



# The Global Haven Industry

James S. Henry

Columbia U. Center for Sustainable Investment

Tax Justice Network

July 2016

# THE GLOBAL HAVEN INDUSTRY

## ¶ Background

## ¶ Findings to Date

1. Transnational Crime
2. MNC Tax Dodging
3. Pirate Banking/ Kleptocracy
4. Odious Finance
5. Human Capital Flight
6. Representation W/O Taxation

## ¶ Key Research Needs



# Summary

¶ Rise of the global haven industry since the late 1970s

¶ Many quantifiable pathologies

1. Dirty money: the globalization of organized crime

2. Odious finance/ kleptocracy

1.  $\leq 5\%$  of \$12.5 tr/yr of global gov spending
2. More important to many countries than tax dodging -- \$14 trillion of offshore wealth

3. “Pirate banking”

1.  $> \$25$  tr. of hidden wealth, \$300b/yr. lost rev
2. Owned by top .1% → Soaring inequality
3. Bankster crime wave:  $> 700$  offenses,  $> \$290$ b of fines by to 22 banks

4. MNC tax dodging/ tax competition -

4. \$200b/yr. lost rev
5. Decline of corporate income tax – digital offshore, mispricing, bogus loans, export parking

5. Human capital flight -- \$600b/ yr of remittances, 4x aid

6. “Representation without taxation”

6. Financial secrecy vs. democracy
7. Democratic capitalism under threat

7. Central role of “enablers”

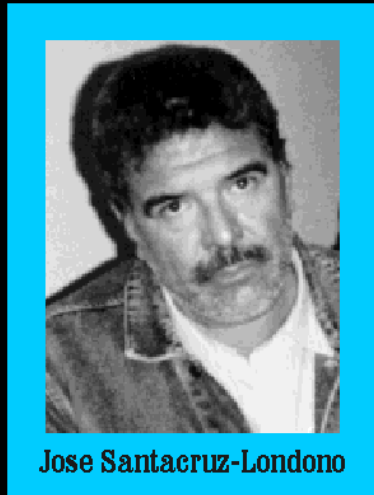
# Tax Justice Network

- 2002/3: First meetings (Europe, US, Africa, Latin America)
- 2014: 81 NGOs, 37 countries;
- “Impossible” demands now on the agenda:
  - Global automatic information exchange → OECD, EU, G20
  - Beneficial ownership registration – companies and trusts → UK, EU, etc
  - Country x country reporting for MNCs → select EU
  - Reform of arms-length pricing standard – OECD (BEPS)
  - Global formulary principle for MNCs
  - Tax treaty revision → Kenya, India (Mauritius treaty),
  - End to tax competition/ greater tax collaboration
  - Stateless taxes on anonymous assets
  - More effective cross-border financial regulation
  - Tougher enforcement and penalties for “pirate banking”
- Investigative Economics
  - Havens: Financial Secrecy index (2009, 2011, 2013), *Treasure Islands* (2011).
  - Corporate Tax Dodging: Transfer pricing abuse (Helsinki 2012), intellectual property transfers;
  - BEPS Monitor Group (2012-); “Swissification (2013);” ICIJ Lux project;
  - Pirate Banking: “Price of Offshore Revisited” (2012), “Enablers” Project, *Pirate Bankers* (2014)
  - Odious Finance: *Blood Bankers* (2005); *Finance Curse* (2014)
  - Human Capital Flight: Haiti Remittance Project (2014-)
  - Development Finance: Shift from “aid, investment, and debt” to “sustainable public finance”
- Media
  - ICIJ, Guardian partnerships
  - Leading films: “We’re Not Broke” (Sundance, 2012); “The Price We Pay” (TIFF, 2014); etc
  - Taxcast podcast in 100+ countries
  - Journalist training (>150 journalists since 2012)
- Academia
  - Increasing # of grad degree candidates on offshore-related topics
  - Affiliated researchers/ profs
- NGO Partners: Oxfam, ActionAid, Attac, ATAF, CCFD, ChristianAid, EuroDad, Global Witness, LatinDadd, Friends of the Earth, Fin Integrity Coalition (including GFI)

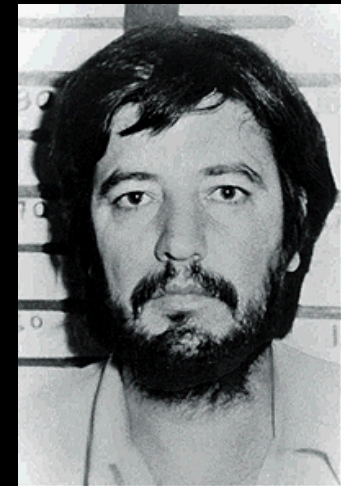
# Background: Panama Papers

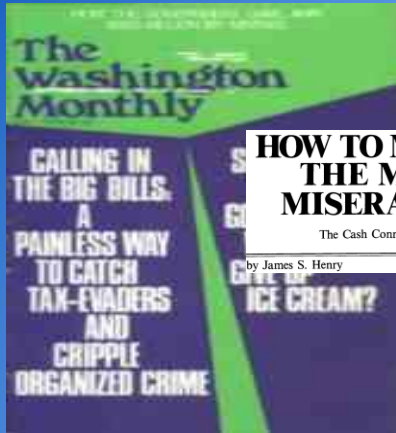
- **Largest “leak” in history: rare inside look at the global haven industry**
  - 2.6 Tb, 11.5mm docs (emails, photos, docs)
  - 214,438 offshore companies → 100k from BVI, the rest from 35 other financial secrecy jurisdictions (including Nevada, Wyoming, Delaware)
  - So far: 22 heads of state, 143 public officials, 61 “inner circles”
  - Many crooks...33 folks on trade sanctions lists...
- **Proverbial tip of the iceberg....just 1 tiny law firm**

first encountered MossFon in 1987,  
while investigating Noriega for a  
book...



Jose Santacruz-Londono

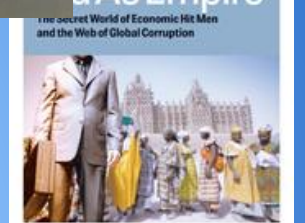
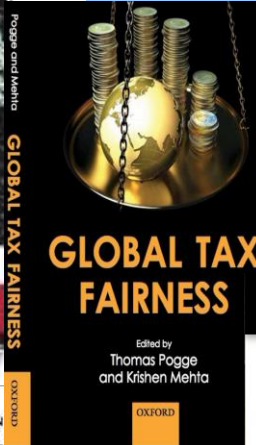
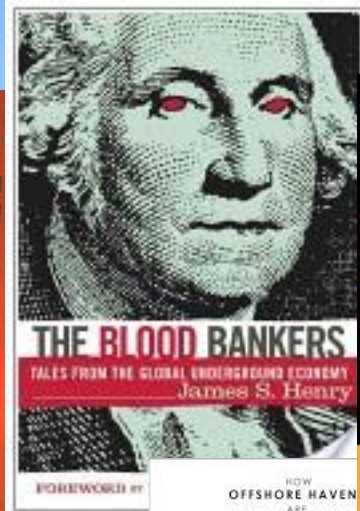
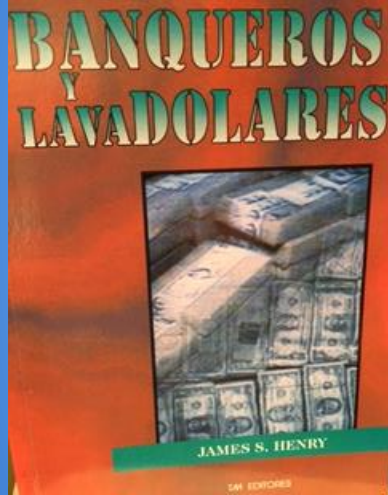
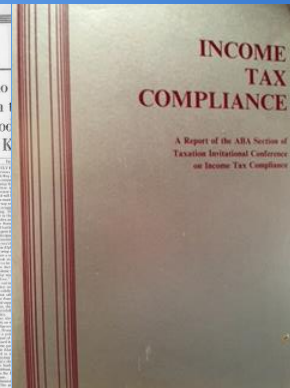
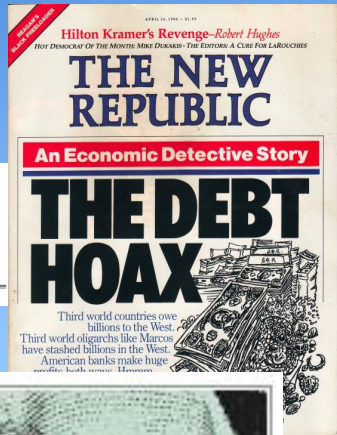




### HOW TO MAKE THE MOB MISERABLE

The Cash Connection

by James S. Henry



tax justice network

#### THE PRICE OF OFFSHORE REVISITED\*

NEW ESTIMATES FOR "MISSING" GLOBAL PRIVATE WEALTH, INCOME, INEQUALITY, AND LOST TAXES

At dinner they did discourse very finely to us of the probability that there is a vast deal of money hid in the land.

— Samuel Pepys, *Daily* (1663)

Dye moen, gen man

— Haitian proverb

There's something out there ... and it's GROWING!

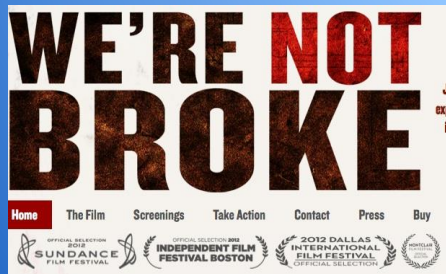
— Ripley

James S. Henry

Senior Advisor/ Global Board Member

Tax Justice Network

July 2012



## Let's Make the Vatican Bank a Bank

JAMES S. HENRY & LAURENCE J. KOTLIKOFF

Published on: October 2, 2015

# Luxembourg tax files: how tiny state rubber-stamped tax avoidance on an industrial scale

Leaked documents show that one of the EU's smallest states helped multinational firms save millions in tax, to the detriment of its neighbours and allies.



"LuxLeaks"

Risk: "The Banality of Exposés"



"Falciani"



UBS

"Birkenfeld"

"Elmer"



## SWISS LEAKS

The leaked HSBC files offer a rare glimpse inside one of the world's most private banking systems.

More than \$100 billion from 106,000 clients of 203 countries.

The Economist

World politics

Business

America's crackdown on tax evasion

### Weil walks

8/3/2016

A big Swiss cheese is acquitted

CREDIT SUISSE

"Arbizu"

"Panama Papers"





# Myths About “Offshore”

- **“New”**
  - Actually an old story
  - The real scandal: the “banality of exposes”
- **“Tax Havens”**
  - Vs. “Star Wars” bar scene
  - Kleptocracy > tax for many countries
  - Many other pathologies
- **“Offshore”**
  - A huge global network – mostly onshore
  - Credit Suisse/ Lenz & Staehelin example
- **“Legal”**
  - “ 95% of our clients” – many other examples
  - Laws as sausages
  - What’s “legal,” where and when? Slavery...child labor...women’s rights
- **“Modest size” (Piketty/Zucman)**
  - “Missing Wealth of Nations ” is missing lots of offshore wealth
  - Global financial wealth totals
  - Latin America
  - Russia
  - China
  - \$24-\$36 trillion: 15% of global financial wealth.
- **“Beyond our control”**
  - Actually, many things to be done about it – issues are not technical
  - A powerful industry....**but it is hard to sleep with the lights on**

## Shared facilities:

- Financial secrecy
- Weak regulation, taxation
- Professional “enablers”
- Access to the rule of law and “TBIJ” Fis



# **Key Pathologies**

- 1. Dirty Money/ Transnational Crime**
- 2. MNC Tax Dodging/ Tax Competition**
- 3. “Pirate” Banking**
- 4. Odious Finance**
- 5. Human Capital Flight**
- 6. Representation W/O Taxation**

# 1. Dirty Money/ Transnational Crime

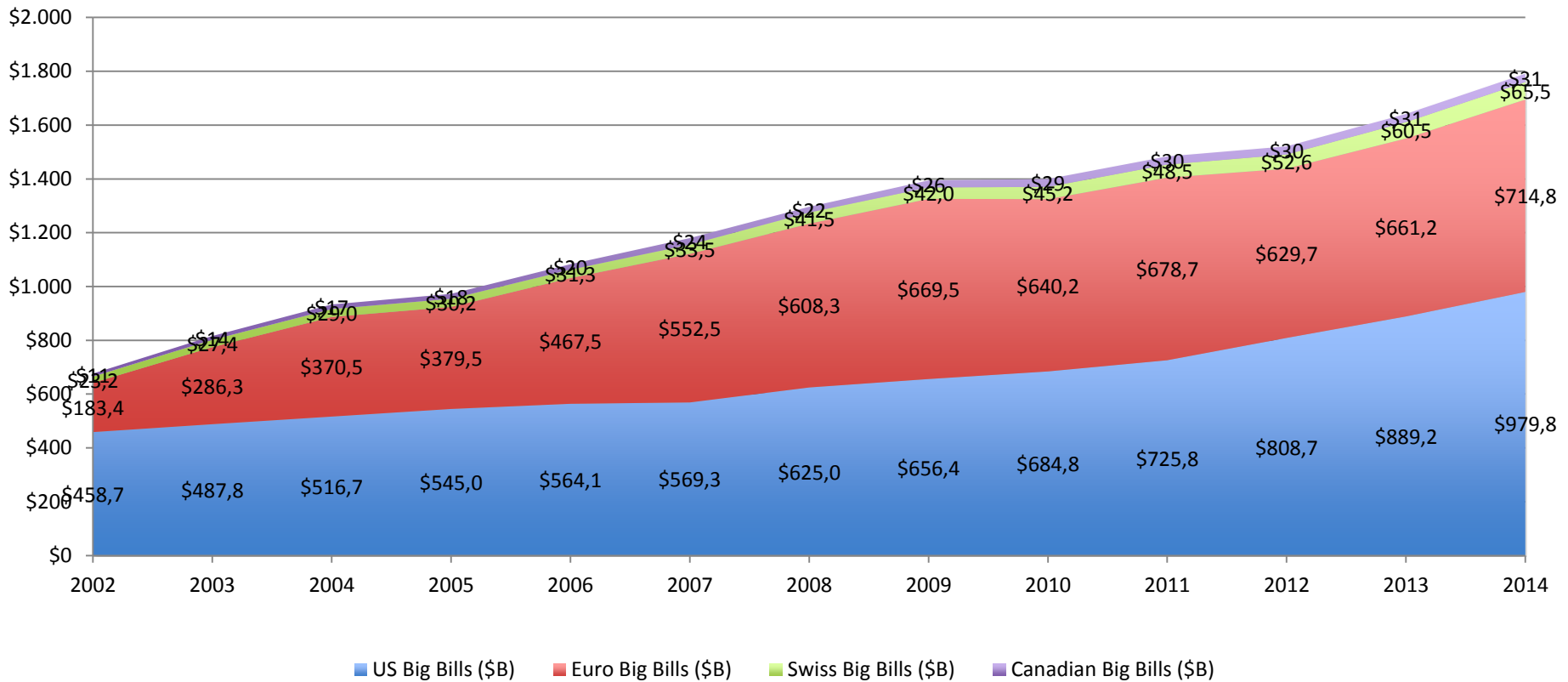
As recently  
revived on Broadway  
by Larry Summers (1/16)



# Global "Big Bills" Outstanding – US \$100s, €100s-€500s, 1000 Swiss Franc Notes, and Canadian \$100so

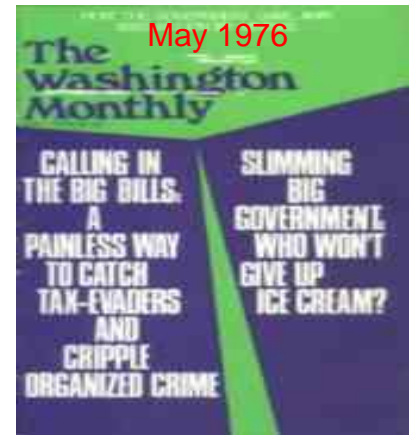
## 2002-2014

(Σ=\$1.79 Trillion, June 2014)

