



TRUST SERVICES, S.A.

OFFSHORE PILOT QUARTERLY

*Licensed Trustees and
Professional Business
Advisers*

Published since 1997



Providing a helping hand for those navigating the hazardous reefs and shoals of offshore structures

June, 2019

Volume 22
Number 2

Spoken in Whispers

“Offshore”, just like “secrecy” – both of which once joined together like a dovetail joint – are words to be heard only in whispers in the financial services industry. In society today those words tend to incite anger, and in some quarters even outrage. As I mentioned in the last issue of this newsletter, the private trust company is probably one of the only legal entities, with its blatant reference to privacy, that does not upset most of the regulators. I say most, because what has hobbled the industry is the appalling ignorance shown by some regulators; baffled by trusts, they understand neither the philosophy of pure trusts nor their mechanics.

So it is not surprising that the reference to those whispered words can be misleading, just like the belief (strongly held) that the Panama hat originated in that country, much like the assumption that the

Panama Papers were spawned there; in the former case it was Ecuador, whereas in the latter you will need to go to several countries, including Ecuador, if not continents, for the answer.

The US in its 2018 international narcotics control strategy report lists all major Caribbean and Central American countries as “Major Money Laundering Jurisdictions”; conspicuously, the only prominent Caribbean islands left off the list are the US Virgin Islands and Puerto Rico, both US protectorates. My own view, however, suggests more than just bias, and regular readers will, similarly, have been reminded over the years about the conflicting situation found in several US states, with Delaware in the vanguard.

Meanwhile, Panama today is said to be among the luckier countries in Latin America. Drug-traffickers mainly avoid the Isthmus, preferring to ship cocaine

©2019
Trust Services, S.A.
All Rights Reserved



to the United States of America through its northerly neighbours. It is also protected from Colombia's long-running insurgencies, thanks to the Darien forest. Furthermore, its canal provided US\$1.7 billion to the country's treasury in 2018 (one-eighth of the government's budget). Its social safety-net is good by regional standards and life expectancy matches that in the US. And Panamanian citizens are the second-richest in Latin America. As for politics, consider the recent presidential elections against the backdrop of regional political turbulence.

Rising Suns, Evaporating Empires

As I write this in 2019 I reflect upon an international career which began in 1979, changing course in 1989 when, for 3 years, I donned the hat of a regulator sent out to the (then) Wild West Indies by the British government to a British territory where, until then, a regulator had never set foot. Although everything changes – especially in the offshore (sorry to mention that word) financial services industry, there are, nonetheless, some constants, as sure as the sun rises each day in the sky. It is Mark Twain who reminds me, however, that in order to learn these truths one should go on a journey because, as he once said, "Travel is fatal to prejudice, bigotry and narrow-mindedness and many of our people need it sorely on those accounts. Broad, wholesome, charitable views of man and things cannot be acquired by vegetating in one little corner of the earth all one's lifetime". What was true 150 years ago, in 1869, most certainly is in 2019, whether one is viewing politics, financial structures or social mores.

As for rising suns, my family emigrated to Southern Rhodesia (now Zimbabwe) in 1955 at the time when the sun was setting, finally, on the British empire. I entered a truly colonial world which was to quickly evaporate – although at seven years of age I was

unaware of this fact. Five years later, in 1960, the British prime minister, Harold Macmillan, in an address made to the Parliament of South Africa, spoke of the wind of change which was blowing through the continent.

It was, by definition, a narrow world in which I lived, along with so many others, and in later years, being a connoisseur of the ironic, and having travelled widely, I was to reflect upon my visit to the burial site of Cecil Rhodes, founder of Zimbabwe, who had in his will chosen a particular spot there in the Matopos Hills, just outside the city of Bulawayo. His remains lie under a slab of stone atop a kopje (granite hill) from where Rhodes once said that he had "a view of the world". What a very narrow view that turned out to be. Also in his will he wrote: "I contend that we are the first race in the world, and that the more the world we inhabit the better it is for the human race". Certain powers and their leaders today share that arrogance, little appreciating that all empires end.

