

The startling absence of a US angle in the Panama Papers



While the revelations of money and the hiding thereof by people in high places have roiled the global press and political and business circles, what is startling by its absence is much of a US angle to all this... thus far. While the tax angle is understandably less important (even the scandals with Swiss banks a few years ago involved only a few hundred accounts out of 300 million people) the collateral effects of what is contained in eleven million documents could have waves that sweep around the world for years or decades to come.

The Origins

While it may seem like there is a veritable blizzard of information about the leaking of the data, the information seems to be relatively well-contained until now. Despite the international data mining project involving approximately 400

journalists across 75 countries it was kept relatively well under wraps until the story broke to the wider public.

Some reports suggest that the investigation has already been going for more than a year and its quite impressive that there were no leaks up until now of the very existence of this data let alone its contents. The initial approach was to the German newspaper, *Suddeutsche Zeitung*, which in itself was curious in that *The Guardian* and *Washington Post* had led on the Snowden revelations.

The source asked whether the paper wanted access to 40 years-worth of information (consisting of 11.5 million documents) from the Panama firm, including the details of holding companies and accounts related to dozens of prominent European politicians. At some point after that *Suddeutsche Zeitung* partnered with the International Consortium of Investigative Journalists, which in turn is an arm of the U.S.-based nonprofit Center for Public Integrity (both being funded in part by the Ford Foundation and George Soros). And now hundreds of journalists from more than 100 media outlets around the world have worked on the investigation.

Fortune magazine commented, "One interesting aspect of the ICIJ project is that while it involves more than 100 media partners around the world, very few of them are located in the United States. The only American media entities are the McClatchy chain of newspapers—including the *Miami Herald* and the *Charlotte Observer*—and the Univision network with its online offshoot *Fusion*, which has reported on the project.

A number of media industry watchers have noted the absence of prominent U.S. outlets such as the *New York Times*, the *Washington Post* or the *Wall Street Journal*. Did they decline to participate, or were they not invited to do so? Coverage of the leak and its implications has been sparse or non-existent in those publications".

Presumably US security agencies got wind that something was coming down the pike. Did they decide to just sit back and enjoy?

Cognitive Dissonance

The response from the US has primarily consisted of some “mom-and apple-pie” utterances from Barack Obama on the evils of tax avoidance. However there is another elephant in the room that produces an internal contradiction. The US had railed for years now against those that leaked the State Department cables and the Edward Snowden files from the NSA through the Wikileaks structure and the global media. Many of the same media groups (but seemingly not Wikileaks) are involved this time around. Therefore the US is officially trying to feign disinterest in what is an enormous trove of financial, political and criminal “dirt” with a myriad of potential uses. However stiff upper lip the official response must be there are undoubtedly US government elements that must be champing at the bit to get access to this information. Purloined information is purloined information and the US being seen to be harvesting this for its own “gain” (whether financial or strategic) would expose somewhat of a double standard while the Edward Snowden matter still remains in abeyance.

It also raises a question as to whether the groups that are privy to the complete collection of data will be disposed towards letting the US have all or any of the massive data download. It is interesting that a US foundation is a prime backer of the dissemination of the data and yet only one US newspaper group. If the US would like to get its hands on some of the data selectively, how might it respond to being told “no”?

Who Might Want to Have Access

While the first effects have been political the longer term effects could be just the type of stuff that the FBI might be

more interested in than the IRS. The first frisson I got of this was the mention of FIFA, which is regarded in many circles as only nominally a sporting organization and more commonly as a mutual enrichment society. This is not some wealthy grocer in some Latin American backwater salting away the proceeds of fiddling VAT invoices (though in the multitude of Mossack Fonseca clients, the more humble get to play their role).

What we have in this mix is large criminal conspiracies and the documents provide a roadmap. FIFA may be newsworthy but beyond that are the cartels and the sort of criminality that has bubbled to the surface in the current Brazilian scandals threatening to bring down Dilma Rousseff and her regime. The potential to know in advance the propensity for political trauma or using information in an *agent provocateur* way is a powerful tool for destabilising or “influencing matters”

When the information extends to funding of terrorist groups (as many Middle Eastern states have been accused of doing) or the Chinese suborning their way into favoured positions in Africa that's when the intelligence services will really find this treasure trove of use. A slew of the Chinese leadership and Red Nobility have come to be mentioned in relation to the latest revelations.

The process of connecting the dots has only just begun. Many of the names mentioned in the papers will be meaningless to the journalists in the first instance but resonate with others who are more informed on say the criminal world. The first pass has focused on celebrities and politicians. The future should see a much more detailed picture emerge of how the 11.5 mn documents interrelate and the net will ultimately contain many more fish than it currently appears.

Conclusion

A new term to us, but one that makes sense, which has arisen

out of this process is "Politically exposed persons – or PEPs". These are public officials, their families and known associates and in the discrete world of international private banking (and its associates such as Mozzack Fonseca) these people are considered high risk clients by those providing offshore services. However, they are clearly also the most lucrative clients to have as they have more to hide and greater motivation to do so.

The media have concentrated on some high profile (?) names like the dearly departed Prime Minister of Iceland. However the implications of his fall are as nothing compared to the longer term recomposition of the international "black money" flows that this revelation will cause. When the revelations of Swiss banks information having been leaked came out, a swathe of US dentists trembled at the knees, but this is of a wholly different dimension.

Raises the question of what an international personality that is coining money doing whatever they do (legally or illegally) will do in the future? Pay their taxes? Take their lumps? Buy an extra big mattress and stuff it with dollar bills? If one thinks about it, offshore tax havens (beyond Switzerland) are largely a post-war phenomenon and they have gone from being the preserve of an elite to almost a democratized service with financial resources above a few million dollars getting you past the bouncers. Now though the offshore tax haven business is feeling the noose tighten. Supposedly the US is the new tax haven but we somehow doubt that Colombian drug lords are going to be satisfied that their money is safe from prying eyes in Nevada!

At the risk of sounding like a gold bug, stashing away gold under the floor boards may indeed be the best bet for those with something to hide. Certainly it is not a technique that allows you to buy houses in exotic locations but at least one's name is not going to feature in the press. The latest exposure is just the culmination of a series of revelations in

recent years that have convulsed the placid pond in which the world's super-rich swim. It will not be the last.