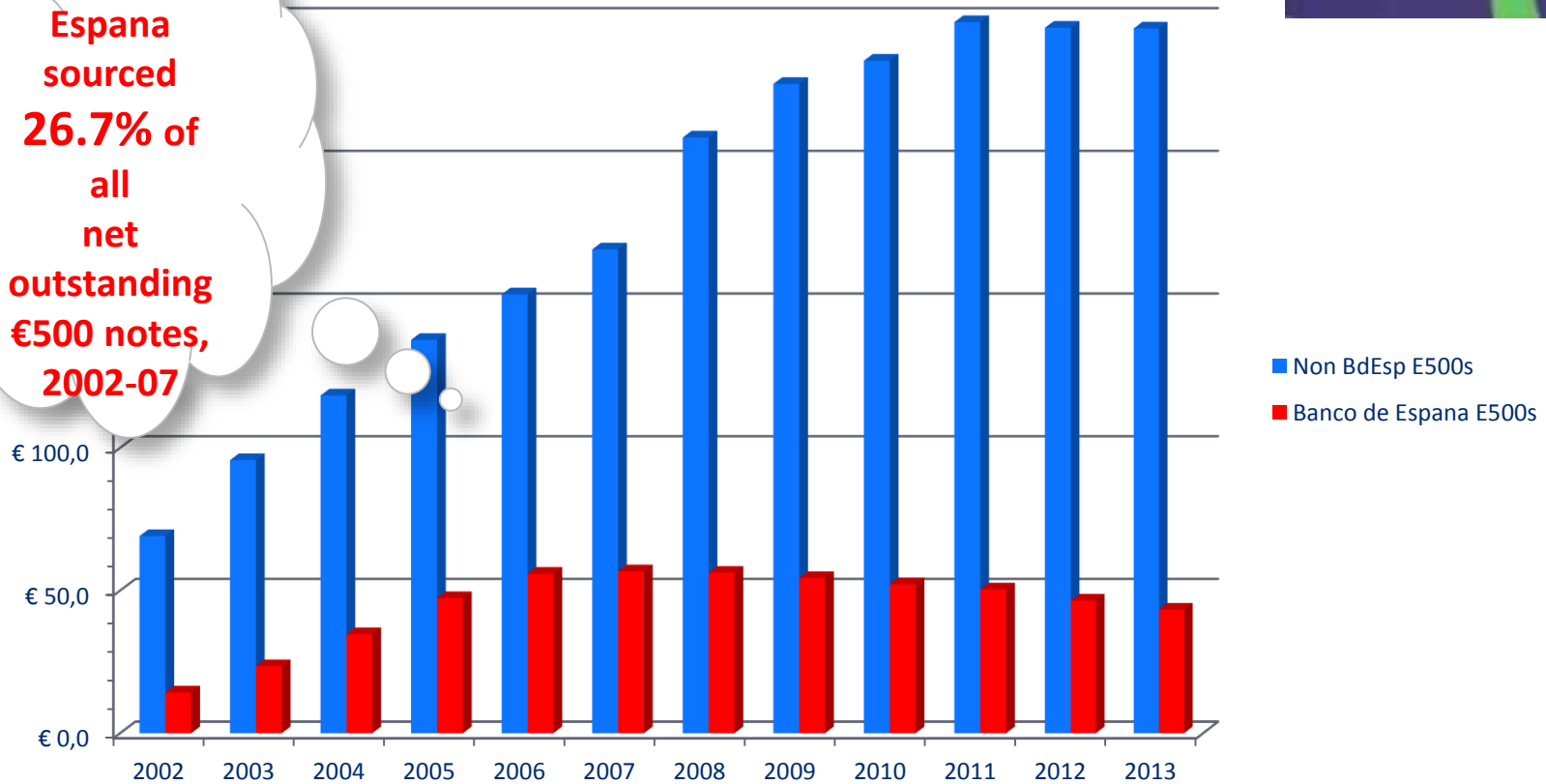


Source: Data from US Treasury (2014); Swiss Central Bank (2014), ECB (2014);author's analysis

## Spain's "Special Role" in €500 Notes (€Billions, 2002-2013)



Bank de  
Espana  
sourced  
26.7% of  
all  
net  
outstanding  
€500 notes,  
2002-07

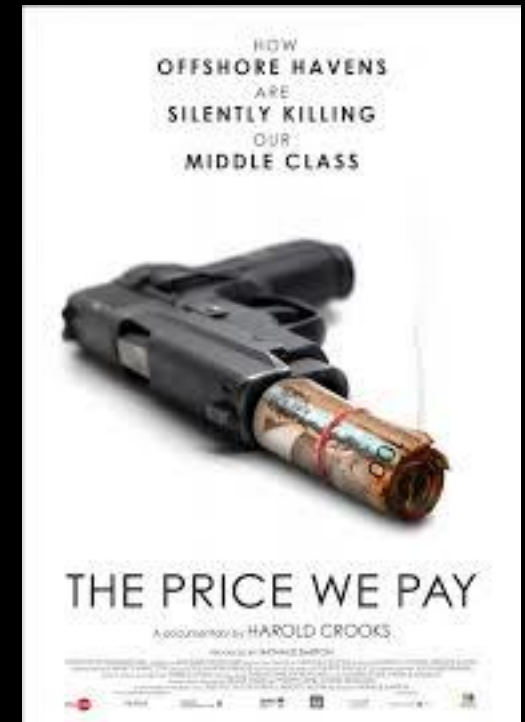


Source: ECB (2013) and Banco de Espana (2013), data: my analysis

8/3/2016

(c) JSH July 2016

# MNC Tax Dodging/



North  
Amer

ATLANTIC

Africa

Ireland : \$.06  
charged for use of  
brand

Consumed in UK :  
Import price : \$.91/lb  
\$.59/lb. retail mark-  
up  
\$.015/lb taxable  
profits

Bermuda : \$.26/lb for  
use of distribution  
network

Isle of Man : \$.06  
for insurance  
services

Luxembourg : \$.12  
for financial services

Cayman Islands :  
\$.12/ lb for use of  
purchasing network

Jersey : 6p charged for  
management services



Produced in Latin America  
Export price: \$.20/lb  
\$.025/lb labour costs /  
\$.16/lb production costs  
\$.015/lb taxable profits





“The invisible hand is  
nowhere to be seen.”  
-- Indian economist

# Apple's China "value chain"

- 20 mm Ipad/yr @ \$500 retail = \$10 billion revenue.
- 65k US workers (35k retail stores)
- 1.2 mm Chinese workers (Foxconn)
- \$40/Ipad => \$800 mm for China
- \$2.2b royalties for IP, brand to offshore jurisdictions w <2% tax rate
- 64% of global profits parked in Ireland/ with Neth SPE

# ZAMBIA

## ZAMBIA - REAL TOTAL MISINVOICING, 1966-2010

(Real\$2000; Net total = \$34.6 billion)

<b>US</b>	\$	7,22	<b>Switzerland</b>	\$	<b>-10,53</b>
<b>Canada</b>	\$	7,11	<b>Iran</b>	\$	<b>-2,02</b>
<b>Not specified</b>	\$	5,13	<b>UK</b>	\$	<b>-1,52</b>
<b>China - Mainland</b>	\$	3,46	<b>Singapore</b>	\$	<b>-0,90</b>
<b>Korea</b>	\$	3,21	<b>Neth Antilles</b>	\$	<b>-0,82</b>
<b>Saudi Arabia</b>	\$	2,90	<b>China HK</b>	\$	<b>-0,71</b>
<b>Japan</b>	\$	2,88	<b>Dom Repub</b>	\$	<b>-0,41</b>
<b>Other Asia Nes</b>	\$	1,75	<b>Panama</b>	\$	<b>-0,35</b>
<b>UAE</b>	\$	1,35	<b>Tanzania</b>	\$	<b>-0,31</b>
<b>Kuwait</b>	\$	1,30	<b>El Salvador</b>	\$	<b>-0,29</b>
<b>Top 10</b>	\$	<b>36,32</b>	<b>Top 10</b>	\$	<b>-17,86</b>
<b>All Other Pos</b>	\$	<b>18,15</b>	<b>All Other Neg</b>	\$	<b>-1,94</b>
<b>TOTAL GROSS</b>	\$	<b>54,47</b>	<b>TOTAL GROSS</b>	\$	<b>-19,80</b>

**TOTAL NET \$34.6 billion**

Source: UN Comtrade data (2012), JSH analysis

# SWITZERLAND

## SWITZERLAND -- REAL GOODS MISINVOICING BY TRADING PARTNER

(1962-2011, Real \$Billions)

India	\$69,5	Romania	(\$3,1)
China	\$68,9	Bolivia	(\$3,1)
Israel	\$31,0	Ghana	(\$3,6)
Germany	\$19,4	Denmark	(\$3,7)
Palestine	\$18,3	Greece	(\$3,8)
Libya	\$13,4	Canada	(\$4,4)
Netherlands	\$12,8	Portugal	(\$4,4)
Malaysia	\$11,1	Iraq	(\$4,7)
Japan	\$10,8	Poland	(\$4,9)
Italy	\$9,9	Austria	(\$8,7)
Ireland	\$7,6	Zambia	(\$10,5)
Saudi Arabia	\$7,3	Mexico	(\$11,6)
Turkey	\$6,7	"Not Specified"	(\$13,1)
Nigeria	\$6,6	Spain	(\$14,1)
Singapore	\$5,9	South Africa	(\$21,1)
Vietnam	\$5,5	Peru	(\$21,2)
Finland	\$5,4	Kazakhstan	(\$32,0)
Thailand	\$5,4	USA	(\$52,8)
Czech	\$4,9	France	(\$53,1)
Algeria	\$4,9	Russia	(\$81,3)

