

Panama Papers revelation triggers political crises around the globe

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The global fallout from the Panama Papers continued to expand Wednesday, as new revelations about the tax arrangements of British Prime Minister David Cameron increased pressure on his government and other world leaders came under scrutiny.

The release of reports based on 11.5 million documents from Panamanian law firm Mossack Fonseca by 100 media outlets around the world in alliance with the International Consortium of Investigative Journalists (ICIJ) has exposed once again the criminal practices at the heart of global capitalism. High profile figures from around the world have been affected, with a total of 72 current and former heads of state cited as having offshore accounts.

A full-scale political crisis continued to deepen in Iceland Wednesday in the wake of the resignation of Prime Minister Sigmundur David Gunnlaugsson the previous day. The government stated later Tuesday that Gunnlaugsson had only stepped aside temporarily, and would resume his duties at some unspecified time. The revelations implicate broader sections of the ruling elite, including the leader of Gunnlaugsson's coalition partner, the Independence Party.

Criticism of UK Prime Minister Cameron grew after the *Daily Telegraph* reported that Blairmore, his father's offshore firm, moved its office from Panama to Ireland in 2010 to evade examination of its tax affairs. Ireland has notoriously low corporation tax rates, which are rarely paid in full by companies.

Blairmore managed tens of millions of pounds on behalf of wealthy families. According to the Guardian, it has never paid a penny in income tax in the UK during its over 30 years of operations.

The Prime Minister's office initially responded by declaring the matter a "private affair." Apparently contradicting earlier statements that Cameron owned no shares in offshore companies, Downing Street issued a carefully worded statement yesterday claiming that the Prime Minister would not enjoy any future benefits from such entities. "There are no offshore funds/trusts which the Prime Minister, Mrs. Cameron or their children will benefit

from in future," a spokesman said.

The Guardian reported that the reference to "offshore firms" may have been chosen because it does not apply to Ireland, even though its tax rates are almost as low as offshore tax havens.

The Panama Papers are merely the tip of the iceberg. As the *Wall Street Journal* acknowledged yesterday, the offshore industry has "thrived" over recent years. According to the Boston Consulting Group, private wealth directed into tax havens grew by 7 percent in 2014, reaching the remarkable sum of \$11 trillion. Between 2009 and 2014, the number of companies registered in the seven largest tax havens, which include the British Virgin Islands and crown dependency of Jersey, rose by 7 percent to 672,500.

This coincides with the period during which governments of all stripes around the world launched an unprecedented assault on the wages and living standards of the working class to pay for the billions made available to bail out the banks in the wake of the global economic meltdown of 2008. While millions of workers around the globe paid for the speculative activities of the financial elite by being plunged into poverty and unemployment, the global financial oligarchy enriched itself still further by stashing additional billions in tax havens.

Some estimates go even higher. The Tax Justice Network, a research and advocacy organization, estimated that between 8 and 13 percent of total global wealth is stored in tax havens, equating to between \$21 and \$32 trillion. This does not even include onshore domestic tax shelters, such as the states of Delaware and Wyoming in the United States.

Last October, Blackstone Group LP, the world's largest private equity firm, valued Intertrust NV, a company that sets up and services companies, trusts and investment funds in tax havens, at \$1.5 billion in an IPO. Intertrust's revenue rose by 17 percent last year.

Britain is a major player in the global offshore industry, being second only to Hong Kong in the number of entities engaged in such activities.

The pressure building on the British government was

demonstrated when Chancellor George Osborne broke off a television interview after a reporter repeatedly asked him to clarify whether he had any interests in offshore firms. The Treasury later sought to claim the interview had not been cut short, but that the agreed upon number of questions had been posed.

The revelations have revived a scandal that first broke last July over Osborne's involvement in a property deal with a developer based in a tax haven, which netted his family business £6 million.

The first reported police action resulting from the Panama Papers occurred Wednesday afternoon when Swiss authorities raided the offices of the European Football federation UEFA in Nyon. Swiss daily *Neue Zürcher Zeitung* reported that UEFA sold the rights to some of its competitions to offshore firm Cross Trading in 2006, which subsequently resold the rights for a much higher price. The story implicates current FIFA head Gianni Infantino, who was chief legal officer for UEFA at the time. Infantino recently replaced FIFA President Sep Blatter and was portrayed as a clean pair of hands.

UEFA denied selling the broadcast rights below the market price.

The revelations have also hit political leaders in other countries. Investigations linked to the Panama Papers have been launched in Britain, France, Australia, New Zealand, Austria, Sweden and the Netherlands.

Argentinian President Mauricio Macri is accused of involvement in two firms based in the Bahamas and Panama. Macri did not list his involvement with either company when he became mayor of Buenos Aires in 2007 or president last year.

Ukrainian President Petro Poroshenko, a close ally of Washington and the NATO powers in their geostrategic offensive against Russia in Eastern Europe, set up a firm in the British Virgin Islands upon becoming president in 2014 to manage his chocolate business. According to opposition politicians, this move deprived the country of millions in unpaid taxes.

Major US figures have been conspicuous by their absence from the lists of clients of Mossack Fonseca. This is primarily due to the fact that many tax havens exist domestically, such as in the state of Delaware, where one office building is home to 285,000 companies.

US President Barack Obama seized on the Panama Papers to portray his administration as an opponent of tax evasion. In a press conference Tuesday, he applauded new regulations put forward by the Treasury Department with the aim of preventing corporate inversions by companies active in the US, a process whereby a firm's headquarters is moved overseas for tax purposes so as to benefit from tax havens.

"We've had another reminder in this big dump of data coming out of Panama that tax avoidance is a big, global problem," Obama declared. "It's not unique to other countries. A lot of it is legal, but that's exactly the problem. It's not that they're breaking the laws, it's that the laws are so poorly designed."

Obama's hand-wringing comes from the head of a government that has done all it can to shield the criminal practices of the financial elite in the wake of the 2008 global financial meltdown, in which US-based firms played the leading role with speculative and outright criminal practices.

The impunity enjoyed by the financial elite allowed them to return to business as usual. As the *Wall Street Journal* noted yesterday, many local service providers in tax havens were bought up by banks in the wake of 2008, helping consolidate the offshore financial industry.

One of the privately-controlled firms engaged in this highly secretive industry, Citco Group, was compelled to pay \$125 million in compensation to investors last year after it emerged it had administered funds for Bernard L. Madoff, who was convicted for running one of the largest Ponzi schemes in history.

Questions have been raised about the involvement of US authorities in prominently featured information targeting Russian oligarchs with close ties to President Vladimir Putin. WikiLeaks alleged yesterday that USAID funded a news story accusing members of Putin's inner circle for running an offshore tax operation.

Kristinn Hrafnsson, a spokesman for WikiLeaks, also criticized the decision by the ICIJ not to release all of the information, citing "responsible journalism." "I totally disagree with the overall tone of that," he told *Russia Today*. He urged all of the information to be made publicly available.



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