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A Sino of the Times

"I am not an Athenian or a Greek, but a citizen of the world." This is, apparently, what Socrates declared. The meaning of his words have been argued through the centuries; what is undeniable, however, is that he was a cosmopolitan, and therefore he took a global perspective with an open mind. Wouldn't that be a refreshing idea in this world of ours today.

During this pandemic such individuals are especially needed in the political arena. It seems, however, that across the world a pan-global approach to this pandemic is lacking. On the contrary, what we have seen is political, alongside social, distancing. Unfortunately, the countries that are moving increasingly further apart are China and the United States of America, superpowers with ideologies that couldn't be further apart.

This situation only compounds the economic uncertainty that has also spread across the globe. The future horizon has become obscured, just like the one in Panama in July, when wind storms, levitating

enormous plumes of dust in the Sahara desert, were blown west out over the Atlantic. Normally, it is storms of a different kind, and spawned along Africa's west coast, that can turn tropical storms into devastating hurricanes in the Caribbean and the Americas. Thankfully, Panama has been, historically, immune from hurricanes, if not safe from occasional Saharan desert dust, and now this pandemic.

Although Socrates wanted to be a citizen of the world, a clutch of Caribbean countries want you to choose their island nations if you wish for a second citizenship. The motive has nothing to do with philanthropy, rather, in these straitened times, enterprise. This pandemic has unsettled the normal equilibrium of both personal and business life in every country and has exposed the strengths and weaknesses of them, let alone their citizens.

There are, therefore, a variety of reasons why people may find it desirable to have a new passport. In the case of Americans, data shows that well under 50 per cent of the population have not had a first, let alone

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second, passport issued. That said, the pandemic has shown just how easily financial services can operate remotely from, for example, laptops in Lapland, and so the need for passports, then, may prove to be less of a priority for those Americans who have international business ties. Wherever the country may be, in appropriate circumstances, it could be lapland for some.

As for those enterprising islands nestled in warm tropical waters, providing passports has been big business. Now, however, like so many places, governments in the Caribbean are struggling financially, and although those islands, unlike Atlantis, will not (excepting climate change) sink below the waves, their economies will be faced with a precarious high tide for a considerable time to come. Many such passports that once cost six-figure sums in US dollars to obtain are now being offered, in some instances, at deep discounts.

Wealthy Americans are a particular target for the second-passport market. Many Americans, regardless of foreign business affairs, in actual fact are driven by a real desire to uproot themselves and move elsewhere to a land they see with less strife and everyday pressures. Alternatively, those Americans who see such action as treachery, believe, anyway, that not every country will put out the welcome mat, like they once did, for American citizens. Depending on how effective the US government becomes in eventually controlling the pandemic within its borders, it might be a while before their citizens' passports will be acceptable at foreign airports.

Americans may not be welcome, in any event, in future at many airports, seaports or border posts. This is a symptom of a growing animosity over several years, due, in part, to America's increasingly erratic foreign policy. It is now worse because when the two most economically powerful and influential countries are at loggerheads with each other, the rippling impact beyond their respective borders is considerable. China's and America's beliefs can never be squared.

By virtue of fate I find my feet firmly placed in the camp notionally led by America, a country filled with incendiary rhetoric at the moment. This applies to both the country's domestic (presidential elections in

November) and international politics; naturally it is the latter that concerns me. A coup in Africa or chaos in Belarus holds my interest fleetingly and certainly does not presage global, and therefore personal, implications. But when the American secretary of state declares: "If we want to have a free 21st century – and not the Chinese century of which Xi Jinping dreams – the whole paradigm of blind engagement with China simply won't get it done", that gets my attention. He calls for a global crusade against China, and President Trump's own outbursts harmonise with those of Mr. Pompeo's.

I am reminded of the words I once read, "Washington is Hollywood for ugly people". A Chinese Foreign Ministry spokeswoman has likened such showmanship and grandstanding as being "... as futile as an ant trying to shake a tree." In 2016 the Capitol building in Washington, D.C., the meeting place of the nation's legislature, was surrounded by scaffolding while repairs took place. At the time I had hoped that politics might also be under repair. Unfortunately, they remain broken.

Mr. Kipling's Simple Question

Across the Atlantic in the United Kingdom, a country still with an umbilical, American connection, similar renovations are being made to its Houses of Parliament. Like America, however, more urgent are the political repairs needed and which are often imbued with memories of past glories of empire, one which it lost to the 20th-century American empire.

The late British Prime Minister, Harold McMillan, told a young President Kennedy that Britain was to America what Greece was to Rome. As you might imagine, the remark has since sparked controversy on both sides of the Atlantic. Britain's empire succumbed to the one created by America that exerted a mix of economic and military strength. The Greeks and the Romans watched their respective states decline and fall, riven by every known frailty of man, not least vainglory, arrogance and a sense of invincibility that has seen empires through the ages slowly disintegrate; now this fatal formula is snapping at the heels of America. Certainly, Mr. Pompeo and others see barbarians gathering at the gates.



I have come to appreciate that one can at least aspire to become as cosmopolitan in one's outlook as is possible, regardless of what passport you do or do not hold, after having traversed from top to bottom the Americas and the African continent. I am not alone. Retired American Navy Admiral, William Mc Raven, has called for America's education culture to be radically changed, because if not, students "won't have an understanding of different cultures". A report influenced by the American Council on Foreign Relations stated: "Human capital will determine power in the current century, and the failure to produce that capital will undermine America's security". It will, I argue, also inhibit America's ability to conduct foreign diplomacy at a moment in time when it could not be more vital.