**TOTAL -- TOP 20**      **\$325,1**

**TOTAL - TOP 20**

**(\$355,2)**

**ALL OTHER POSITIVES**      **\$56,3**

**ALL OTHER NEGATIVES**

**(\$48,7)**

**TOTAL GROSS**      **\$381,5**

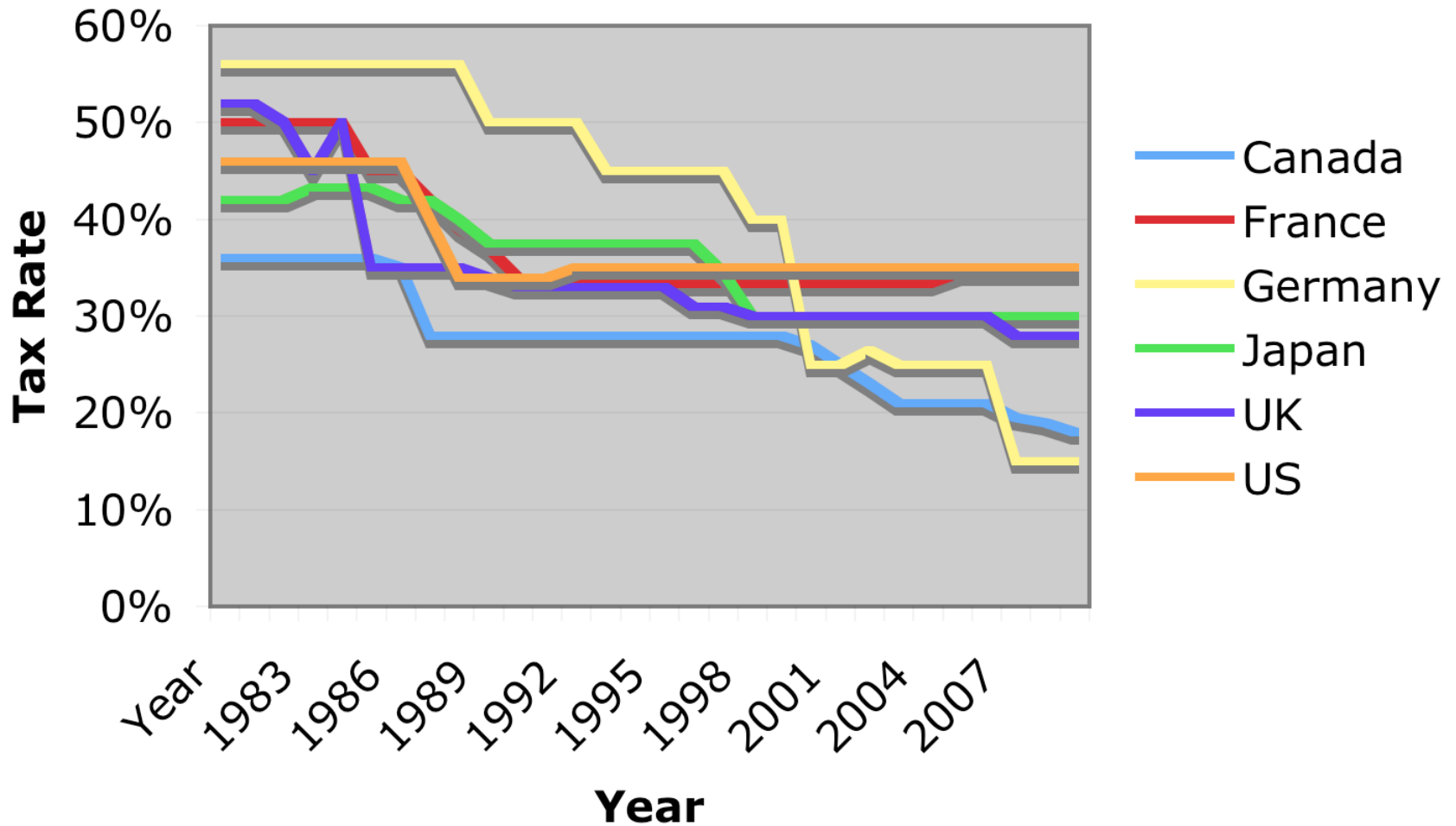
**(\$403,9)**

**TOTAL NET**

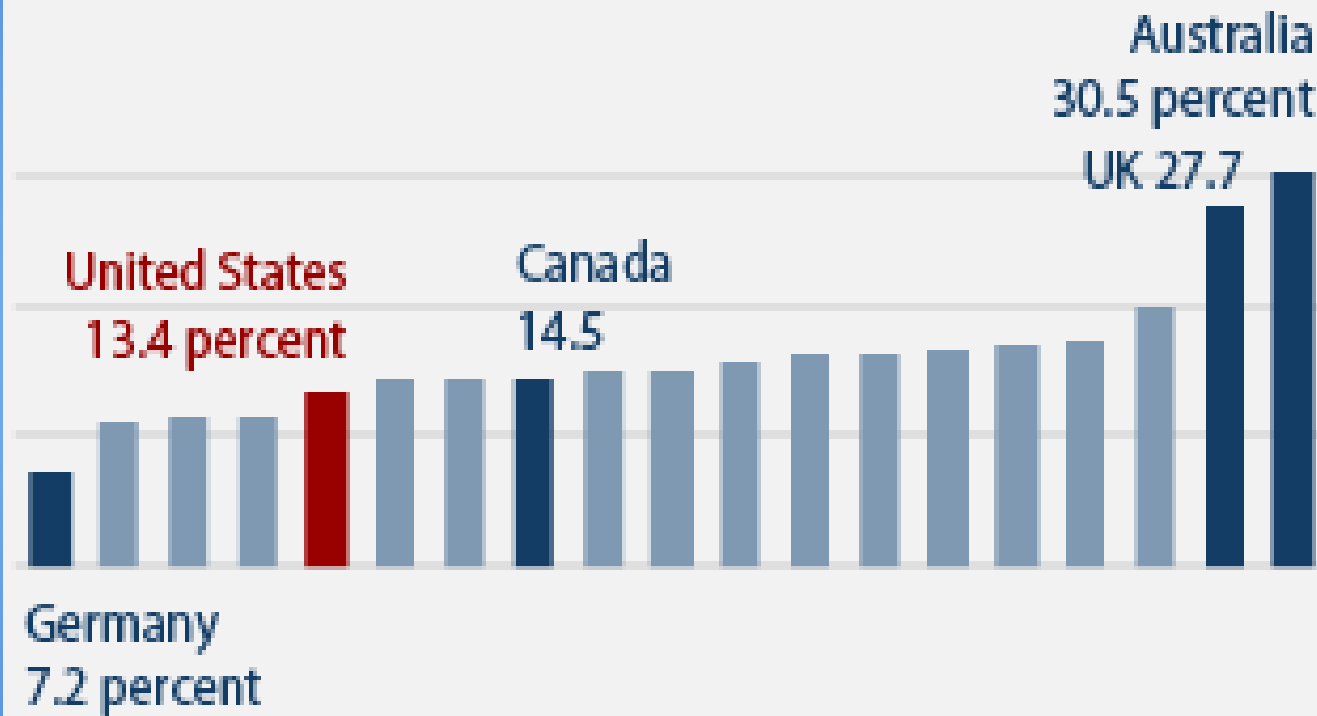
**(\$22,45)**

Source: UN Comtrade data (2012), JSH analysis

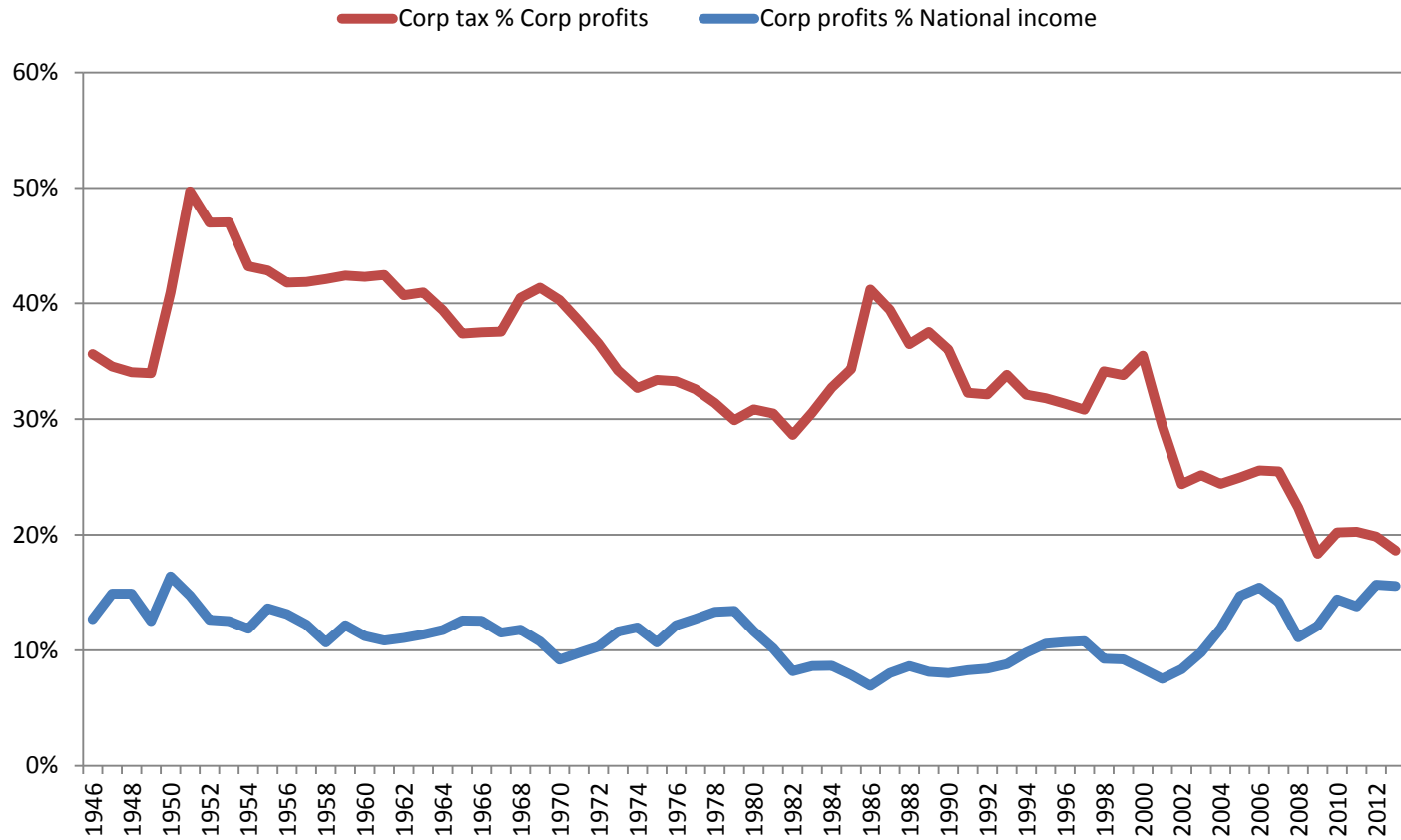
# Top Marginal Corporate Income Tax Rate 1981-2010 (Tax Policy Center)



## Effective corporate tax rate, OECD countries, 2000-2005 average



# US Corp Profits as a % of GDP vs. US Corp Taxes as a % of Reported Corporate Profits 1946-2013



# Tax Burdens, Growth and “Happiness”

## Country Comparisons

(n=140 countries, 1980-2012 medians)

	REAL GDP PER CAPITA (2012) <sup>1</sup>	AVE GROWTH RATE, REAL GDP PER CAPITA (1980-12) <sup>2</sup>	GOV REV (% OF GDP) <sup>3</sup>	TAX BURDEN % OF GDP <sup>4</sup>	INCOME TAXES (% OF GOV REV) <sup>5</sup>	AID+NON-TAX REV (% OF GOV REV) <sup>6</sup>	INTEREST EXPENSE (% OF GOV REV) <sup>7</sup>	INCOME INEQUALITY (GINI COEFF.) <sup>8</sup>	GLOBAL RELATIVE HAPPINESS INDEX (2012) <sup>9</sup>
<b>HIGH INCOME COUNTRIES (TOP 10%)</b>	\$40926	1.72%	32.3 %	20.1%	30.5%	8.8%	2.3%	84%	132 %
<b>LOW INCOME COUNTRIES (BOTTOM 10%)</b>	\$913	-.9%	11.6 %	10.5%	13.8%	32.1%	6.7%	103%	77%

1 Median real per capita GDP in constant \$2005, PPP adjusted, per country group.

2 Median average real growth rate of real per capita GDP, 1980-2012, per country group.

3 Median total government revenue as a share of GDP, 2000-2012, per country group.

4 Median total taxes plus payroll contributions by central governments as a share of GDP, 2000-12, per country group.

5 Median individual and corporate income taxes as a share of total government revenues, 2012, per country group.

6 Median total aid, plus state enterprise revenues, and other non-tax government revenues as a share of GDP, 2000-12, per country group

7 Median interest expense on foreign and domestic debt as a share of GDP, 2000-12, per country group.

8 Estimated minimum Gini coefficient for country income inequality, relative to group median, 2000-2012.

9 Median country group's "global happiness index" ranking for 2012, relative to the median for all countries.

Source: World Bank (2013) data; World Happiness Report (2013) data; OECD (2013); UN HDI (2013); JSH analysis



Tax justice impact

## Government revenue + taxes by country/ group (Median % of official GDP, 2000-09)

Country Group	Population (2009) (Billions)	Per Capita Income (PPP-Adjusted '09)	Gov Revenue X Grants	Income Taxes	Sales Taxes	Payroll Taxes	Taxes on Intl Trade	Other Taxes	Other Gov Revenue	Grants
OECD	1.22	\$33153	26.1%	6.6%	7.3%	8.9%	.1%	1.0%	2.2%	0%
EU	.500	\$31384	35.2%	7.4%	11.3%	12.2%	.02%	1.2%	3.1%	0%
US	.310	\$45989	17.9%	9.5%	.6%	6.8%	.2%	.3%	.5%	0%
China	1.331	\$6828	9.5%	2.1%	6.2%	0%	.3%	.1%	.8%	.1%
Other Middle Income	3.481	\$6245	21.3%	4.6%	6.1%	4.5%	1.3%	.4%	3.2%	.8%
Low Income	.846	\$1205	11.5%	.1%	2.3%	0%	7.0%	1.5%	.6%	9.6%
World	6.775	\$10686	25.0%	5.1%	8.1%	7.1%	1.31%	.59%	2.57%	.23%

Source: World Bank data, JSH analysis

(c)JSH 2013/15



Tax havens

# The missing \$20 trillion

How to stop companies and people dodging tax, in Delaware as well as Grand Cayman

Feb 16th 2013 | From the print edition

 Like

2.7k

 Tweet

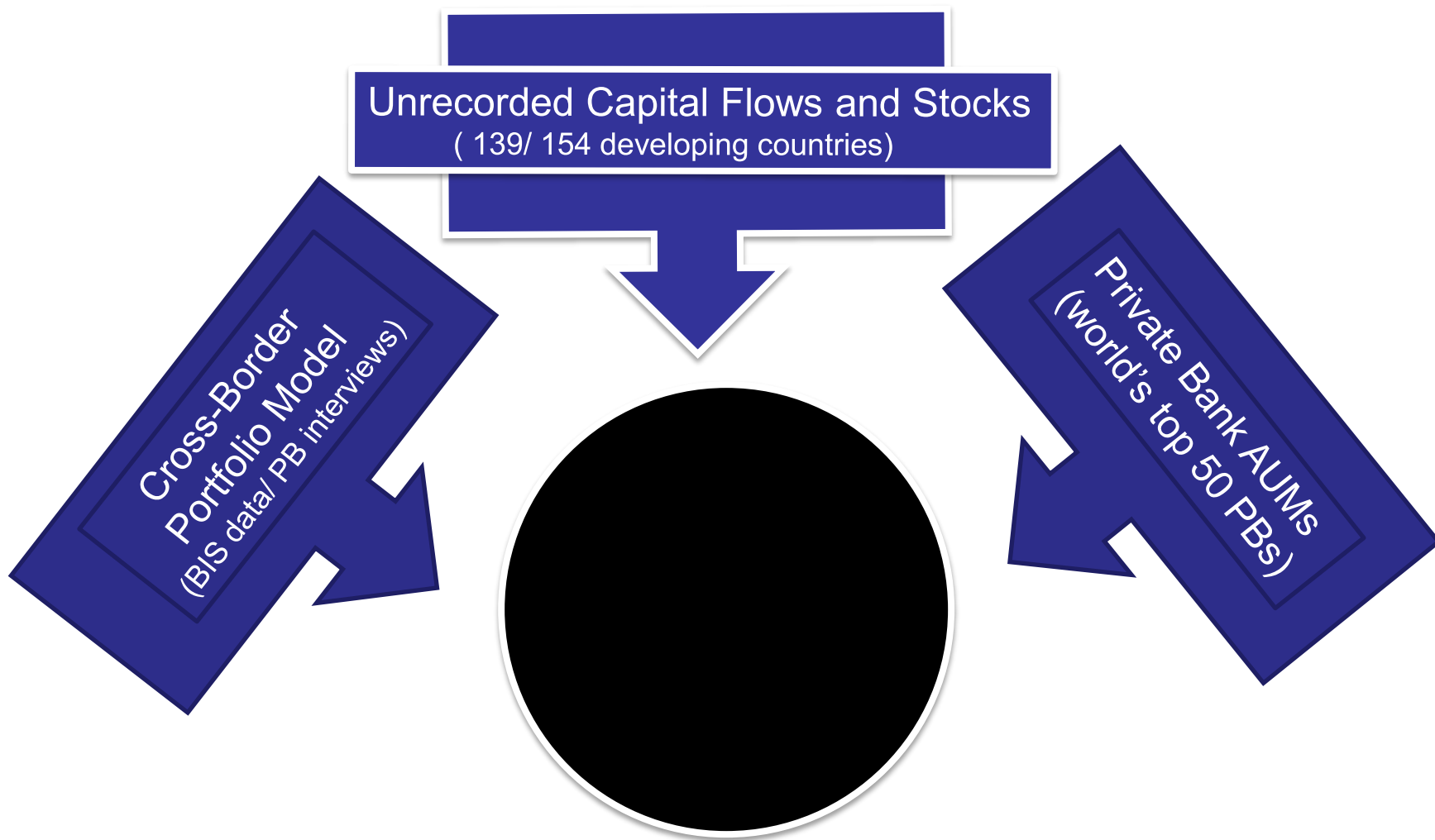
210



8/3/2016

Jon Berkeley/shutterstock

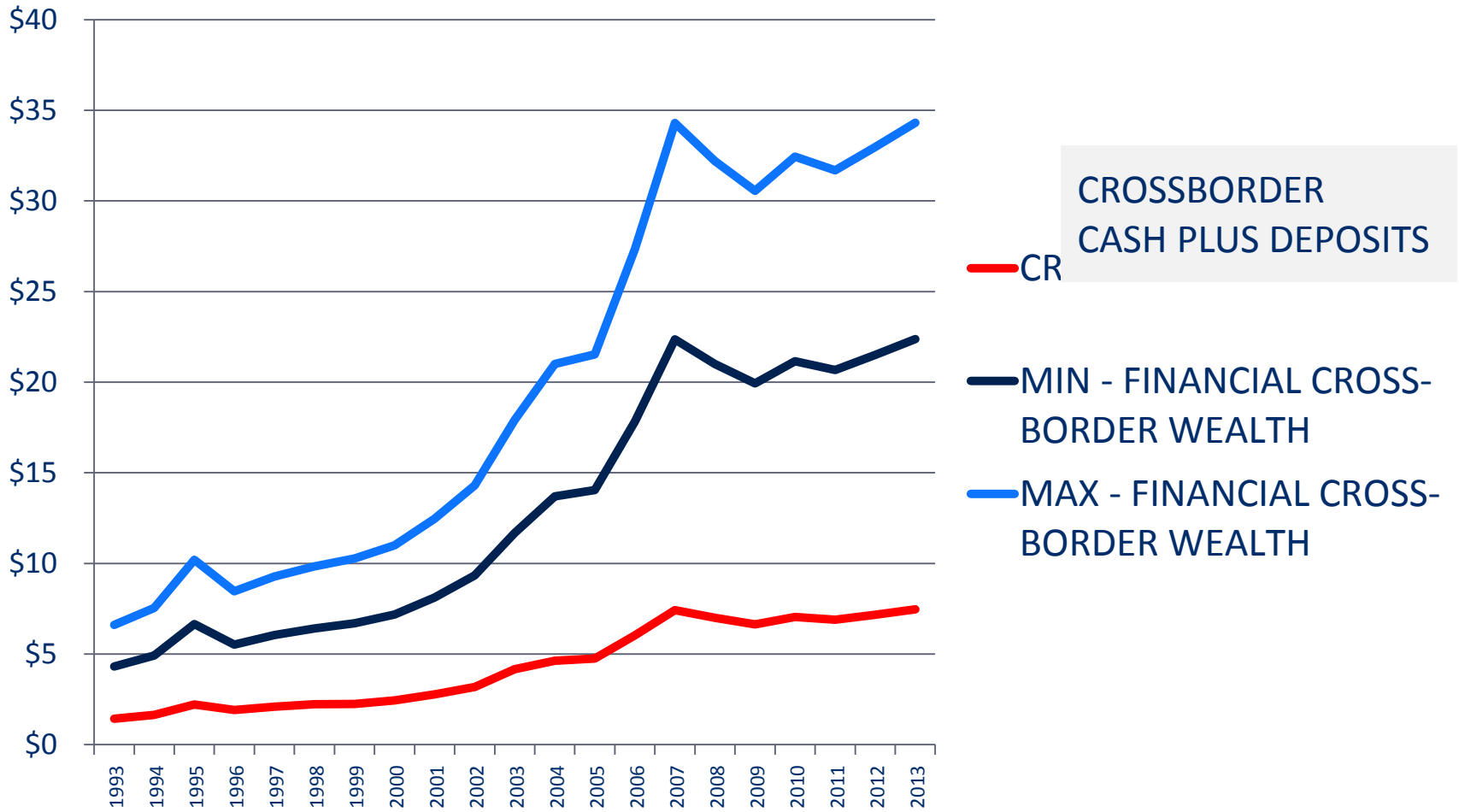
# Triangulating on the offshore hole in the global economy....



...Our global total: \$24-\$34 trillion...

