



Our 2008 report, ***Illicit Financial Flows from Developing Countries: 2002 – 2006***, produced the startling conclusion that some US\$1 trillion a year of illegally generated or transferred money is escaping from poorer countries into richer countries.

Updating the earlier report, we are pleased to present here our analysis ***Illicit Financial Flows From Developing Countries: 2000 – 2009***. The latest complete year, 2008, shows such outflows rising to some US\$1.26 trillion. Skyrocketing prices for oil, other minerals, and foodstuffs, generated funds which easily escaped abroad. We regard our figures as conservative, since they do not include smuggling, some forms of trade mispricing, and asset swaps.

There was a noticeable change in the composition of these unrecorded flows during 2007 and 2008. Whereas in earlier years trade mispricing accounted for the bulk of such transfers, in the two latest years drainages through balance of payments accounts were higher. Specifically, from 2006 to 2008, trade mispricing grew by 30 percent, but over the same period disappearances from balance of payments accounts grew by 46 percent. This suggests that a growing proportion of hidden transfers is occurring out of government coffers, perhaps consistent with the huge run up in revenues generated in oil producing countries. As world trade recovers, it would not be surprising to see these two channels for illicit flows reverse again, returning trade mispricing to the dominant means of moving unrecorded funds.

Asia continues to produce the largest portion of illicit flows, almost a half-trillion dollars in 2008 alone. Across the nine years from 2000 to 2008, selected cumulative figures are: China – US\$2.2 trillion; Malaysia – US\$291 billion; Philippines – US\$109 billion; and Indonesia and India – both US\$104 billion.

In this report we venture an estimate for 2009, based on incomplete data. We anticipate that the rate of growth of illicit financial outflows will slow to 2.9 percent above the preceding year, yet still amass to a volume of US\$1.3 trillion. We will note in our next report whether this projection was reasonably accurate.

Global Financial Integrity thanks Dev Kar and Karly Curcio for their excellent work in producing this analysis. We are especially pleased to find that our reports—for all developing countries and for individual developing countries—are receiving considerable attention.

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