



The punctured soul

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As a postscript to the 2015 Offshore Investment conference in Panama, mentioned in the March column (Issue 254), I must say that this year's venue, a brand new luxury hotel just a stone's throw away from Panama Bay, part of the Greater Gulf of Panama, with a commanding view of the islands scattered beyond, is quite magnificent. Such a setting would surely lull most of us into believing, if momentarily only, that all is well. It is spring in England and as the poet Robert Browning wrote: "God's in His heaven – All's right with the world!"

But it's not all right with the offshore world, the one which has been the reason why most of you read this magazine. Nonetheless, Panama, the region's banking centre, is, for businessmen, as luring as that view from the hotel is.

Its economy is on track to be one of the brightest stars, economically, with the International Monetary Fund projecting real GDP growth in 2015 of 6.4%. Out of 34 regional countries surveyed in North, Central and South America as well as the Caribbean, only possibly one or two countries are expected to manage growth hovering around 5%. The average GDP growth forecast for Latin America and the Caribbean is 2.2%. As The Economist said in October last year, Panama "has a flourishing financial centre and is home to countless corporations".

Those corporations are at the centre of a controversy which is part of a planetary realignment taking place offshore. Privacy, confidentiality and secrecy have all been thrown into the mix in the interests of transparency and the offshore industry in particular is taking some rough treatment. Louis Brandeis, who was appointed to the US Supreme Court in 1916, believed that the violation of the right to privacy constitutes a kind of wound – a puncturing of the soul. In 1844 when it was learned that the British government had been opening people's mail, the editors of the London Times insisted that "the proceeding cannot be English, any more than masks, poisons, swords-sticks, secret signs and associations, and other such dark ventures".

The case which opened up Pandora's box was that of Giuseppe Mazzini, an Italian exile living in London. He was an uncompromising republican and refused to participate in the parliamentary government that was established under the monarchy of the House of Savoy when, eventually in 1861, Italy became unified and independent. He had joined a secret society pledged to overthrow absolute rule in Italy which led to his exile in France and eventual move to London in 1837. He was convinced that because of his political activities (he had been sentenced to death in absentia by a Genoese court) the British government was opening his mail. He declared himself a victim of "post-office espionage" undertaken at the behest of the Austrian ambassador who, along with many others during those troubled times, worried that an insurrection in Italy would light the blue touch paper which could lead to a series of revolutions across Europe.

So the revolutionary put poppy seeds, strands of hair and grains of sand into envelopes which he sealed with wax and posted to himself. They arrived, sealed, but empty. Through his friend, Thomas Duncombe, a Member of Parliament, he was able to have the matter tabled before the House of Commons. Sir James Graham, the Home Secretary, said that the matter was secret and he wouldn't comment further; it was classified. A public uproar ensued and a Committee of Secrecy was appointed by the House to look into "the state of the law in respect of the Detaining and Opening of Letters at the General Post Office..." A 116 page report confirmed that Mazzini had been right and that there existed a Secret Department of the Post Office (eventually abolished). America's New-York Tribune condemned the revelation as "a barbarian breach of honour and decency".

How times have moved on and, as I say, now privacy, confidentiality and secrecy are an amalgam in the eyes of governments where post-office espionage has been overtaken by telephone, e-mail

and internet monitoring. Once, secrecy was what was known, but not to everyone; and privacy could be as secure as the thoughts in our head. Surveillance has advanced from steaming open mail and the subject, as we all know, is today far more contentious, with transparency having become a cause célèbre. There will be, and have been, many innocent victims.

Into this whirlwind walks the innocent individual who simply wants to arrange his affairs to his best advantage. He is already facing far more complexity from innovations, diversifications, rules and regulations. There is a mountain of information to be absorbed. In an era of apps, it's the mishaps you need to worry about. Like the cockpit of a modern fighter jet, there's so much data to consider. So decisions often are made on imperfect information such that Stefan Stern, a management commentator, says that one has to become comfortable with ambiguity. An Oxford University study suggests that business executives "develop ripple intelligence" and "harness their doubts". Such vagueness seems to me to be akin to trying to staple jelly, as one observer so superbly put it.

More than ever before, in my view, good advice is crucial for those trying to ride the merry-go-round. Knowledge is of two kinds: what you know and where you know to go to find it. In an over-populated field of offshore financial services advisers, it can be difficult to separate the wheat from the chaff. Take for instance the mouse and the owl. A wee mouse was walking through the wide, wild wood when a wicked wind whipped away his coat, which blew into the branches of a high beech tree. In desperation the mouse sought the advice of a benevolent owl who lived nearby. He told the owl his trouble and the owl said, "No problem. All you have to do is fly up to the branch, loosen the coat and fly down again". The mouse pointed out that he could not fly, to which the owl replied, "Don't bother me with details, I am a consultant, not a manager". Not all owls are wise, so be sure that the people delivering the message are genuine and competent.

I was drawn to the remarks made last year in October's Comment (Issue 250) by Barry Bingham, the magazine publisher, as he reflected on the massive changes in the technology that drives

the world we live in, whereas some things are much the same. This consistency, as many of my readers know, has always been a theme which, like a thread, runs through much of my writing.

But besides strict technology, developments over the years in the offshore industry have been significant in other areas, such as:

- Privacy and secrecy, as mentioned, are melding into one, as is avoidance and evasion of tax.
- We have seen the rise of the computer, yet the confidentiality of typewriters is still valued.
- We have watched the West's prestige take a very hard knock which has fuelled a new Asian and Latin American confidence.
- Brick-based businesses have been exposed to computer-controlled ones in distant places.
- Not only do we have offshore, we now have midshore, centres. Fair enough, after all we had girls wearing minis and midis once.
- In 1965, when I began my career, British-influenced offshore centres were coming to the fore such as Barbados, Cayman and Singapore. Jersey was already out of its infancy.

Today, such centres are to be found across the globe.

And then we come to my constant companion, consistency, which reveals how many things have not changed, even if the focus has:

- Good service is still valued.
- Man and machine are still fallible.
- Bureaucrats and regulators are still hopelessly not up to the job; we may have some better regulation but that's all.
- In China this is the year of the sheep. For some every year is and always will be.
- The press is still both a force for good and evil.
- Perception remains the most powerful tool for manipulation and definitely whenever it is not applied with judgement.

Ending on a positive note, however, Magna Carta Libertatum (the Great Charter of the Liberties) – we know it as the Magna Carta, which celebrates its 800th anniversary next month – is still alive and well and for many, to quote the poet W. H. Auden, it helps to "hold off chaos at arm's length".

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