### Global Offshore Haven Financial Wealth, 1992-2014 (\$Trillions)

*Preliminary*

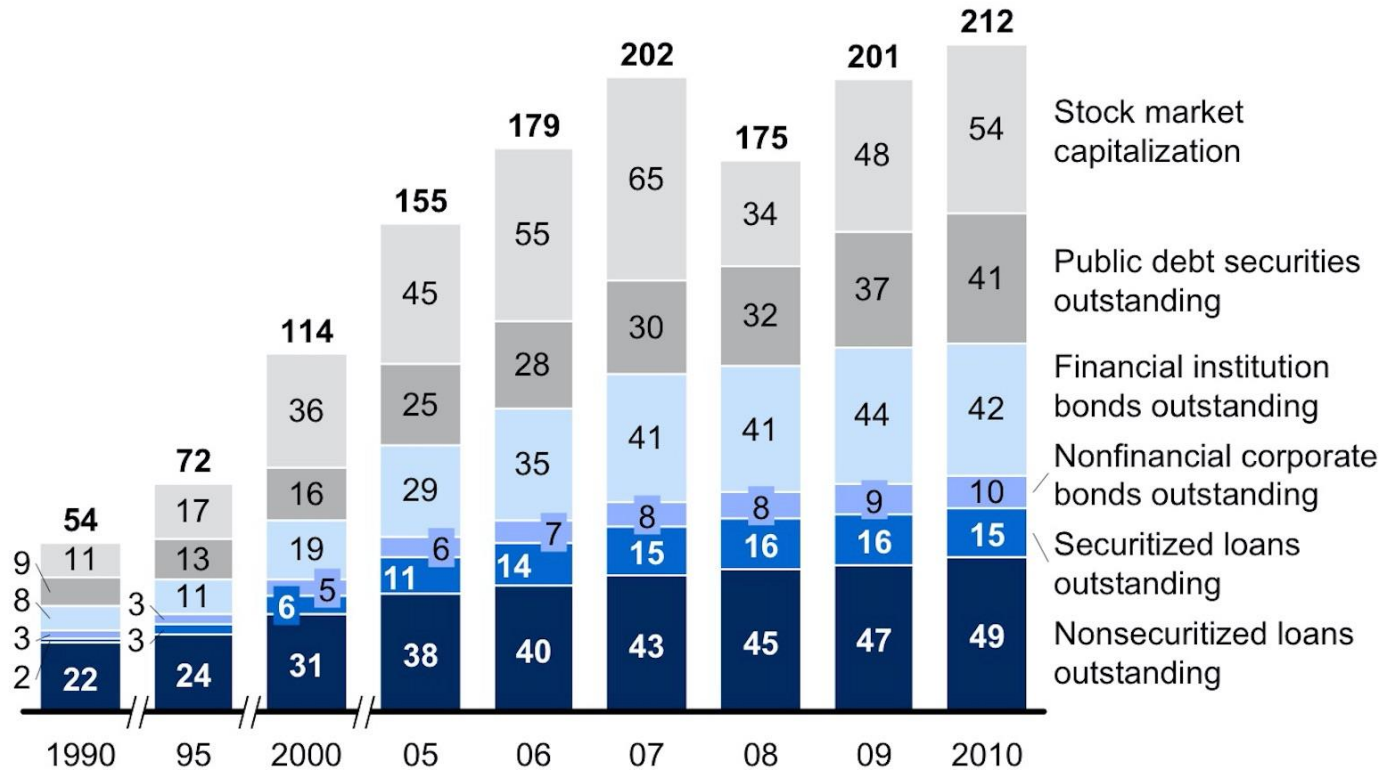


Source: BIS (2014) data, JSH analysis

10-15% of global financial wealth...

Global financial wealth: \$54 trillion 1990; \$212 trillion 2010...  
\$240 trillion by 2014...

Global stock of debt and equity outstanding<sup>1</sup>  
\$ trillion, end of period, constant 2010 exchange rates



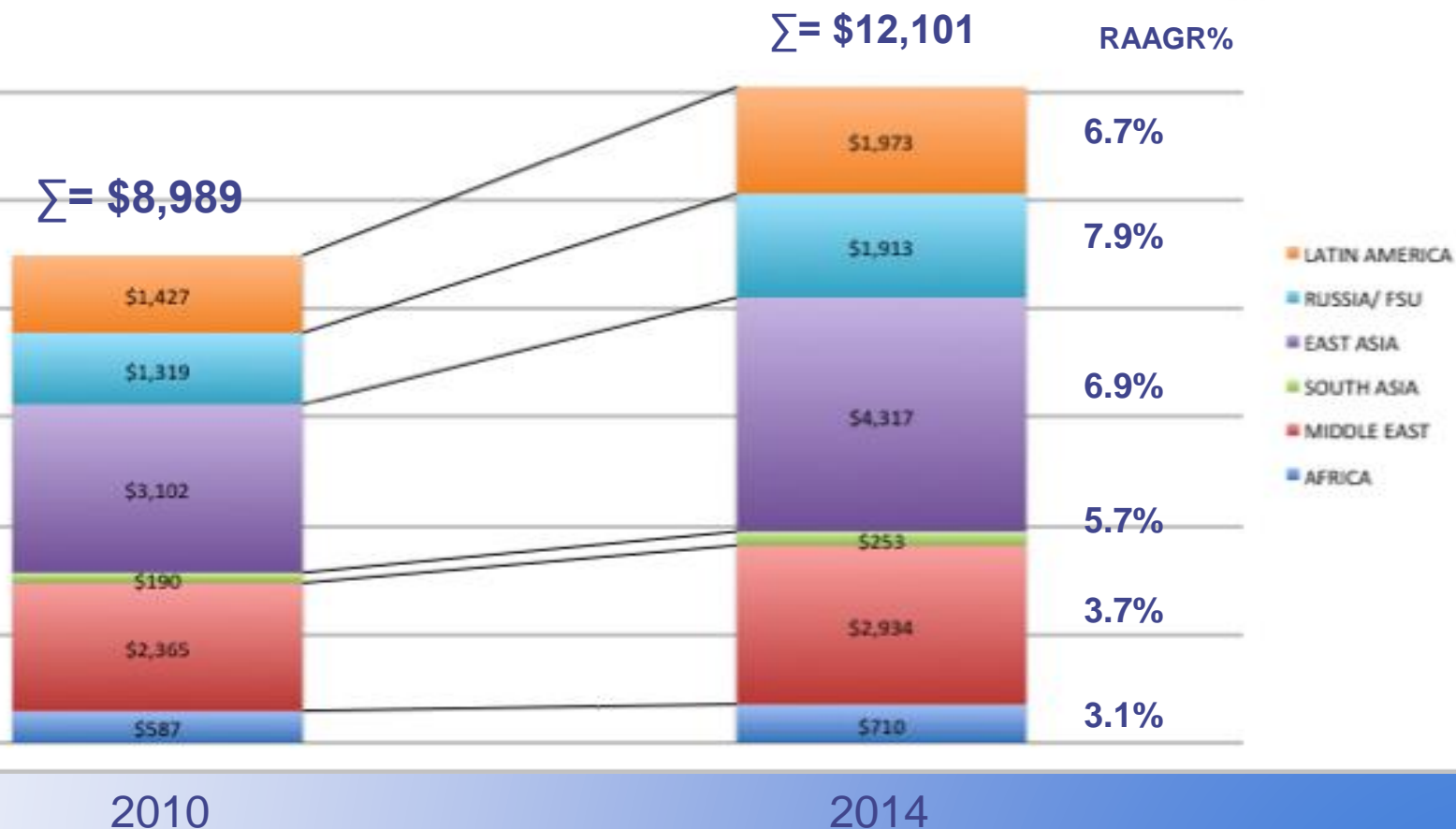
Compound annual growth rate  
%

1990-09    2009-10

Stock market capitalization	7.2	5.6
Public debt securities outstanding	8.1	11.8
Financial institution bonds outstanding	7.8	11.9
Nonfinancial corporate bonds outstanding	9.5	-3.3
Securitized loans outstanding	6.7	9.7
Nonsecuritized loans outstanding	12.7	-5.6
	4.1	5.9

Source: Mckinsey & Co. (2011); my analysis

## DEVELOPING REGIONS: SIZE AND GROWTH OF OFFSHORE WEALTH BY KEY REGION, 2010-14 (Nominal \$B).



Source: IMF/WB/ Central bank data, Flight wealth model, my analysis

# TOP 30 DEVELOPING WORLD CAPITAL FLIGHT SOURCE COUNTRIES - 2010-

(Nominal \$Billions of Flight Wealth)

		2010	2014	AAGR%	Free Press?	Corruption Scandals?	Panama Papers role?	Oil exporter?
1	China (All)	\$1,073	\$1,552.1	9.7%	n	✓*	✓*	
2	Russia	\$891	\$1,293	9.8%	n	✓*	✓*	✓*
3	Saudi Arabia	\$806	\$1,176	9.9%	n	✓*	✓*	✓*
4	Kuwait	\$691	\$900	6.8%	n	✓*	✓*	✓*
5	Singapore	\$486	\$766	12.0%	n	✓*	✓*	
6	Korea	\$393	\$551	8.8%	y	✓*		
7	Malaysia	\$328	\$445	7.9%	n	✓*	✓*	
8	Venezuela	\$343	\$427	5.6%	n	✓*	✓*	✓*
9	Mexico	\$298	\$394	7.3%	n	✓*	✓*	✓*
10	Thailand	\$368	\$393	1.7%	n	✓*	✓*	
11	Argentina	\$309	\$375	5.0%	y	✓*	✓*	✓*
12	Nigeria	\$256	\$363	9.1%	?	✓*	✓*	✓*
13	Indonesia	\$259	\$319	5.3%	?	✓*		✓*
14	Brazil	\$129	\$278	21.2%	y	✓*	✓*	✓*
15	Kazakhstan	\$163	\$259	12.3%	n	✓*	✓*	
16	Iran	\$149	\$234	12.0%	n	✓*	✓*	✓*
17	Chile	\$143	\$216	10.9%	y	✓*	✓*	
18	India	\$114	\$164	9.6%	y	✓*	✓*	
19	Azerbaijan	\$83	\$151	16.2%	n	✓*	✓*	
20	Vietnam	\$85	\$151	15.3%	n	✓*	✓*	
21	Ukraine	\$137	\$148	1.9%	n	✓*	✓*	
22	Egypt	\$117	\$136	3.9%	n	✓*	✓*	
23	South Africa	\$146	\$114	-6.0%	y	✓*	✓*	
24	Philippines	\$69	\$102	10.3%	y	✓*	✓*	
25	Israel	\$193	\$92	-16.8%	y	✓*	✓*	
26	Colombia	\$60	\$82	7.9%	y	✓*	✓*	
27	Iraq	\$42	\$78	16.6%	?	✓*	✓*	✓*
28	Angola	\$49	\$70	9.6%	n	✓*	✓*	✓*
29	Syria	\$64	\$65	0.5%	n	✓*	✓*	
30	Panama	\$53	\$63	4.6%		✓*	✓*	
TOP 10		✓ \$5,679	✓ \$7,898					
% of Σ		64%	65%					
TOP 30		✓ \$8,296	✓ \$11,356					
% of Σ		93%	94%					

Source: Flight wealth db, JSH analysis

© JSH 2016



## "OFFSHORE" WEALTH, RESERVES, AND NET COUNTRY DEBT: 1970-2014

### LATIN AMERICA AND CARIBBEAN REGION

(Nominal and Real \$2000 Billions, 2014)

Country	2010				CF Stock/ Ext.Debt 2010%	2014				CF Stock/ Ext.Debt 2014%
	Flight Stock (\$B 2010) (Nominal)	Ext. Debt (\$B 2010) (Nominal)	Reserves (\$B 2010)	Net Debt (\$B 2010)		Flight Stock (\$B 2014) (Nominal)	Ext. Debt (\$B 2014) (Nominal)	Reserves (\$B 2014)	Net Debt (\$B 2014)	
Brazil	\$129	\$352	\$287	-\$63	37%	\$277.8	\$556.9	\$361.0	-\$81.9	50%
Argentina	\$309	\$121	\$50	-\$238	256%	\$374.5	\$140.0	\$29.0	-\$263.6	128%
Mexico	\$298	\$262	\$120	-\$156	114%	\$394.5	\$432.6	\$190.9	-\$152.8	91%
Venezuela	\$343	\$97	\$13	-\$260	354%	\$427.5	\$109.4	\$7.5	-\$325.6	391%
Top Four	\$1,079	\$832	\$470	-\$717	130%	\$1,474.3	\$1,238.9	\$588.4	-\$824	119%
Chile	\$143	\$85	\$28	-\$86	168%	\$216.0	\$145.7	\$40.4	-\$110.7	148%
Colombia	\$60	\$64	\$28	-\$24	95%	\$81.7	\$102.3	\$46.4	-\$25.7	80%
Panama	\$26	\$11	\$3	-\$17	228%	\$29.1	\$19.3	\$4.0	-\$13.8	150%
Trinidad	\$53	\$4	\$10	-\$58	1313%	\$63.3	\$4.9	\$11.9	-\$70.4	1298%
Uruguay	\$16	\$13	\$8	-\$11	125%	\$16.4	\$21.3	\$17.5	-\$12.6	77%
Dom Rep	\$6	\$13	\$4	\$4	43%	\$15.0	\$24.5	\$4.8	\$4.7	61%
Ecuador	\$15	\$15	\$1	-\$2	104%	\$25.7	\$20.3	\$3.5	-\$8.9	127%
Peru	\$1	\$42	\$43	-\$1	2%	\$18.7	\$66.5	\$61.2	-\$13.4	28%
El Salvador	\$10	\$11	\$3	-\$1	88%	\$9.4	\$14.5	\$2.4	\$2.7	65%
Bolivia	\$18	\$6	\$8	-\$20	312%	\$23.7	\$8.78	\$13.48	-\$28.4	270%
<b>LAC TOTAL</b>	<b>\$1,427</b>	<b>\$1,097</b>	<b>\$604</b>	<b>-\$934</b>	<b>130%</b>	<b>\$1,973</b>	<b>\$1,667</b>	<b>\$794.1</b>	<b>-\$1,100</b>	<b>118%</b>

Source: 2015-16 data from World Bank; IMF; UN; central banks; JSH analysis

© JSH 1995-2016

## "OFFSHORE" WEALTH, RESERVES, AND NET COUNTRY DEBT: 1970-2014

### EAST ASIAN REGION

(Nominal and Real \$2000 Billions, 2014)

	2010					2014				
	Flight Stock (\$B 2010)	Ext. Debt (\$B 2010)	Reserves (\$B 2010)	Net Debt (\$B 2010)	CF Stock/ Ex.Debt (%)	Flight Stock (\$B 2014)	Ext. Debt (\$B 2014)	Reserves (\$B 2014)	Net Debt (\$B 2014)	CF Stock/ Ex.Debt (%)
Mainland China	\$724.2	\$560	\$2,866	-\$3,031	129.4%	\$1,155.1	\$959.5	\$3,859.2	-\$4,054.7	120%
HK	\$311.7	\$0	\$269	-\$580	nd	\$285.0	\$0.0	\$328.4	-\$613.4	nd
Macao	\$37.3	\$0	\$24	-\$61	nd	\$112.0	\$0.0	\$16.4	-\$128.5	nd
<b>CHINA</b>	<b>\$1,073</b>	<b>\$560</b>	<b>\$3,158</b>	<b>-\$3,672</b>	<b>191.7%</b>	<b>\$1,552</b>	<b>\$960</b>	<b>\$4,204.0</b>	<b>-\$4,797</b>	<b>161.8%</b>
Korea	\$393	\$356	\$291	-\$329	110.5%	\$550.6	\$424.4	\$358.8	-\$485.0	130%
Indonesia	\$259	\$198	\$93	-\$154	130.8%	\$319.0	\$293.4	\$108.8	-\$134.5	109%
Malaysia	\$328	\$136	\$105	-\$297	241.6%	\$445.3	\$210.8	\$114.6	-\$349.1	211%
Singapore	\$486	\$1,063	\$226	\$351	45.7%	\$765.9	\$1,329.5	\$256.6	\$307.0	58%
Vietnam	\$85	\$45	\$12	-\$53	190.3%	\$150.9	\$97.8	\$34.2	-\$87.2	154%
Thailand	\$368	\$106	\$168	-\$429	346.3%	\$393.4	\$135.8	\$151.3	-\$408.9	290%
Philippines	\$69	\$65	\$55	-\$59	105.2%	\$101.5	\$77.7	\$72.1	-\$95.9	131%
Myanmar	\$18	\$8	\$6	-\$16	223.8%	-\$3.0	\$6.4	\$8.1	\$1.2	-47%
PNG	\$9	\$6	\$3	-\$6	147.9%	\$7.9	\$20.9	\$2.3	\$10.7	38%
Laos	\$1	\$6	\$1	\$5	17.6%	-\$3.2	\$10.7	\$0.9	\$13.1	-30%
Mongolia	\$8	\$6	\$2	-\$4	133.3%	\$26.0	\$20.8	\$1.5	-\$6.7	125%
Cambodia	\$3	\$4	\$3	-\$3	91.1%	\$10.9	\$6.8	\$5.63	-\$9.7	
<b>NON - CHINA</b>	<b>\$2,029</b>	<b>\$2,000</b>	<b>\$965</b>	<b>-\$994</b>	<b>101.5%</b>	<b>\$2,765</b>	<b>\$2,635</b>	<b>\$1,114.8</b>	<b>-\$1,245</b>	<b>127%</b>
<b>TOTAL - EAST ASIA</b>	<b>\$3,102</b>	<b>\$2,560</b>	<b>\$4,124</b>	<b>-\$4,666</b>	<b>121.2%</b>	<b>\$4,317</b>	<b>\$3,595</b>	<b>\$5,318.8</b>	<b>-\$6,042</b>	<b>120%</b>
<b>DEVELOPING E ASIA</b>	<b>\$1,874</b>	<b>\$1,141</b>	<b>\$3,314</b>	<b>-\$4,047</b>	<b>164.3%</b>	<b>\$2,604</b>	<b>\$1,841</b>	<b>\$4,359</b>	<b>-\$5,122</b>	<b>141.5%</b>

