



Anxious Times

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The late W. H. Auden, English poet, wrote in his poem, “Doggerel by a Senior Citizen”, the lines: “Our earth in 1969 / Is not the planet I call mine”. One wonders what his reflections would have been in 2009, let alone today. In this new era where transparency and morals are demanded from men of business, it is easy to find examples of the (sometimes) harsh treatment meted out to transgressors that would have been unheard of in the past. The earth in 1969 was where Richard Branson started his mail-order record company and from which blossomed his Virgin empire; it was indeed a more forgiving place then and, despite an out-of-court settlement, one wonders if in today’s social climate he would have avoided criminal prosecution for evading purchase tax (replaced in 1973 by Value Added Tax) as he did then.

The very nature of innovation and entrepreneurship sometimes calls for risk-taking at the beginning and history is sprinkled with examples that support George Bernard Shaw’s view that, eventually, the more things a man is ashamed of, the more respectable he is. The problem now is that the combined forces of litigation (a topic for another time) and over-regulation, not to mention a zealous drive for transparency, are dampening those enterprising spirits.

Chile’s Moneda Palace was bombed in a military coup in 1973 and the body of President Salvador Allende was carried out from his destroyed presidential palace on the 9th of September. The consequences were political but when, 28 years later, almost to the day, the twin towers of the World Trade Centre in New York tumbled to the ground a lot of civil liberties ended up in the rubble too. Since then the governments of many leading nations have weakened the individual’s right to privacy (considered as the enemy of transparency).

The American mainland has enjoyed an isolationism from foreign attack since the British burnt down the White House in 1812. Even Japanese aggression during the last world war only reached the shores of Hawaii whereas this time not just a world-famous business centre, but the centre of the United States of America’s military might, were struck. Americans suffered a surprise attack from an enemy once again prepared to commit suicide, only this time the death toll was considerably higher.

The US already spent almost USD 10 billion and employed 1,000 people in its counter-terrorism campaign before the attack inspired by Osama bin Laden. The Organisation for Economic Co-operation and Development’s money laundering black list, issued by its satellite body, the Financial Action Task Force (FATF), was momentarily eclipsed by a black list of terrorists, this time issued by the US government. The FATF itself, however, far from being overshadowed, now gained in stature as its role became more prominent in the search for terrorist funds, supplementing a team which the US assembled and which included the Central Intelligence Agency, the Federal Bureau of Investigation and the National Security Agency. The US Treasury Department also played a pivotal role, employing its Office of Foreign Asset control, the Customs Service and the Financial Crimes Enforcement Network in the hunt for terrorist finances. The weapons once used against bin Laden to track terrorist funds have now, in a variety of ways, been aimed at the world of finance.

Predictably, the usual suspects (offshore financial services centres) such as those in the Caribbean, including nearby Belize and Panama, were suspect; but perception, as it so often does (Watch with Glittering Eyes, Offshore Investment, Issue 233, February 2013), proved to have little to do with reality. Despite the automatic assumption by many that offshore centres played a leading role, what emerged from investigations was a terrorist operation run on conventional business lines rather than one which had fleet-footed men with sunglasses and briefcases, packed with cash, visiting the world’s offshore centres and putting money in bank accounts and sand from the beach on the banker’s carpet. Osama bin Laden studied

economics and finance at King Abdul Aziz University in Jeddah, Saudi Arabia, and clearly used this training in order to structure his finances.

Although the Washington and New York attacks were catastrophic, they served to test the bona fides of all offshore centres. Responsible centres reacted quickly in the effort to detect bin Laden funds, as evidenced by, as an example, Panama's immediate willingness to assist – the degree of co-operation was readily recognised and appreciated, according to the published comments of a spokesman for the US Embassy in Panama. Lists of suspect individuals and entities provided by the US were quickly sent to Panamanian banks and trust companies for scrutiny. Had Panama's reaction been anything less than immediate, it would have been grounds for concern and criticism because in such circumstances confidentiality must step to one side. Reporters in the main, however, doubtless in the interests of melodrama, were reticent in labelling the fact about the level of co-operation given by offshore centres.

Newspapers have many sins to answer. The Washington Post got it wrong in an article about the creator of PGP encryption software, Philip Zimmerman. It printed an article by Ariana Cha which said that Zimmerman was overwhelmed by feelings of guilt because his software may have been used by the twin-tower terrorists. Zimmermann refuted the inaccurate characterisation and subsequently issued a statement saying that "strong cryptography does more good for a democratic society than harm, even if it can be used by terrorists". Such a remark, incidentally, surely draws a parallel with the virtue of offshore bank accounts? Some international crime experts, in fact, have argued that precisely because of the higher profile of both PGP and offshore bank accounts, many criminals – including terrorists – are more likely to try and avoid both. It seems that bin Laden did.

The nature of the offshore financial services industry has made it a soft target, but even when publishers and their journalists do not harbour preconceived views their breadth and depth of knowledge concerning offshore financial matters can be such that they do not need any bias for their reporting to be still flawed. Ignorance and inaccuracy can become a toxic mix, the result of which can be a

distorted and damaging picture; even after research, reviewing the information which is available still entails its proper interpretation and this, by definition, requires proper analysis.

The internet has not helped matters either, because its very nature is such that dissemination of news, accurate or not, is rapid via electronic newsletters, newsgroups, blogs and emails. In 1996, for instance, when Trans World Airlines flight 800 crashed into the Atlantic just off the coast of the US, the late Pierre Salinger, former press secretary to President Kennedy, claimed at a news conference that a missile had brought the aeroplane down. He had based his assertion on information found on a web page of questionable origin. The internet, in fact, presents two distinct dangers: its capacity to host inaccurate content and its seductive quality. The risk of being duped by skilful presentations found on web pages is real, as many have discovered to their cost. As I tell clients, considerable amounts of money can be spent on a very impressive website, but "web" is the operative word: don't be the fly caught by the spider. It is only by good guidance that those in search of offshore solutions can be protected. A good place to start is by reading articles in this journal contributed by my fellow writers.

Unfortunately, it seems that since tax harmonisation, financial transparency and money laundering have become offshore tags, they are the topics which have attracted those who masquerade as financial journalists: incitement rather than enlightenment is often the result. Any chance also to play the moral card is a bonus. Negativity is the ill-informed journalist's common tool, one which was identified by Georg Wilhelm Friedrich Hegel, the prominent German philosopher, who recognised how criticism was the soft option and commented that "in passing negative judgements, one looks down on the matter on hand with a superior and supercilious air" and that this approach "is a sign of extreme superficiality".

W. H Auden's poetry included "The Age of Anxiety", published in 1947, which was the year I was born. It sometimes feels that conscientious offshore financial service practitioners are living through one again in the face of jaundiced opinion.

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