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Abstract

The purpose of this study is to understand what the role of the offshore financial centres is in the globalized world. This purpose is approached through three sub-objectives which are to explain why OFCs exist, to understand how OFCs operate and to analyse what the effects of OFCs are. The data for the study were gathered from secondary sources including text books, journal articles and publications by media and different international organizations and one interview which was conducted to give additional support to the secondary data and current information of the situation in Finland. The information was also used to create illustrative company examples. The aim was to construct the understanding by filling both a mental and a concrete figure of the offshore financial system.

There are many definitions for OFCs but most of them can be summarized into three main characteristics which are low or zero taxation, moderate or light financial regulation, and secrecy/anonymity. There are numerous reasons for the existence of OFCs. However, the most important facilitator has probably been globalization. Globalized world has created many triggers to the OFC phenomenon and also an environment that has pushed some jurisdictions towards offshore finance. OFCs have a wide variety of services and these services are also used widely legally as well as illegally. OFCs have many positive and negative effects. They tend to lower tax rates for companies and give capitalism a new dynamism but at the same time inflict a race to the bottom when nations compete against each other to attract the globally mobile capital.

These days OFCs are an integral part of the global circulation of capital and can no longer be seen as marginal players. The technological development and fallen barriers have brought the OFCs closer to everyone and made the controlling of the offshore finance very challenging. The phenomenon affects many and on many levels because in the globalized world everything is interconnected and the effects are far-reaching. The conclusion can be drawn that the role of OFCs in the globalized world is complex.

Key words	globalization, offshore financial centre, capital flow, transnational corporation
Further information	