Source: 2015-16 data from World Bank; IMF; UN; central banks; JSH analysis

© JSH 1995-2016

**"OFFSHORE" WEALTH, RESERVES, AND NET COUNTRY DEBT: 1970-2014**

**RUSSIA/ FSU**

(Nominal and Real \$2000 Billions, 2014)

Country	Cum Flight (2014) Σ Real #B (\$2000)	Offshore Earnings (Σ\$B.) (\$2000)	Flight Stock (\$B 2010) (Nominal)	External Debt (\$B 2010) (Nominal)	Reserves (\$B 2010)	Net Debt (\$B 2010)	CF Stock/ Ext.Debt 2010%	Flight Stock (\$B 2014) (Nominal)	External Debt (\$B 2014) (Nominal)	Reserves (\$B 2014)	Net Debt (\$B 2014)	CF Stock/ Ext.Debt 2014%
<b>RUSSIA</b>	\$989.4	\$173.4	\$891	\$489	\$444	-\$846	182%	\$1,293.1	\$599.0	\$339.4	-\$1,033.4	216%
<b>OTHER FSU</b>	\$482.3	\$41.6	\$427.9	\$315.9	\$110.0	-\$222.0		\$620.0	\$394.0	\$105.9	-\$331.8	
Ukraine	\$116.1	\$12.3	\$137	\$125	\$33	-\$45	109%	\$147.7	\$130.7	\$6.6	-\$23.7	128%
Kazakhstan	\$200.1	\$20.2	\$163	\$119.1	\$25	-\$69	137%	\$258.6	\$157.6	\$21.8	-\$122.8	164%
Azerbaijan	\$117.1	\$5.0	\$83	\$7.0	\$6	-\$82	1181%	\$151.2	\$11.7	\$14.6	-\$154.1	1293%
Uzbekistan	\$11.1	\$1.2	\$8.6	\$7.8	\$15	-\$15	111%	\$14.4	\$13.4	\$24.4	-\$25.4	107%
Tajikistan	\$1.9	\$0.1	\$2.4	\$3.1	\$0.3	\$0	77%	\$2.5	\$4.0	\$0.2	\$1.4	61%
Moldova	\$2.2	\$0.3	\$2.1	\$4.7	\$1.7	\$1	45%	\$2.9	\$6.5	\$2.2	\$1.5	44%
Armenia	\$1.4	\$0.1	\$1.4	\$6.3	\$1.9	\$3	22%	\$1.9	\$8.6	\$1.5	\$5.2	22%
Kyrgyz Rep	-\$0.4	\$0.2	\$0.3	\$4.1	\$1.6	\$2	8%	-\$0.5	\$7.3	\$1.8	\$5.9	-6%
Georgia	\$5.2	\$0.1	\$3.8	\$9.7	\$2.3	\$4	39%	\$6.2	\$13.9	\$2.7	\$5.0	45%
Belarus	\$6.5	\$0.3	\$7.3	\$28.4	\$3.4	\$18	26%	\$8.4	\$40.0	\$3.4	\$28.2	21%
Turkmenistan	\$21.1	\$1.9	\$19.4	\$0.5	\$19.2	-\$38	3672%	\$26.8	\$0.4	\$26.7	-\$53.0	6079%
<b>FSU TOTAL</b>	<b>\$1,472</b>	<b>\$215</b>	<b>\$1,319</b>	<b>\$804</b>	<b>\$554</b>	<b>-\$1,068</b>	<b>164%</b>	<b>\$1,913</b>	<b>\$993</b>	<b>\$445</b>	<b>-\$1,365.2</b>	<b>193%</b>

Source: 2015-16 data from World Bank (WDI), IMF, Central banks; JSH analysis

© JSH 2005-2016

## Huge hidden cost of the “offshore” haven industry....

### SUMMARY: DEVELOPING REGIONS - GROSS AND NET DEBT, 2014

(\$2014 Billions)

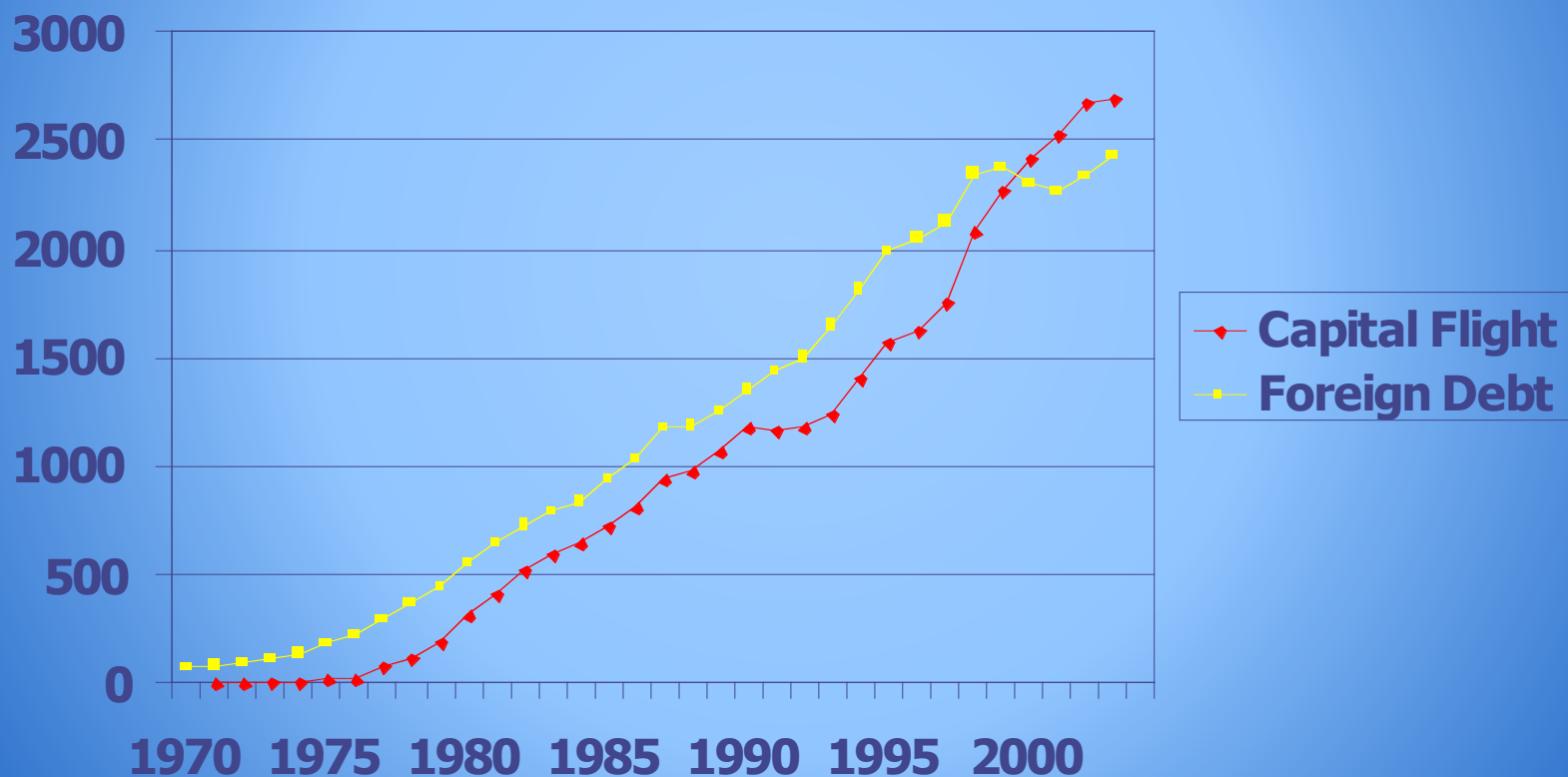
	GROSS EXTERNAL DEBT	OFFICIAL RESERVES	FLIGHT WEALTH	"NET DEBT"
AFRICA	\$393	\$183	\$710	-\$500
MIDDLE EAST	\$989	\$1,609	\$2,930	-\$3,550
SOUTH ASIA	\$503	\$333	\$253	-\$83
EAST ASIA	\$3,595	\$5,319	\$4,317	-\$6,041
RUSSIA/ FSU	\$993	\$445	\$1,913	-\$1,365
LATIN AMERICA	\$1,667	\$794	\$1,973	-\$1,100
<b>TOTAL</b>	<b>\$8,140</b>	<b>\$8,683</b>	<b>\$12,096</b>	<b>-\$12,639</b>

Expected real returns	LIBOR+	Japan: Neg Historical lows	Low yield/ High costs (offshore)	Huge opp costs
-----------------------	--------	-------------------------------	-------------------------------------	----------------

© JSH 2016

An old story....from my 2005 pres. Since then it has gotten worse..

## Global Flight Wealth Vs. Global Developing Country Debt (1980-2003) (Billions US \$Current)



Source: data from IMF (2005), World Bank (2005); JSH analysis

## Global Distribution, Net Financial Assets

		Total Number	Ave. Net Financial Worth Per Capita (\$MM)	Total Liquid Net Worth (\$Tr.)	Of Which: "Offshore" (\$Tr.)	% of All Global Net Financial	% of All People
"Happy Few"	>\$30 MM	91,186	\$183.1	\$16.7	\$9.8	30.3%	0.001%
"Just Rich"	>\$5-\$30 MM	839,020	\$12.8	\$10.7	\$5.1	19.4%	0.01%
"Barely Rich"	>\$1-\$5 MM	8,419,794	\$2.1	\$17.4	\$4.7	31.6%	0.13%
<b>GLOBAL ELITE</b>	<b>All &gt;\$1 MM</b>	<b>9,350,000</b>	<b>\$4.4</b>	<b>\$44.8</b>	<b>\$19.6</b>	<b>81.3%</b>	<b>0.14%</b>
<b>EVERYONE ELSE</b>		6,643,863,592	\$0.0016	\$10.3	\$1.0**		99.86%
<b>TOTAL</b>		<b>6,653,213,592</b>	<b>\$0.01</b>	<b>\$55.1</b>	<b>\$20.6</b>	<b>100%</b>	<b>100%</b>

\*\* Foreign currency (mainly dollars and euros)

Source: ML/Cap Gemini (2001-09); World Bank data; UN Wider (07); US Treasury (09); our analysis

© JSH

A photograph of two men in dark suits and ties. The man on the left has white hair and is smiling. The man on the right has grey hair and is laughing heartily. The background is slightly blurred, showing other people and what appears to be an American flag.

**“It is capitalism that is truly radical.”  
-- Brecht**

## TOP 50 GLOBAL PRIVATE BANKS, 2005-2010

(\$Billions, Assets Under Management)

(1/2)

		Jun-05	Mkt%	Dec-09	Mkt%	Dec-10	Mkt%	
<b>Top 10 - Total</b>		<b>\$2,272.8</b>	<b>42.2%</b>	<b>\$3,660.8</b>	<b>45.5%</b>	<b>\$6,182</b>	<b>51.2%</b>	<b>20.0%</b>
<b>Rank</b>	<b>Next 10 - Total</b>	<b>\$1,412.4</b>	<b>26.2%</b>	<b>\$2,319.9</b>	<b>28.8%</b>			<b>2005-2010</b>
	<b>Next 30 - Total</b>	<b>\$1,706.0</b>	<b>31.6%</b>	<b>\$2,069.4</b>	<b>25.7%</b>			<b>AAGR%</b>
<b>2005</b>	<b>2010</b>	<b>Top 50 - Total</b>	<b>\$5,391.3</b>	<b>100%</b>	<b>\$8,050.1</b>	<b>100%</b>	<b>\$ 12,066.4</b>	<b>15.8%</b>
1	1	UBS	\$1,349.2		\$1,627.6		\$1,789.0	5.8%
2	2	Credit Suisse	\$469.2		\$770.1		\$932.9	14.7%
7	3	Goldman Sachs	\$166.0		\$220.5		\$840.0	38.3%
19	4	Bank America	\$108.5		\$433.8		\$643.9	42.8%
5	5	HSBC	\$183.0		\$250.0		\$390.0	16.3%
6	6	Deutsche Bk	\$180.9		\$464.2		\$367.5	15.2%
9	7	BNP Paribas	\$158.0		\$293.0		\$338.0	16.4%
24	8	Wells Fargo	\$78.0		\$187.3		\$300.0	30.9%
8	9	Morgan Stanley/ SSB*	\$165.0		\$365.0		\$297.0	12.5%
4	10	JPMorganChase	\$187.0		\$266.0		\$284.0	8.7%
11	11	Pictet	\$150.0		\$236.6		\$270.0	12.5%
12	12	Bank Leumi	\$138.0		\$202.5		\$251.0	12.7%
13	13	Barclays	\$135.3		\$230.0		\$238.3	12.0%
38	14	Commerzbank	\$30.2		\$207.1		\$225.0	49.4%
10	15	ABN Amro	\$150.8		\$199.1		\$218.4	7.7%
32	16	TD Canada	\$49.4		\$65.0		\$183.0	29.9%
34	17	Banque Julius Baer	\$46.8		\$160.2		\$181.0	31.1%
16	18	Credit Agricole	\$114.1		\$215.2		\$171.0	8.4%
23	19	Bk of New York	\$82.6		\$84.0		\$166.0	15.0%
17	20	Northern Trust	\$111.5		\$141.5		\$154.0	6.7%

