



global witness

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Global Witness welcomes landmark U.S. effort to curb corruption and promote transparency

The United States' dual pledge to implement the Extractive Industries Transparency Initiative (EITI) *and* to support legislation that would stop U.S. states from allowing secretive front companies to be set up represents an important step forward in the global fight against corruption and corporate secrecy, said campaign group Global Witness. Announced on Tuesday, September 20th by President Obama, these measures form key elements of the U.S. Open Government Partnership National Action Plan.

"Transparency is the building block of any fair society and key to breaking the cycle of corruption that blights the lives of millions of people across the globe," said Alexander Soros, member of Global Witness's new Advisory Board. "Today's announcement therefore represents an important step forward in this battle. Let's hope this significant demonstration of leadership is emulated across the globe."

Oil and mining revenue transparency

The U.S. joins 35 other countries that voluntarily participate in the EITI. This means that public and private oil, gas and mining companies operating in the U.S. will publicly report revenues paid to the U.S. government, giving U.S. citizens access to this information.

Other EITI members include major oil producers like Iraq and Indonesia, as well as poor but resource-rich countries like Liberia. If citizens know how much their government has earned from oil or minerals, it is harder for corrupt officials to pocket the money. The U.S. move will help dispel concerns of a double standard between richer and poorer countries. So far, Norway is the only western country that has agreed to apply the EITI rules.

U.S. EITI membership must go hand-in-hand with implementation of the Cardin-Lugar provision in the July 2010 *Dodd-Frank Wall Street Reform and Consumer Protection Act*. This law requires U.S.-listed oil, gas and mining companies to publish details of their tax and revenue payments in each country where they have operations. Like EITI, this information is an important step towards allowing people in poor countries to hold their governments to account for the oil and mining revenues that too often disappear into private bank accounts.

An end to secret U.S. front companies

President Obama's plan also throws the Administration's weight behind legislation requiring U.S. companies to disclose their ultimate owners when the company is set up. Currently, corrupt foreign politicians – as well as tax evaders, fraudsters and terrorists – can legally mask their identities and their assets behind anonymous U.S. shell companies in order to open secret bank accounts to stash their ill-gotten gains.

Senator Levin's Incorporation Transparency and Law Enforcement Assistance Act would require states to collect this information. The bill already has the support of a number of U.S. law enforcement agencies, whose investigations are often stifled when they reach a Delaware, Nevada or Wyoming company whose real owners have not been declared. Global Witness has previously revealed how Teodorin Obiang, playboy son of the President of corrupt, oil-rich Equatorial Guinea, bought a \$35 million Malibu mansion using a U.S. front company, despite his \$6,000 a month salary.

"It is fantastic that the Administration has recognized that the U.S. cannot remain a haven for corrupt and tax-evading money, and that U.S. oil and mining companies can no longer facilitate corruption under the guise of commercial confidentiality," said Corinna Gilfillan, Head of Global Witness's US office. "Policymakers and lawmakers must not now be swayed by corporate

lobbyists seeking to limit the scope of transparency rules that would create a much fairer playing field for all businesses.”

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Notes to editors

1. The Extractive Industries Transparency Initiative (EITI) is a voluntary association of governments, companies and civil society groups; Global Witness is a member of its board. Companies report what they have paid to governments; governments report what they have received from companies; and then this data is reconciled and published by an independent agency.

Global Witness investigates and campaigns to prevent natural resource-related conflict and corruption and associated environmental and human rights abuses