countries that are in the process of rebuilding their domestic infrastructure and governance arrangements. The G7 linked this initiative to economic growth and job creation for youth and women, which is also part of the development agenda.

With regards to Ukraine, the G7 leaders indicated that they welcomed the Ukraine Forum on Asset Recovery. During a two-day conference organized in the United Kingdom in April earlier this year, Ukraine's general prosecutor Oleh Makhnitskyi indicated that Ukraine's stolen assets total at least \$3 billion. Seizing and returning these funds is central to helping the newly elected Ukrainian government meet the actions listed by the G7 as essential to restoring law and order. These consist of pursuing constitutional reform and other "difficult" reforms that are crucial to supporting economic stability, private sector growth and the diversification of gas imports.

It is a welcome sign that G7 leaders linked tackling illicit finance, enhancing transparency and repatriating assets to the development agenda. Prevalent financial crime undermines trust, which is necessary for investment and economic growth. Additionally, the provision of official development assistance and technical support is an expensive yet necessary enterprise and accessing some illicit funds, which are estimated at amounting to more than \$1 trillion, is key.

[\[back to top\]](#)

HOME
—
TOP OF PAGE

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