How easy it is to have such a narrow world view, and how disastrous that can be. In the US, history is an endangered subject, just as the White Rhino, as a species, is. In these unsteady times it becomes more important (less for the individual than his government) to study foreign cultures and countries. I am pleased that I have been able to experience the African continent in all its vastness, from its southernmost tip to the Pyramids of Egypt, close to the Mediterranean Sea, not to mention many of the continent's countries and offshore islands. Unsurprisingly, in a random survey of American school children who were asked to guess the population and land area of their country, the majority of answers chose "1-2 billion" and "largest in the world" respectively. In 2018 the statistics for Africa recorded a population of just over 1.2 billion



versus slightly more than 327 million in the US. As for size, Africa is bigger than the land masses of the US and China (the two superpowers), India, plus, when combined, those of Mexico, Peru, France, Spain, Papua New Guinea, Sweden, Japan, Germany, Norway, Italy, New Zealand, the UK, Nepal, Bangladesh and Greece; the whole of Europe, in other words – as well as some of the biggest, individual nations in the world - would easily fit into Africa. Should ever the Darkest Continent see the full light of day (its politics make those of Latin America mild) and achieve its huge potential, we would see (perhaps not radical) a rebalancing of overall global clout.

As expected, China has a strong hold, not just a foothold, throughout Africa. Cecil Rhodes, with his imperialist rhetoric and ambitions, could only dream of a Cape to Cairo railway under the British flag when Britain was, indeed, a superpower, but just as all roads did not forever lead to Rome, so Alfred Tennyson, 19th- century poet, reminds us of the certainty that “the old order changeth yielding place to new.”

Like so much today, previous interpretations have changed, myths are exposed and history revised, but facts remain: whether you pronounce “tomato” American–style or not, it doesn’t change the way the fruit tastes. So it is with empires; and projecting power no longer requires the necessity of holding large tracts of foreign land, often against the inhabitants’ will. I consider the US an empire because, unlike Britain, gunboat diplomacy alone is no longer necessary to become one.

Globalism can substitute for colonisation with the help of, for example, naval, aviation and logistical mastery. America needs no foreign lands but still it has approximately 800 military overseas bases

(compared with a total of about 30 held by other nations). Today the US administration eschews globalization and riles at China’s revival of the ancient Silk Road system, albeit far more sophisticated, and known in modern parlance as The Belt and Road Initiative.

Crash Landings and Failing

We are certainly products of our past, regardless, but we are also shaped by our experiences. I have learned on my journey, which included several stops along the way, that behaviour, character and fiduciary responsibility (it does not just apply to those private trust companies I mentioned) are paramount qualities in business and can serve as a natural barrier against deception, greed and self-interest; not everyone, of course, possesses such qualities. Importantly, never assume that those flying the aeroplane can disengage the autopilot without any qualms (beware of hubris – not just in politics). Very often those with only a smattering of financial knowledge are lured in the same way as a snake is by the snake charmer’s wind instrument, bamboozled by terms such as “slicing and dicing loans”, “mezzanine financing”, “subordinated debt”, and “collateralised debt obligations.” Think 2008.

I know I have often written before about many of these issues, but they are especially worth repeating now. I hold on to Oscar Wilde’s contention that good advice should be passed on because it is no use to the person giving it. It is, of course, always up to the individual to decide whether it is good advice he is being given; in other words, who is, or isn’t, a snake charmer. If, on the other hand, you are not young enough to know everything, as Wilde also once said, you should proceed with caution. For the adventurous there is always the advice of another Irish poet, novelist and playwright, Samuel Beckett, who said: “Ever tried. Ever failed. No matter. Try



again. Fail again. Fail better.” Even so, this pilot has survived a few crash landings, both offshore and onshore, enough to know that we are always learning, with or without advice.

As I compare the crisis in 1919 Munich, which gave us Adolph Hitler, to the global, fractious state existing 100 years later, and having not spent a lifetime in “one little corner”, Panama shines like a light in a dark sea. 370 years ago, Nicolas Poussin, a

leading 17th- century French painter, wrote to a friend about the beheading of the British monarch, Charles 1, and made the following observation: “It is a true pleasure to live in a century in which such great events take place, provided one can take shelter in some little corner and watch the play in comfort.” I have found such a place. I certainly hope, however, that the ghost of Alfred Tennyson stays at bay for me and that the country does not lose its head.



Offshore Pilot Quarterly (independent writing for independent thinkers) has been published since 1997 by Trust Services, S. A. which is the British face of trust business in Panama where it is licensed under the fiduciary laws. It is written by Derek Sambrook, our Managing Director, a member of the Society of Trust and Estate Practitioners and the International Tax Planning Association, and a Fellow of the Institute of Bankers in South Africa who was both a member of the former Latin America and Caribbean Banking Commission and an offshore banking, trust company and insurance regulator. He has over 50 years combined private and public sector experience in the financial services industry about which he has written extensively and our website provides a broad range of related essays.

Engaging an offshore representative is an important decision and we advise all persons to seek appropriate legal and tax advice from professionals licensed to render such advice in the appropriate jurisdiction before making offshore commitments.