Source: bank financials, private banking industry interviews, JSH analysis



# Top 22 Global Private Banks – Incidence of Corporate Crime, 1998-2015

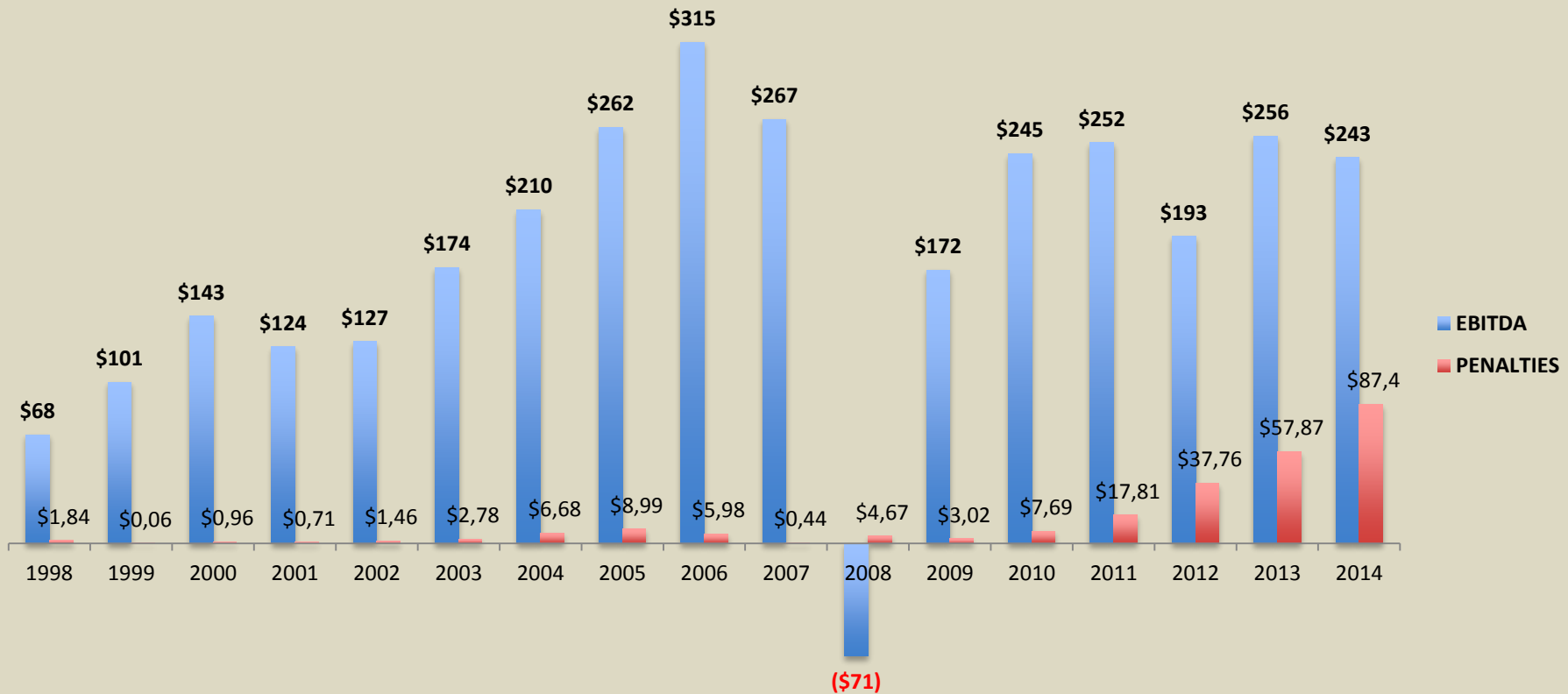
	Asset (\$B)		2000-14	Lehman	Aiding	LIBOR	Money	Mort fraud -	"Rogue"	Sanctions	Wrongful	FX	MUNY	Securities	Energy/ Metals	Bribery	Lending	Card/ PPI	Offense	# of
	2000	2014	% rise	Underwriter	Tax Cheating	Rigging	Laundering	RMBS/CDOs	Trading	Busting	Foreclosures	Rigging	Fraud	Fraud	Rigging		Bias	Fraud	Categories	Offenses
HSBC	\$674	\$2,729	405%	•	✓	✓	✓	✓	Sander	✓	✓	✓		✓	✓			✓	11	28
Deutsche Bank	\$875	\$2,168	248%		✓	✓	✓	✓	Bittar/ Adoph	✓		✓				✓			8	40
JPMorgan Chase	\$715	\$2,527	353%		✓	✓	✓	✓	Iksil	✓	✓	✓	✓	✓	✓	✓		✓	13	68
BNP Paribas	\$640	\$2,624	410%	•	✓	✓	✓	✓	Crassier	✓		✓		✓					7	9
Barclays	\$473	\$2,218	469%		✓	✓	✓	✓	Diamond,etc	✓		✓		✓	✓			✓	10	22
Credit Agricole	\$477	\$2,196	460%		✓	✓	✓	✓	Zrihen	✓		✓		✓		✓			9	9
Bank America	\$642	\$2,124	331%	•	✓	✓	✓	✓	✓		✓	✓	✓	✓			✓	✓	12	97
Citicorp	\$902	\$1,883	209%	•	✓	✓	✓	✓	Eurobd Team	✓	✓	✓	✓	✓		✓	✓	✓	13	69
RBS/ ABN Amro	\$480	\$1,699	354%	•	✓	✓	✓	✓	Tsang	✓		✓		✓				✓	10	41
Soc Gen	\$429	\$1,638	382%	•	✓	✓	✓	✓	Kerviel	✓		✓				✓			8	8
Santander	\$154	\$1,574	1022%	•	✓	✓	✓	✓	✓										5	5
ING	\$580	\$1,257	217%	•	✓	✓	✓	✓	✓					✓					5	5
Wells Fargo	\$272	\$1,637	601%	•	✓	✓	✓	✓	✓	✓	✓		✓	✓			✓		10	46
Lloyds	\$338	\$1,391	412%		✓	✓	✓	✓	✓			✓						✓	7	8
UBS	\$674	\$1,103	164%	•	✓	✓	✓	✓	Kweku/Hayes	✓	✓	✓	✓	✓	✓	✓	✓		12	50
Credit Suisse	\$399	\$999	250%		✓	✓	✓	✓	Serageldin	✓		✓	✓	✓	✓				10	35
Goldman Sachs	\$290	\$869	300%		✓	✓	✓	✓	Tourre etc		✓	✓	✓	✓	✓	✓			10	33
Rabobank	\$340	\$858	252%		✓	✓	✓	✓	✓			✓							5	6
Morgan Stanley	\$427	\$815	191%	•	✓	✓	✓	✓	Moryoussef		✓		✓	✓	✓	✓	✓		11	60
SCB	\$103	\$690	671%		✓	✓	✓	✓	✓			✓							6	6
BNY/Mellon	\$100	\$386	386%	•	✓	✓	✓	✓	✓			✓		✓					8	8
Julius Baer	\$12	\$83	699%		✓		✓		✓			✓							2	2
<b>Total</b>	<b>\$9,996</b>	<b>\$33,467</b>	<b>335%</b>																<b>Total</b>	<b>655</b>
<b>AAGR%</b>			<b>9.7%</b>																	
<b>Incidence</b>					<b>22</b>	<b>21</b>	<b>19</b>	<b>18</b>	<b>13</b>	<b>11</b>	<b>10</b>	<b>9</b>	<b>7</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>148</b>	
					<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>286</b>	
					<b>100%</b>	<b>95%</b>	<b>86%</b>	<b>82%</b>	<b>59%</b>	<b>50%</b>	<b>45%</b>	<b>41%</b>	<b>32%</b>	<b>23%</b>	<b>18%</b>	<b>23%</b>	<b>14%</b>	<b>5%</b>	<b>52%</b>	

\* Including LIBOR, Euribor, ISDAfix ( benchmark for \$379 tr swaps market, and other regional interbank market

© JSH 2015

Source: Internet/ lit search, JSH analysis

## 42. Global Haven Industry: Cash Flow Vs. Penalties,\*\* 1998=2014 (22 Global Haven Banks, Current \$Billions)

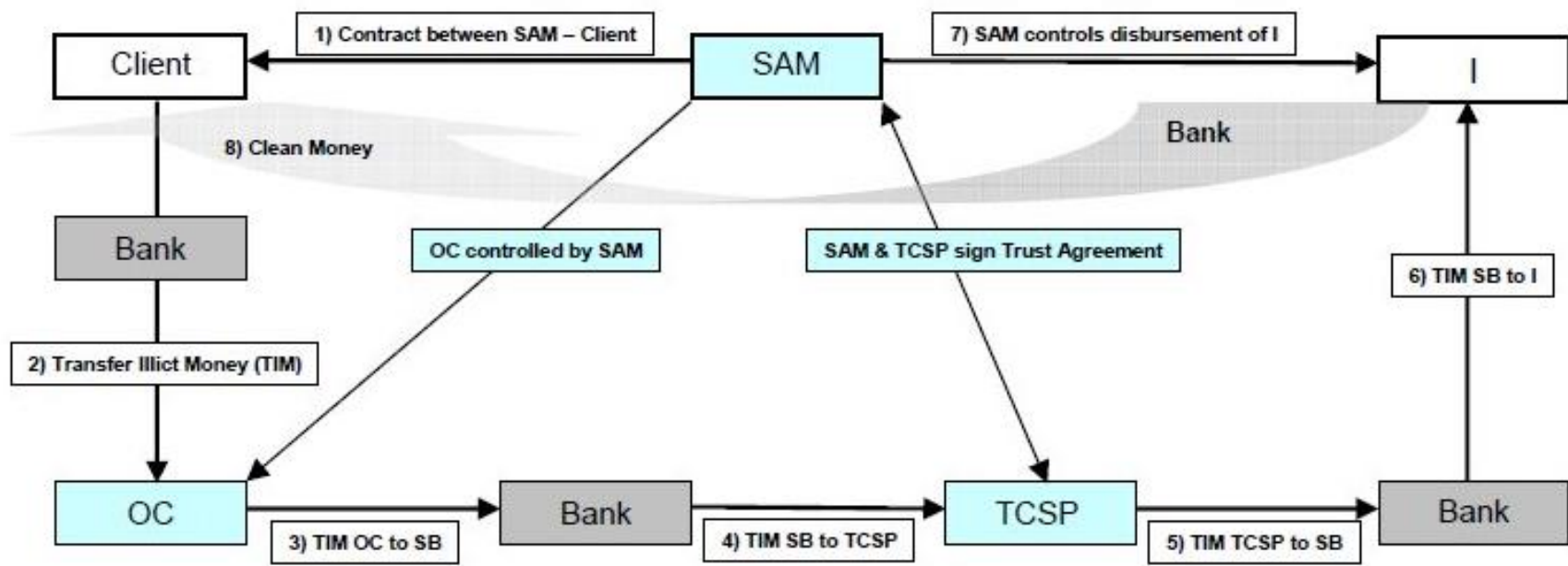


\*\*Earning before interest, taxes, and depreciation (“EBIDTA”); “penalties” = total fines, restitution, back interest, disgorgement, and reported private settlements, as of the date reported.

Source: SEC financial data and company reports by bank, 1998-2014; database on all reported penalties from regulatory Press releases and financial press reports compiled by the author, 1998-2014; JSH analysis



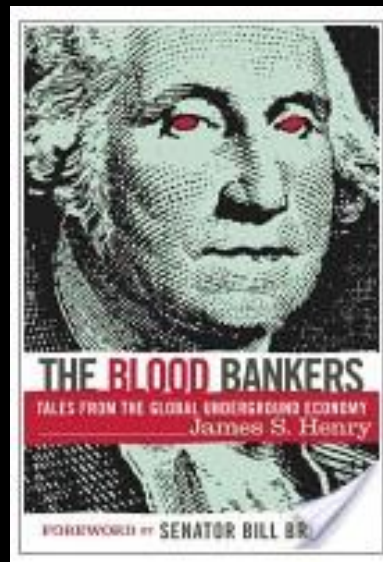
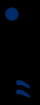
## Enabling Network for Tax Evasion & Money Laundering



BO	Beneficial Owner
C	Client
I	Investment
OC	Offshore/Shell Company
SAM	Swiss Asset Manager
TCSP	Trust and Company Service Provider
TIM	Transfer Illicit Money

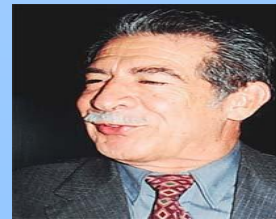
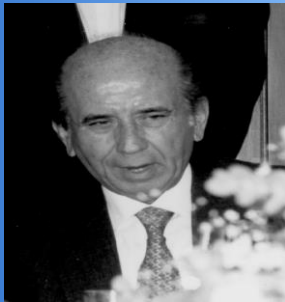
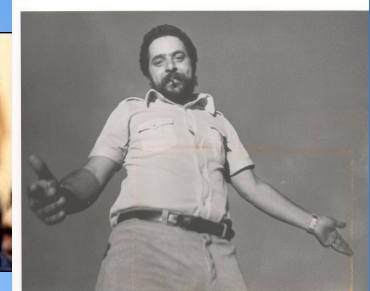
© Frank-CS 2014

# IV. Odious Finance





# "Kleptocrats I Have Known (Or Investigated..)"



# Odious Debt Investigations

- Argentina: Citibank, Santander
- Bolivia: gas&water
- Brazil: JPMorgan
- Chile: BT/DB - privatization fiasco
- Ecuador: bond diversions
- Haiti/ West Africa: BNP SocGen
- Guatemala: WBk loans/ genocide
- Mexico: Citibank/BankAmerica/ Pemex union
- Nicaragua: BT/DB – Sandinistas
- Panama: BNP/Noriega
- Paraguay: Citi/Stroessner
- Venezuela: Chase/ CAP
- Iran: Chase/HSBC/Shah/hmandinejad
- Iraq: Deutsche Bank
- Angola: Port banks/ oil diversions
- Nigeria: HSBC, Barclays, etc
- South Africa: Barclays/ HSBC/DB
- Indonesia: HSBC/ Austrian banks
- Philippines: UBS/ Marcos

# Marcos Crony Recipients - Philippine Central Bank loans (\$mm outstanding, 1986)

•Roberto Benedicto	\$747.6 million
•Marcos family members	\$726.5
•Roberto Cuenca	\$676.9
•Herminio Disini	\$258.4
•Eduardo Cojuangco	\$201.2
•Jobo Fernandez	\$180.0
•“Kokoy” Romualdez	\$150.4
•Manual Elizalde Jr.	\$104.1
•Jose de Venecia	\$71.4
•Lucio C. Tan	\$51.8
•Placido Mapa Jr.	\$50.6
•Ramon Cojuangco	\$30.9
•Ricardo Silverio	\$30.6
•Juan Ponce Enrile	\$28.6
•Vicente Chiudian	\$15.6
•Roberto Villafuerte	\$15.2
•Bienvenido Tantoco	\$6.0
•Salvador Laurel	\$5.8
•Other Marcos allies:	\$134.4
<b>TOTAL:</b>	<b>\$3.58 billion</b>

OTHER (not identifiable:) \$3.4 billion

Source: JS Henry, *The Blood Bankers* (2003)



# Odious Privatizations

- **Russia, 1990s: 150k state corps sold for \$9.7 billion (<less than Gazprom got for Sibneft, 2005)**
- **Brazil, 1990s: +\$85b for 12 state corps, -\$88b in tax breaks**
- **Argentina, Bolivia, Chile, Ecuador, India, Mexico, Indonesia, Peru, South Africa, Venezuela, etc.**
- **Iceland?**

# Privatization - *Cui Bono?*

“The Lord helps them who help themselves...”

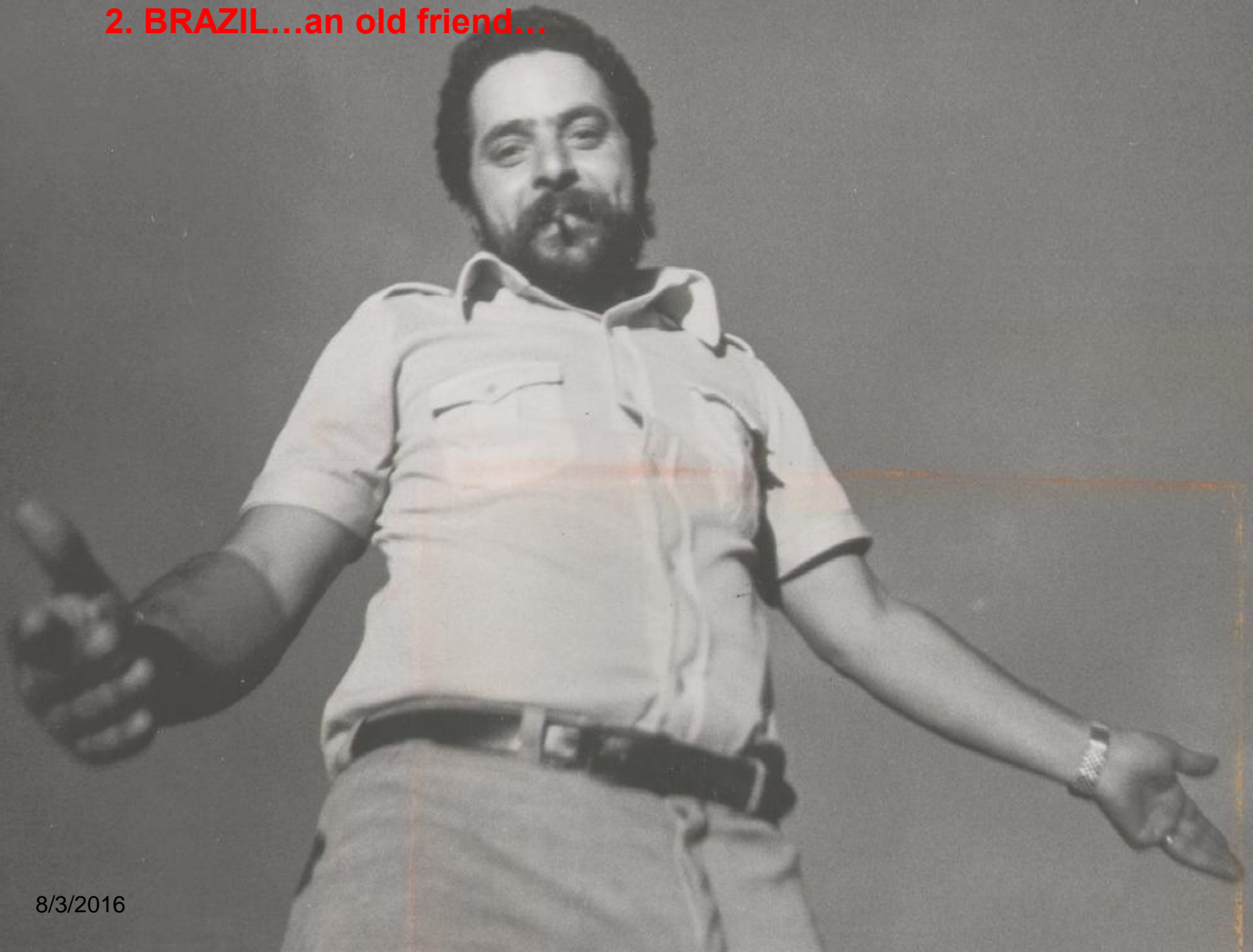


“By 1996, less than two dozen people had obtained control of Russia..”

