

Exposing Hidden Money

by Michael Curtis



Have more than thou showest, speak less than thou knowest, lend less than thou owest. We're in the money, We've got a lot of what it takes to get long.

In Greek mythology Pandora opened a Box left by her husband that released physical and emotional curses, sickness, death, on mankind, leaving only one thing, HOPE, which is trapped.

In modern times, the Pandora Box releases endless complications and troubles arising from human behavior. In October 2021, we have the Box in the form of Pandora Papers, the largest leak ever available of tax havens, secret deals, and hidden assets of wealth. The Papers have released the working and names of many of the large number of personnel engaged in the shadow financial world, the usually hidden world of offshore finance, tax havens, allowing people and companies to conceal their financial holdings, creating companies to buy real estate, avoiding paying taxes or making use of money laundering.

Briefly, offshore providers are used by individuals or companies who want to do business offshore, and who want to set up companies or trusts in lightly regulated tax havens. Among the most familiar are the British Virgin Islands, BVI, Cayman Islands, Seychelles, Hong Kong, Panama, the Cook Islands, and South Dakota. Holding assets in an offshore company allows hiding the identity of the individual that owns the assets. Offshore providers tend to have no or very little income or corporation taxes, therefore attractive to those who do not want to pay taxes in their home countries. Though morally questionable, this kind of tax avoidance is generally legal, and people who engage in it are not necessarily guilty

of wrongdoing or criminal activity, but they are largely able to avoid paying taxes and they escape any public scrutiny.

The Panama Papers are documents resulting from an extraordinary collaboration of more than 600 journalists in 117 countries. They stem from the leak of confidential records of 14 offshore service providers that serve wealthy individuals and corporations wanting to incorporate shell companies, trusts, foundations, and other units in low or no tax jurisdictions. So far, the leak has been of 11.5 million files, 6.4 million documents.

The data of the documents was made publicly available largely through the International Consortium of Investigative Journalists which obtained them from media organizations. They learned of a number of legal firms concerned to investigate the ways in which the powerful of the world conceal trillions of dollars from tax authorities and escape prosecution. Moving money through offshore accounts is legal in most countries. One of the movers was Mossack Fonesca, a Panama based law firm, now defunct, which specialized in incorporating companies in offshore jurisdictions.

The documents exposing the secret offshore deals show the various ways in which prominent and rich people can use secretive tax regimes. Of the revelations so far there are 14 national leaders, 11 former heads of state, 4 heads of current governments, 13 former heads of government, 143 politicians, 5 members of Royal Families and more than 300 other public officials, government ministers, judges, mayors, military generals, business people, media, in more than 90 countries, as well as 100 billionaires, rock stars, and business leaders.

It is useful to mention some of the stories so far mentioned, some of which are startling. The owners of more than 1,500 UK properties using offshore firms. The purchase by Abdulla II, the King of Jordan of 70 million pounds on properties in the

UK and U.S. through secretly owned properties. The hidden involvement of the leading family in Azerbaijan in buying 400 million pound property in UK. The failure of the Czech prime minister to divulge an offshore investment company used to buy two French villas for 12 million pounds. The ruling family of Qatar avoided 18.5 million pound tax on a mansion in London. A prominent donor, Mohamed Amersi, gave 162 million pounds to the British Conservative Party, and was involved in corruption in a payment to the ruling family of Uzbekistan.

While he was leader of the British Labour Party, and prime minister, 1997-2007, Tony Blair often spoke of and criticized tax havens that favored the rich. Pandora Papers show Blair avoided more than \$400,000 in property taxes in 2017 when he bought the \$8.8 million Victorian building that held the property, and which now hosts the law firm of his wife Cherie Blair. This feat was done by buying a British Virgin Islands company in 2017 from the family of Bahrain's industry and tourism minister Zayed bin Rashid al-Zayani rather than buying the building itself, and saved the Blairs property taxes. Both Cherie and Tony Blair and the al-Zayani said they initially did not know the other party, and Cherie said her husband wasn't involved in the purchase. The Blairs say they have never used offshore schemes either to hide their actions or to avoid tax. Above all, the Blairs denied they were involved in any kind of scheme to avoid paying taxes on the property. Tony Blair is unlikely to be invited to return to public office.

Imran Khan, Pakistani prime minister, is not accused of any wrong doing, of being personally involved with an offshore company, but members of his inner circle, including the finance minister, Shaukat Fayaz Ahmed Tarin, and current and former cabinet ministers are accused of hiding millions of dollars in secret companies or trusts. Khan, who leads the reformist party and campaigns on a strong anticorruption agenda, said his government will look into the matter.

Vladimir Putin is not directly mentioned but he is linked to a cellist named Sergei Roldugin, partly involved in a ski resort, and also to a mistress, past and perhaps present, a 46 year old former cleaning woman Svetlana Krivonogikh who has a \$4 million apartment in Monaco, and apparently another one in St. Petersburg.

King Abdullah II had established more than 30 shell companies and amassed a group of offshore companies and tax havens, about a \$100 million property empire, 14 luxury homes, including a \$23 million project in California, 15 homes in Malibu and London. The properties were said to have been bought with personal wealth, but the purchases were not publicized for security and privacy reasons. Abdullah is also accused of using shell companies registered in the Caribbean to buy the 15 properties.

Czech PM Andrej Babis filed to declare an offshore investment company used to buy a chateau, \$22 million, in south of France, while keeping ownership secret. The chateau is in a hilltop village where Pablo Picasso spent the last years of his life.

Then there are Nawaz Sharif, PM Pakistan, Iceland PM Sigmundur Gunnlaugsson, Ayad Allawi ex-PM Iraq, Petro Poroshenko, president of Ukraine, former Azerbaijani president Ilham Aliyev and family are said to have been involved in property deals in Britain, including a \$45 million office block in the name of his son.

One surprising revelation in the Pandora Papers is that a number of states in the U.S., Delaware, Nevada, Wyoming, have for some years been the home for shell companies providing legal secrecy. Other states have adopted financial secrecy laws which resemble offshore jurisdictions. All this indicates America's complicity in the offshore economy. Recently, South Dakota has been active in this field, and has 80 of the more than 200 trusts established in the U.S. The Pandora Papers

show that South Dakota is sheltering billions of dollars in wealth linked to individuals previously accused of serious financial crimes. The Papers estimate that South Dakota trusts now amount to \$ 360 billion in autonomous, untraceable assets, and these trusts are regulated and legal. The offshore economy in the U.S. is being used by hedge funds, private equity, art market, auction houses, luxury goods dealers; as well as by a host of shell companies and anonymous trusts.

In addition, U.S. banks and law firms have been an important part of offshore activity. The U.S. company most used is the large Baker McKenzie of Chicago which bills itself as the "original global law firm." It has played a role in more than 440 offshore companies registered in tax havens, advised corporate giants on tax maneuvers. It has used the process by which people can shift profits to tax havens without actually moving operations there.

It is a contribution to the public interest that this unprecedented amount of information on the process by which some of the most powerful people in the world, and more than 330 politicians have used secret offshore companies to hide their wealth, has been revealed in the Pandora Papers. It is time for the dirty money to be cleaned. After all, there's no place like home. And HOPE will remain to be found there.