

Abstract WP 61

Between 1970 and 1972 the British colonial authorities in what was then the New Hebrides (now the Republic of Vanuatu) passed legislation that turned the territory into a tax haven, or Offshore Finance Centre (OFC). This paper examines the decision by the British to make Vanuatu an OFC. In the mid-1950s, interest rate differences between US and British banks, regulatory diversity between these two states and Soviet-US Cold War rivalry started to make third-party countries and territories increasingly attractive locations for the depositing and trading of US dollars and other currencies. As the post-World War II Bretton Woods agreement started to unravel in the 1960s and 1970s, banks, fund managers and wealthy individuals searched for new homes for surplus cash, free from central government control. In doing so, a number of countries and territories began to offer services to attract these funds. The rise of these Eurodollar foreign currency markets was crucial in the transition from fixed to floating exchange rates. Drawing from the growing scholarship of 'the offshore' along with primary sources held at the National Archives of Australia and those of Westpac Historical Services, it argues that the formation of the New Hebrides tax haven was the result of the interplay between English common law and the world's Eurodollar money markets. The British colonial authorities were able to legislate for company, banking and fiduciary law to attract tax-free funds to Vanuatu. This paper explores the interplay between this legislation and emerging world money markets from an historical perspective.