# BRAZIL's Construction Cartel



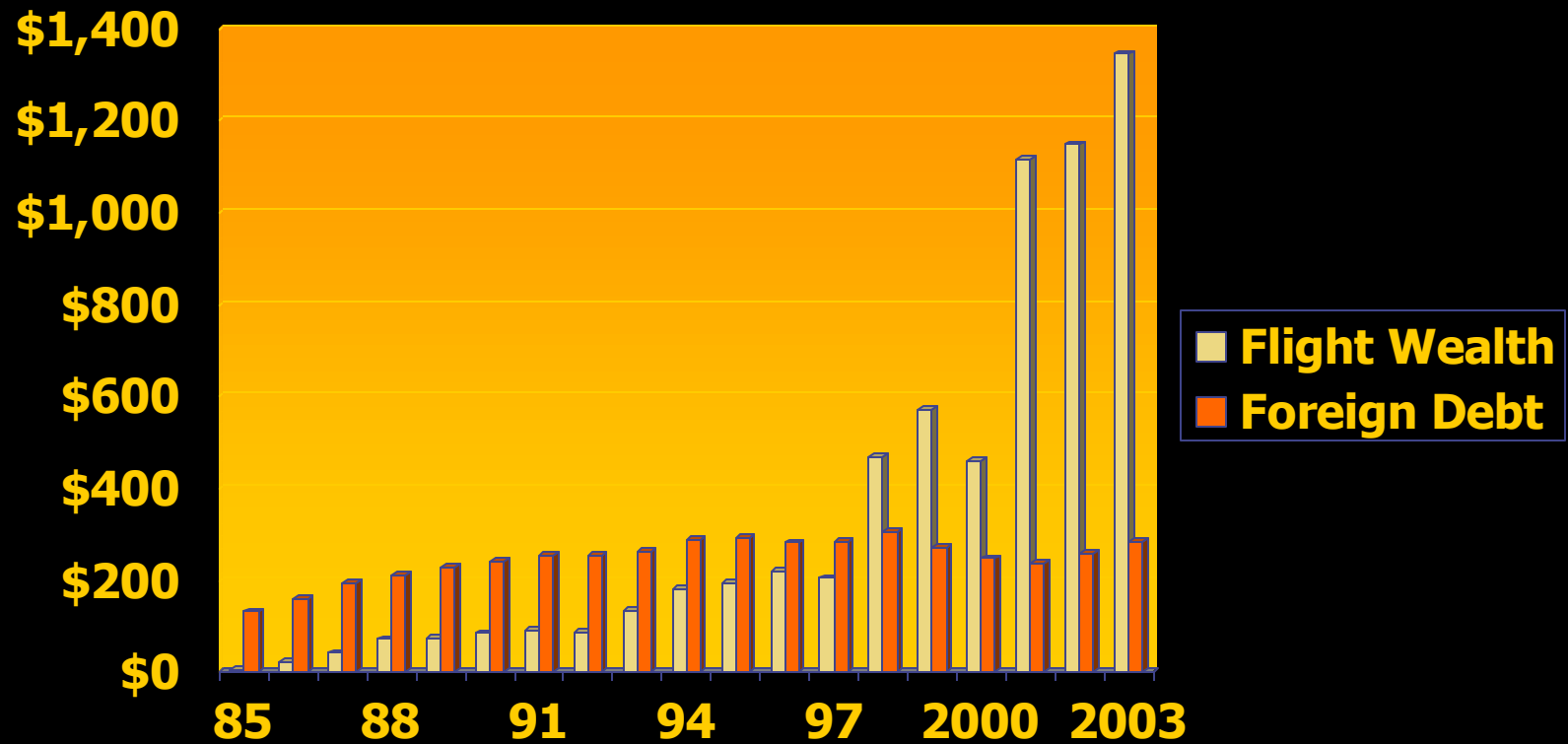
2. BRAZIL...an old friend...



8/3/2016

# Equatorial Guinea:

## Private “Flight Wealth” vs. Country Debt, 1985-2003 (\$MM)



Source: World Bank, IMF data (2005), JSH analysis



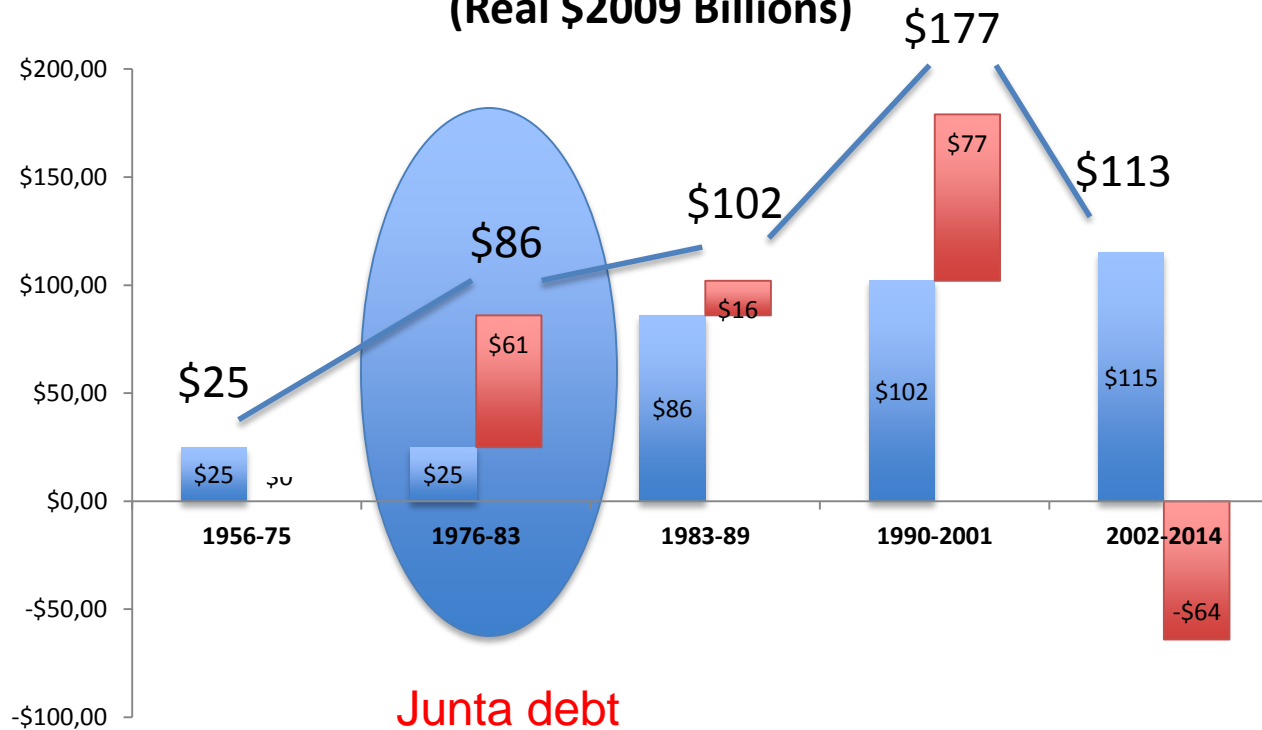
# Riddle solved - meet Eq. Guinea's dictator

## ◆ **Brig. Gen. (ret.) Teodoro Obiang Nguema Mbasago**

- **Member, Mongoma-based Esangui subclan of “Fang” tribe**
- **Family has ruled EG since 1968**
- **\$700+million in Riggs National Bank (DC), by way of Exxon-Mobil, Amerada Hess, Marathon Oil)**
- **Many other US, Swiss, French bank accounts**



## Argentina: Growth of Real Foreign Debt by Period, 1956-2014 (Real \$2009 Billions)

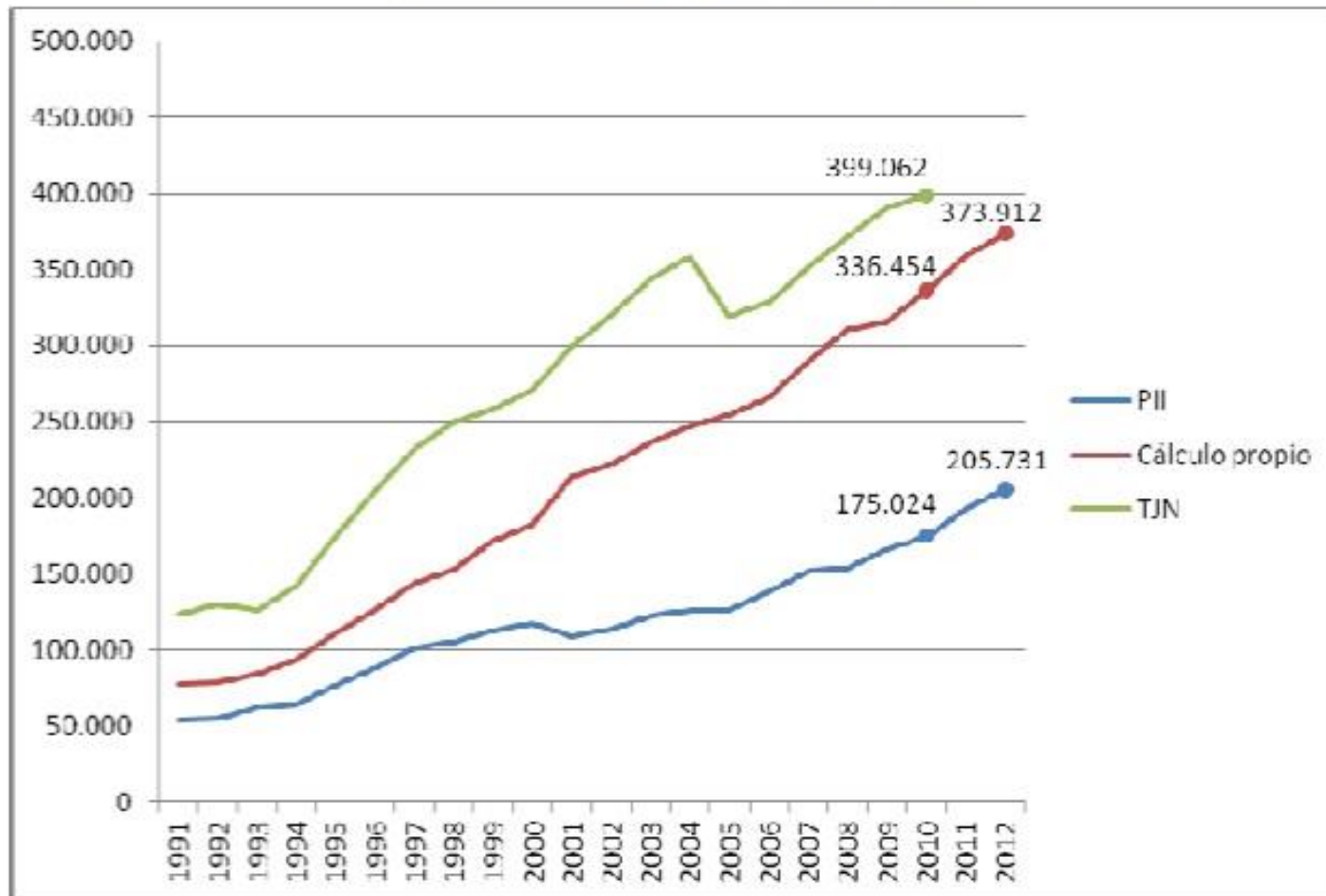


Source: World Bank (2014) data; Central Bank of Argentina (2014); Garggero, et al (2014); JSH analysis

© JSH 2014

**ARGENTINA. Estimación del stock de activos externos. Estimación propia, Henry (2012) y Posición de Inversión Internacional (PII, INDEC).**  
**1991-2011**

*En millones de dólares corrientes*



Fuente: Elaboración propia en base a Henry (2011), Basualdo y Kufas (2002) y datos del INDEC.



## THE ECONOMICS OF VULTURE CAPITALISM

	(\$MMs)		
<i>Face Value, 1994 FAA Bonds</i>	\$720		
<i>Accrued Interest Since 2008</i>	\$301		
<b>Total Accrued Interest Plus Principle</b>	<b>\$1,021</b>		
<b>Purchase Price -- Secondary Market(2008)</b>	<b>(\$48)</b>		
<b>Legal Fees and Campaign Expense</b>	<b>(\$50)</b>		
<i>Target Discount</i>	0.0%		
<i>Discount Offered by Argentine Gov</i>	-42.2%	<b>Multiple</b>	<b>RAAGR%</b>
<b>Gross Profit - Target Discount</b>	<b>\$923</b>	<b>1042%</b>	<b>48%</b>
<b>Gross Profit - Gov Discount</b>	<b>\$492</b>	<b>502%</b>	<b>31%</b>
<b>Plus: CDS Position Profit?</b>	<b>???</b>		

Source: JSH interviews, analysis

© JSH 2014

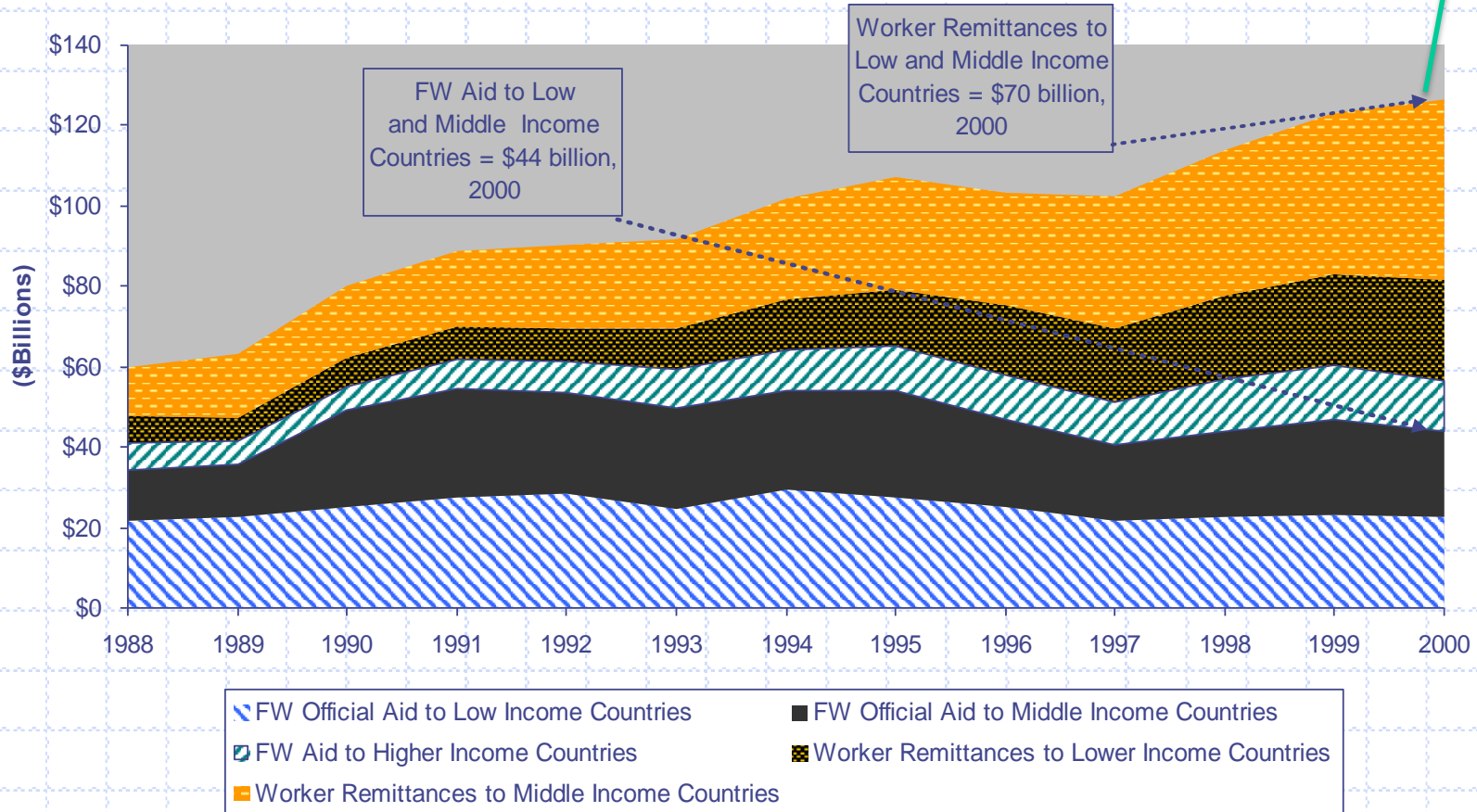
# V. Human Capital Flight



# Foreign Aid and Worker Remittances to Developing Countries, 1988-2016

(Current \$Billions)

