

“Panama papers” tax evasion leak stokes political crises worldwide

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On Sunday evening, a group of over 100 global newspapers, in collaboration with the International Consortium of Investigative Journalists (ICIJ), began releasing reports on corruption, money laundering and other fraudulent activities by leading global politicians and business people disclosed in what the ICIJ called the “biggest leak of inside information in history.”

The reports are based on 11.5 million confidential documents from the Panamanian corporate service provider Mossack Fonseca that provide detailed information on more than 214,000 offshore companies.

The documents, according to the ICIJ, “Reveal the offshore holdings of 140 politicians and public officials around the world—including 12 current and former world leaders. Among them: the prime ministers of Iceland and Pakistan, the president of Ukraine, and the king of Saudi Arabia.”

The firm also set up accounts used by 29 billionaires listed in *Forbes* magazine’s ranking of the world’s 500 richest people.

The release of the report triggered scandals and investigations in over a dozen countries, including Iceland, the UK, Chile, France, Russia, Ukraine, Argentina, the United States, Germany, Brazil, Canada, Norway and Sweden.

Up to 10,000 people participated in a demonstration in front of the parliament building in Reykjavík, the capital of Iceland, to demand flash elections after leaked documents showed that Prime Minister Sigmundur David Gunnlaugsson, of the center-right Progressive Party, hid assets in an offshore company that he failed to disclose while serving in the country’s parliament.

The documents also revealed that Ian Cameron, the father of the British prime minister, and other prominent members of the Conservative Party were

clients of Mossack Fonseca. When asked whether the prime minister’s family had any more money invested in the funds, a spokeswoman for Cameron replied, “That is a private matter.”

Ukrainian lawmakers have demanded an investigation after the documents revealed that President Petro Poroshenko, who was brought into power after the 2014 US-backed coup, moved his assets to an offshore account to avoid paying taxes.

The investigation also indicated that Mauricio Macri, president of Argentina, had served as a director of an offshore company in the Bahamas.

US and British newspapers sought to put an anti-Russian spin on the revelations, with the British *Guardian* concentrating its reporting on claims that individuals with connections to Russian President Vladimir Putin were involved in multi-billion-dollar offshore deals. Reuters, in reporting the *Guardian*’s claims, wrote that it “could not confirm those details.”

The documents, amounting to some 2.6 terabytes, were leaked to the German newspaper *Süddeutsche Zeitung* in August 2015 by an unnamed individual who said he wanted to expose criminal wrongdoing. The files were reviewed by a team of over 300 journalists over the course of a year prior to the coordinated publication of reports Sunday.

The documents reveal that Mossack Fonseca, far from being an aberration, was an integral part of the operations of leading global banks. As ICIJ put it, “The documents make it clear that major banks are big drivers behind the creation of hard-to-trace companies in the British Virgin Islands, Panama and other offshore havens. The files list nearly 15,600 paper companies that banks set up for clients who want to keep their finances under wraps, including thousands created by international giants UBS and HSBC.”

According to the ICIJ, among the services offered by the firm were the back-dating of corporate documents and the destruction of evidence to prevent criminal prosecution. The company has denied involvement in any criminal activity.

Sunday's revelations follow a release of documents by the ICIJ in 2015 that showed that the Swiss private banking arm of HSBC, Europe's largest bank, functioned for years as a tax evasion and money laundering firm. The company ran a branch that gave out "bricks" of hundreds of thousands of dollars in cash in foreign denominations and provided its wealthy clientele with advice on how to commit tax fraud, according to the reports.

The ICIJ report provides extensive documentation of the claims by University of California economist Gabriel Zucman, who has estimated that 8 percent of global financial wealth, amounting to some \$7.6 trillion, is hidden in offshore tax havens. "These findings show how deeply ingrained harmful practices and criminality are in the offshore world," Zucman said in response to the reports.

"One leak exposed a global web of over 200,000 offshore shell companies: Imagine what leaks at other well-placed law firms and banks would expose?"

Mark Williams, a lecturer at Boston University, told Bloomberg, "This leak is proof that despite explicit banking laws against tax evasion, criminal uses and money laundering, the global offshore shell game business remains open for the wealthy and well connected."

While the US was the fourth-most popular country for the shell companies set up by Mossack Fonseca to operate, no high-profile individuals in the US were exposed as having had accounts. Some experts speculated that this was simply because of the fact that, with extremely limited financial regulation, particularly in some state and local jurisdictions, wealthy Americans wishing to hide their assets or launder money can easily do so at home.

Shima Baradaran Baughman, a law Professor University of Utah, College of Law, told *Fusion*, "Americans can form shell companies right in Wyoming, Delaware or Nevada. They have no need to go to Panama to form a shell company to use for illicit activities."



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