



# Politics and principles: A man's need to blush

By Derek Sambrook, FIB(SA), TEP,  
Managing Director, Trust Services, S.A.,  
Panama



**T**he 2016 Latin American Economic Outlook, published by the United Nations and the OECD, records that China, based on 2014 statistics, is the second-biggest user of the Panama Canal after the US, accounting for 23.5% of the cargo transported. China's foreign direct investment in Panama, with a population of less than 4 million, has averaged USD106 million over the last few years, focusing on ports, shipping, banking and commerce. This was all before the canal expansion project when in June two new locks came into operation which are expected to double the canal's capacity. The larger ships, known as "Neo-Panamax" which can now pass through the canal, are able to each carry amounts of cargo that would (approximately) require the equivalent of 18 trains, or 5,800 trucks, or 570 cargo aeroplanes.

China's strategy in Panama, and throughout Latin America, has been, and continues to be, to create and develop islands of influence not unlike its island-building programme in the South China Sea which has provoked a political firestorm. The Latin American relationship is taking on new dimensions as the Chinese move from an export and investment-based economy to a consumption and services model. The United States of America, by contrast, has let a once-strong influence south of the Rio Grande slip into neutral gear, as it scrambles to increase it in Asia, while seeing China in the past decade become one of Latin America's most important trading partners. It is debatable whether or not if Mr. Trump becomes president, diplomatic relations in Asia, especially with China, would improve. Whatever happens, I suspect that the Chinese can go on quietly developing their islands of influence unhindered.

Ecuadorian President Rafael Correa commented cynically that he welcomes a Trump triumph. "It's good for Latin America because it's bad for the US". It could be bad for Cuba too, a Trump presidency, if he calls for a better deal before US restrictions are loosened any more. Whether Mr. Trump is elected president or not, Latin America most certainly does not have a special relationship, in the sense of kinship, with the US, unlike the one many believe the US has with the United Kingdom. If so, does the "special relationship" still stand? Did it ever really exist? For me the special relationship with the US is, in the main, Palmerstonian: "Nations have no permanent friends or allies, they only have permanent interests". Just like the US, the UK is actively pursuing trading links in the East; post Brexit, expect an acceleration in those efforts to occur.

Asia is where, after all, the engines of growth are humming whereas many politicians in Washington see Europe as a vast museum housing the West's repository of culture and history which once had a profound influence beyond European boundaries. Emma Lazarus put it another way in her sonnet, *New Colossus*, inspired at the time by the planned Statue of Liberty: "Keep, ancient lands, your storied pomp!"

As for Latin America's future, rather than its past, we have to turn on its head Giuseppe Tomasi di Lampedusa's line in "The Leopard" and say that if things are not to remain the same, everything must change. Is this present shift towards orthodoxy permanent or just a reaction stemming from self-preservation? Moisés Naím of the Carnegie endowment for International Peace suggests that what may have ended is the "super populism" of Venezuela and Argentina, but which might only be replaced by a return to "normal populism", adding that: "Needed economic corrections that the new governments will have to make will be unpopular and create opportunities for the left to return". No wonder Michael Oakeshott, the late English philosopher, told us that life is a predicament, not a journey.

Speaking of which, Howard Fisher has done an admirable job in dissecting the pernicious Panama Papers – and I commend his article in *Offshore Investment's* May magazine (issue 266) – but we should appreciate that the hacker behind the leak has launched a campaign against the international sinister elements of offshore financial activities, wherever they are to be found, not

necessarily just in Panama. Mossack Fonseca has been the catalyst, and just like Shakespeare's Hamlet, for all intents and purposes has become the play within the principal play, one that has the largest number of characters situated well beyond Panama's shores. One does not need to be a Panamanian Panjandrum to reach that conclusion and I see that the developments I compared in June to a symphony with several movements (Risks and Revelations – issue 267) have perhaps now seen the end of the first movement: official enquiries in Panama, investigations by the European Union Commission and soul-searching in the US.

People in the past have believed or perceived things to be true that were not, all based on what was regarded as reliable knowledge. They still do; enter the Panama Papers. I call them barnacle believers. In centuries past a common belief was that barnacles hatch to produce barnacle geese, that lions are frightened by cockerels and that magnets smeared with garlic will cease to work. We are still susceptible, without close analysis, to accept what we are told; if you don't think so, consider the reckless rhetoric during both the Brexit campaign and the warm-up to the war in Iraq, in the latter case laid bare by the chilling Chilcot conclusions.