Firstly, I suggest that the superpower's students are taught some international history (regular readers will appreciate that I am like a dog with a bone about the value of history). And, secondly, I think that more Americans should get passports and do some travelling, whether the first passport they have issued comes from their own country or the Caribbean. It was, after all, Rudyard Kipling, English but born in India, who posed this question to his fellow-countrymen: "What do they know of England who only England know?" It's application knows no borders.

Every once in a while, as I wrote last month, Panama has a National Day of Reflection – not as frequently as I do because I have cause to reflect at least every quarter when I put pen to paper and write the Offshore Pilot Quarterly. Panama's recent reflection was about Covid, mine (as I write this) is about Ovid and his epic history of the world, *Metamorphoses*. The Roman's narrative poem is all about change and transformation. So is this century, and although there may still be rhyme, sadly, there's not much reason.

Shovelling Smoke

My principal *bête noire* in the financial services industry has been the double standards applied by the Americans and the British (and, it has to be said, by several other countries) towards, what has been called, the offshore financial services industry. I accept that I have filled pages of previous issues of

articles and this newsletter, spoken at conferences and seminars going back years, on this particular aggravation of mine. I have observed both sides of the coin (no irony intended) in my role of both a poacher (practitioner) and gamekeeper (regulator). Events surrounding the pandemic, however, as government reserves dwindle and taxes are needed, mean that these offshore repositories of wealth will come under even greater scrutiny. The magnetic attraction of alliteration, especially for the British, has lured the press to use such headlines as the Panama Papers and the Pentagon Papers. Now, however, like "gate" in Watergate, "papers" has become a special adjective, applied very recently to the passport scandal in Cyprus with corruption and scandal at its centre.

I first came across this literary device as a school student reading Winston Churchill, a master of its application. Not only is alliteration pleasing to the ear, it is effective in emphasizing something the writer or speaker considers to be important. I have struggled, however, and failed to apply the device in the way I would wish to do when describing the double standards just exposed by Transparency International – no friend, I have to say, of the financial services practitioner, particularly when he conducts his business from islands. And although it doesn't put the Cyprus Papers into perspective, it certainly says something about Panama banking.

What is different this time is that the criticism, for once, is directed at the UK and the US, both united in the drive against, what they understand to be, traditional conduits for tax-evasion funds, such places having been described by America in the past thus: "Tax havens are engaged in economic warfare against the United States... The iron ring of secrecy around tax haven banks and their deceptive banking practices enable and encourage tax cheats to hide assets". Not to be outdone, the sub-committee's ranking Republican at the time, Senator Norm Coleman, declared that foreign banks were acting as "Al Capone safe houses for evading taxes".

Let's now fast-forward to the present and put those words into context. Transparency International said that the amount of money laundered in the UK in 2019 came to US\$426 billion. It is hard to establish

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the accuracy of this (as are the other assertions given) but surely sufficient smoke is coming from a very big fire to suggest it is a serious sum. It is a compelling indictment, even if you dismiss several billions. Based on estimated valuations, the Transparency International figure would buy Buckingham Palace 271 times.

Applying similar, factual cautions, it is believed that the amount of money laundered in the US last year amounted to US\$380 billion, although it was claimed that most of that was due to health fraud. I remain sceptical about that and here's why. In the past, for instance, domestic US companies alone have been involved in the laundering of some US\$36 billion from the former Soviet Union; that is an amount that could have financed the Panama Canal expansion project at least six times over. In another example, Russian officials had again used US companies to unlawfully divert US\$15 million in international aid meant to fund a safety upgrade of former Soviet nuclear power plants. In yet another, and separate, case an individual had set up more than 2000 American companies, established American bank accounts for them without disclosing identities, and then passed some US\$1.4 billion through those accounts. It turned out, in fact, that one of those companies had received over 3,700 suspicious wire transfers which, during a two-year period, added up to just over US\$81 million. But the authorities could not pursue this case because they were unable to discover who owned the American company. As they bemoaned: "In countless investigations where the criminal targets utilise shell corporations, the lack of law enforcement ability to gain access to true beneficial ownership information slows, confuses or impedes

the efforts by investigators to follow criminal proceeds".

Holes have been plugged, yes, but the fact is that there remain more loopholes than in ordinary fencing in US money laundering controls when compared to the standard "tax haven" beyond its shores. In fact, as long ago as 2006, the Financial Action Task Force on Money Laundering, the leading organisation in its field, issued a report which criticised the US for failing to be able to obtain beneficial ownership information. The FATF asked the US to correct this situation by July, 2008, some 12 years ago. Shuffling steps, rather than leaps, have been taken since then. It is thought that about US\$2 trillion is laundered worldwide every year, and Panama does not appear in the top ten countries at risk of money laundering in the report issued in 2019 by the Basel Institute of Governance. Why should it? since stringent controls now impose a banking regime that most British, let alone American, bankers would recoil from, sending them scurrying. Until the UK and US mend their ways, I think that Al Capone, if he had been living today, would have found refuge in either of those safe houses. After all, the UK's capital city has been (alliteration again) called the London Laundromat.

The frustration expressed by the late H. L. Mencken, that literary curmudgeon, rings true: "Every normal man must be tempted, at times, to spit on his hands, hoist the black flag, and begin slitting throats". Yes, Mr. Mencken, I agree, but I think that when all you're doing is shovelling smoke it's best if you ignore any homicidal instincts and just throw the shovel down; there is no antidote for hypocrisy but there is pleasure in exposing it whenever you can.

Offshore Pilot Quarterly (independent writing for independent thinkers) has been published since 1997 by Trust Services, S. A. which is the British face of international business in Panama. It is written by Derek Sambrook, our Managing Director, a member of the Society of Trust and Estate Practitioners 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.

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