**\$585B+, 2015**



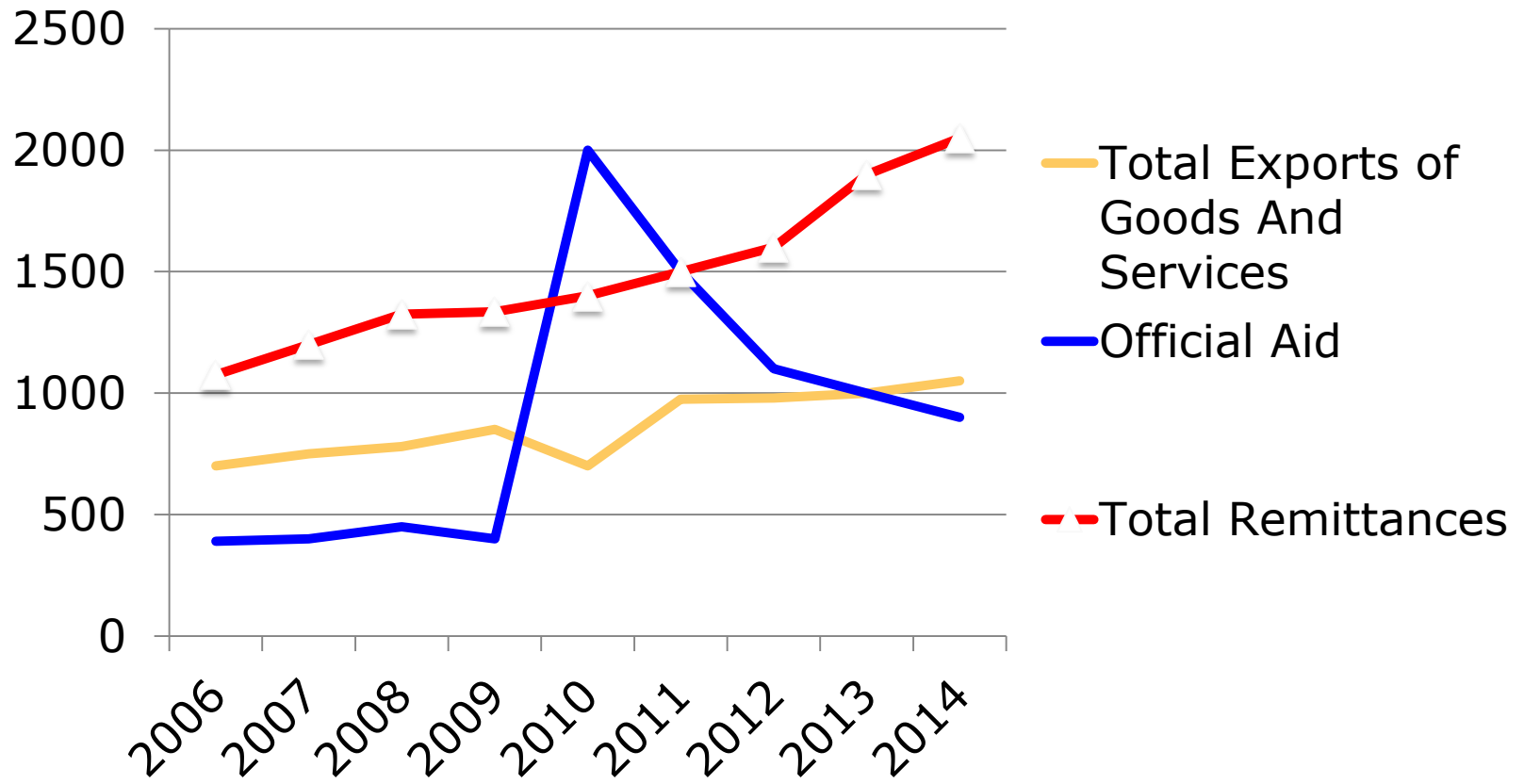
Source: WB, SIPRI data, JSH analysis, S. Henry, Submerging Markets.Com 2004

# Haiti Remittances - (2014)

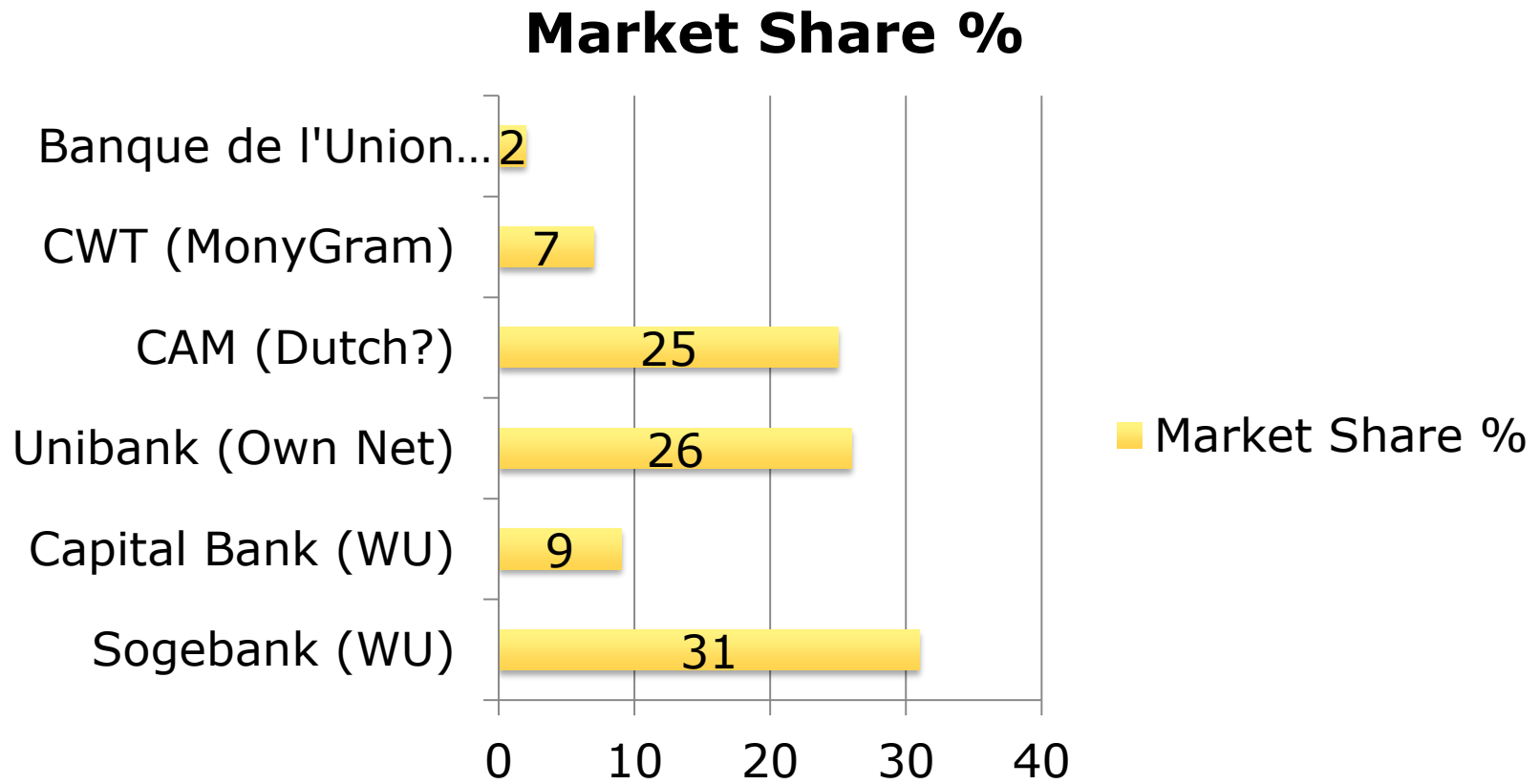
	<b>Residents</b>	<b>Diaspora</b>
<b>Population</b>	10.5 mm	2.2 mm
<b>Disposable income per capita</b>	\$706 US	\$12,500
<b>Savings Deposits</b>	\$.29 b US	>\$1.3 b US
<b>Private transfers/ year</b>	\$.25 b (school fees?)	\$2.0 b (gifts)
<b>GDP\$</b>	\$7.4 b US	\$27.7 b US
<b>Remittances (net %)</b>	<b>24%</b> (22% ave, 2001-13)	

Source: World Bank (2014), Haiti Min of Tourism (2014), author's analysis

# Haiti – Remittances Vs. Other Sources of FX, 2006-2014 (\$MM)



# Key Players: Haitian Remittance Market (2014)

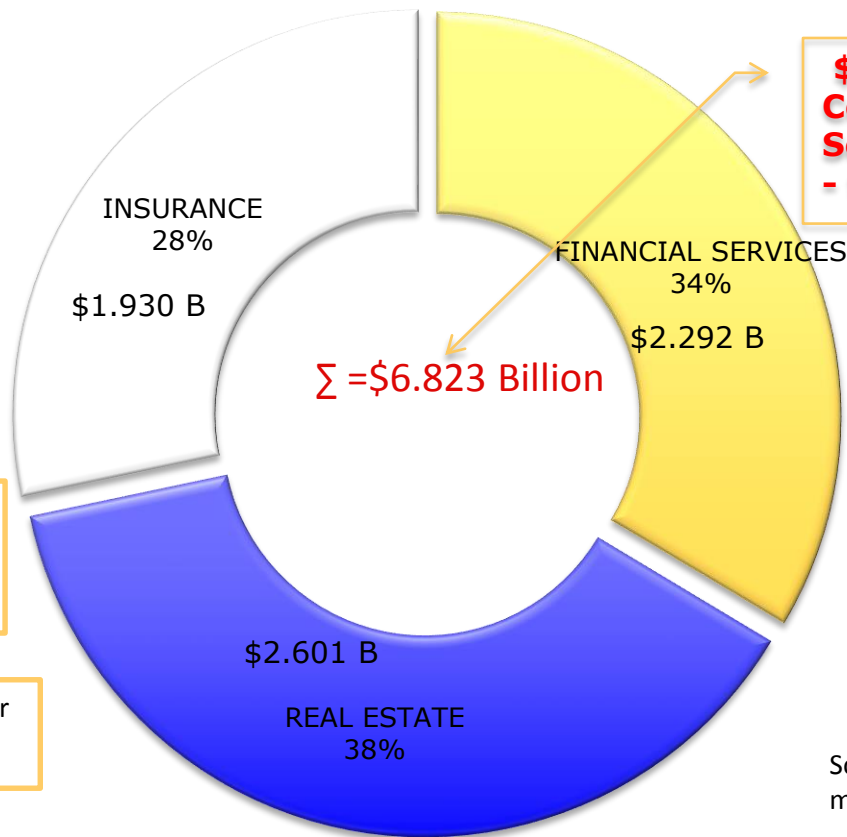


**VI. Havens Vs. Democracy**  
**(“Representation Without Taxation”)**

*I'm* Ready for  
  
Oligarchy

**The choice is clear. There is none.**

**THE US "FINANCIAL-INDUSTRIAL COMPLEX" --  
TOTAL REAL SPENDING ON FEDERAL POLITICAL INFLUENCE\*,  
1990 - 2010  
(Cumulative \$2010)**



**\$2973 per  
Congressman and  
Senator per day\*\* -  
- for 20 years**

\* Total real cumulative spending on federal lobbying and campaign contributions, by industry

\*\* Asuming 220 workdays per year, which may be generous

Source: Opensecrets.org (2010) data, my analysis

(c) Submergingmarkets.com, 2010



# Influence Networks – Swiss/ DC

ROLE	FIRM		Marc Rich	UBS	CS	SBA
US President	Politician	Obama,B.		1		
IRS Chief Counsel	WilmerHale	Wilkins, William J.		1	1	1
IRS Deputy Counsel	WilmerHale	Corwin, E.			1	
US Att Gen	Covington	Holder, Eric S.	1	1	1	
Former US President	Politician	Clinton,Bill	1			
Former US Senator	Politician	Gramm, Phil.		1		
X Deputy US AG	WilmerHale	Gorelick, J.				
X Sec DHS	Covington	Chertoff, Michael				
Former US Congressman	Covington	Berman, Howard			1	
X OCC head	Covington	Dugan, John				
x COS, US VP Cheney	Dechert LLP	I. Scooter Libbey	1			
xCOS Pres Clinton/Counselor to Obama	Podesta Associates	Podesta, John	1		1	
xUS AAG/ x WH Counsel - clinton	Covington	Breuer,Lanie	1	1	1	
x WH Counsel - Obama+Clinton	Skadden	Craig, Gregory			1	
x WH Counsel - Clinton	WilmerHale	Cutler, Lloyd N.		1	1	1
x Spec Asst to Pres Bush	Covington & Burling	Wichterman, William			1	
x COS VP Gore/ US x WH Counsel - Clinton	Arnold & Porter	Quinn, Jack M.	1			
x COS, Sen Gramm/Hutchinson	UBS Americas	Savercool, John		1		
x Undersec of State for Econ Affairs	Covington & Burling	Larson, Alan			1	
x Staff Dir House Rules	Covington & Burling	McMartin, Muftiah			1	
x US Sen Sec for Min	Covington & Burling	Letchworth, Eliz.			1	
x Fed Official	Williams & Jensen	Laricke, Blanche			1	
X Deputy Sec of Treasury	Covington & Burling	Eizenstadt, Stuart			1	
x Staff Dir, Sen Judic	Rich Feuer	Cooney, Manus			1	
x Press Sec Sen Schumer	Credit Suisse Securities	Kuhl, Jonathan			1	
X Sr. Dir US Sen Dem Org Comm/ Harry Reid	Credit Suisse Securities	Thompson, Terrence			1	
x Econ adv to Pres Obama	32Advisors	Goolsbee, A.		1		
x Counsel, Senate Banking	Rich Feuer Group	Feuer, Mitchell			1	
x Gen Counsel, House Banking	Williams & Jensen	Seidel, Joseph L.			1	
x Head of Major Crimes Unit, SDNY	Goodwin Proctor	Strassberg, Richard				1

# GOVERNMENT DENIES TURNING BLIND EYE TO TAX AVOIDANCE



It's fifty shades of grey area!

What's the safe word?

Switzerland!

**“The most serious problem facing  
us today is the  
concentration of money power  
in the hands of the few.”**

-- Woodrow Wilson (1911)

# Solutions (“Good Starts”)

- **Dirty Money**
  - Big Bills recall
- **Kleptocracy**
  - Public wealth declarations
  - Ben ownership registration
  - Investigative commission
  - Tax anonymous wealth
- **Pirate Banking**
  - Auto info exchange
  - Ben Ownership registration
  - Penalties for enablers
- **MNC Tax Dodging**
  - CxC reporting
  - End Tax Competition
- **Human Wealth Flight**
  - Break remittance cartels
- **Globalization of Org Crime**
- **Representation W/Taxation**

Penalize enablers

Increased transparency

Encourage whistleblowers and  
investigative journalists

Get academics out of the arm  
chair.....

Inform the public

# Research Priorities

## ¶ Global Haven Industry

- ¶ Key enablers by source country
- ¶ Appropriate penalties/ regulation
- ¶ 10-step country programs

## ¶ Anonymous Offshore/Onshore Wealth

- ¶ Refine estimates for key source countries
- ¶ Impacts on inequality, political power
- ¶ Solutions – regulation, taxes on anonymous wealth, etc

## ¶ Harmful tax competition/ MNC profit shifting

- Refine measures : Transfer mispricing,  
intra-corporate “services”, asset stripping
- “loans, digital offshoring, “Export parking”
- ¶ Impacts on dev countries
- ¶ Solutions – tax treaty revisions, GFA, etc

## ¶ Kleptocracy/ odious finance/ currency reform

## ¶ Human capital flight/ remittances

# Summary

¶ Rise of the global haven industry since the late 1970s

¶ Many quantifiable pathologies

1. Dirty money: the globalization of organized crime

2. Odious finance/ kleptocracy

1.  $\leq 5\%$  of \$12.5 tr/yr of global gov spending
2. More important to many countries than tax dodging -- \$14 trillion of offshore wealth

3. “Pirate banking”

1.  $> \$25$  tr. of hidden wealth, \$300b/yr. lost rev
2. Owned by top .1%  $\rightarrow$  Soaring inequality
3. Bankster crime wave:  $> 700$  offenses,  $> \$290$ b of fines by to 22 banks

4. MNC tax dodging/ tax competition -

4. \$200b/yr. lost rev
5. Decline of corporate income tax – digital offshore, mispricing, bogus loans, export parking

5. Human capital flight -- \$600b/ yr of remittances, 4x aid

6. “Representation without taxation”

6. Financial secrecy vs. democracy
7. Democratic capitalism under threat

7. Central role of “enablers”

**Merci!**