Panama indeed shares the dock for the illicit activities revealed in the Panama Papers, but the history of so many of the transgressions revealed dates back to the dark ages of due diligence, well into the last century when the offshore world in general took a breezy and more relaxed approach to its clientele's bona fides. Panama, along with its offshore counterparts elsewhere, have introduced a raft of regulations and controls since then. After resolving the controversy over Panama's bearer shares, it is, therefore, now a bitter sweet moment after the Financial Action Task Force promoted Panama to its white list at the beginning of this year. Sadly, by comparison, the US, when it comes to due diligence, is still medieval in some crucially fundamental ways.

Walmart-style sales of corporations is not exclusively an offshore phenomenon, and I quote: "With every threat that we track, be it foreign terrorists, narcotics cartels, sanctioned regimes

or cyber hackers, our investigators encounter... shell companies used to hide and move money. Consider the notorious arms dealer Viktor Bout, the alleged model for the movie "Lord of War", who sold weapons to butchers and terrorists from Africa to the Balkans. Bout didn't move his arms here, but his Soviet arms merchant moved his blood money through companies established in .... A loophole in our financial system allowed for this secrecy, and it took years to uncover the full money trail". That was a direct quote from Mr. Adam Szubin, acting undersecretary for terrorism and financial intelligence at the US Department of the Treasury. What was the country and the places in it that I excluded from the quote's text? America and the states of Florida, Texas and Delaware, respectively.

Mr. Szubin went on to say: "Delaware is well-known for its incorporation businesses, but it's no worse than any other state in this regard. With about USD100 and 20 minutes, you can go to a U.S. state's website and form a company without disclosing the name of the person who will own or control it. Professional incorporation agents set up hundreds or even thousands of these companies and then sell them, in some cases to those looking to move money surreptitiously. Criminals have learned that American companies have an easier time obtaining bank accounts, and so they incorporate here in large numbers. The result is that our financial investigators often come across US shell companies in their money hunts – and that may be where the trail ends. Anonymity isn't sold by a back-alley check casher or hawaladar in these cases; it's provided in the open by state incorporation offices. This gives US shell companies the dubious distinction of being the only money laundering method where secrecy is provided by a government entity."

To me this seems as incredible to believe in today's due diligence climate as those once firmly held beliefs about barnacles, lions, and magnets centuries ago; except that the existence of US shell companies is beyond a belief, it is a fact. The play within a play. No wonder Mark Twain said that man is the only animal that blushes or needs to.

[www.trustservices.net](http://www.trustservices.net)

European Magazine Services Ltd, 12-16 Castle Lane, Belfast BT1 5AF, United Kingdom • Tel: +44 (0) 28 9032 8777 • Web: [www.offshoreinvestment.com](http://www.offshoreinvestment.com)

**PUBLISHER AND CEO**  
Barry C Bingham  
[barry@offshoreinvestment.com](mailto:barry@offshoreinvestment.com)

**EDITORIAL DIRECTOR**  
Jenny L McDonough  
[editorial@offshoreinvestment.com](mailto:editorial@offshoreinvestment.com)

**SALES DIRECTOR**  
Deborah Maclaren  
[advertising@offshoreinvestment.com](mailto:advertising@offshoreinvestment.com)

**FINANCIAL DIRECTOR**  
Rosalind A Maguire  
[accounts@offshoreinvestment.com](mailto:accounts@offshoreinvestment.com)

**MEDIA MANAGER**  
Gillian M Abernethy  
[administration@offshoreinvestment.com](mailto:administration@offshoreinvestment.com)

**CONFERENCE**  
Emily Anderson  
[conference@offshoreinvestment.com](mailto:conference@offshoreinvestment.com)

**SUBSCRIPTIONS**  
Laura Simpson  
[subscriptions@offshoreinvestment.com](mailto:subscriptions@offshoreinvestment.com)

**DESIGN**  
Dave Johnston  
[administration@offshoreinvestment.com](mailto:administration@offshoreinvestment.com)

**PRODUCTION**  
Gillian Devenney  
[administration@offshoreinvestment.com](mailto:administration@offshoreinvestment.com)

**THE SALES TEAM +44 (0)203 004 7201**

**Account Managers**

Paul Robertshaw  
[PaulRobertshaw@offshoreinvestment.com](mailto:PaulRobertshaw@offshoreinvestment.com)

Anne Mead-Green  
[AnneMead-Green@offshoreinvestment.com](mailto:AnneMead-Green@offshoreinvestment.com)

**International Bureau**

Anguilla - **Claudel VV Romney**  
Antigua - **Brian Stuart Young**  
Australia - **John Hyde Page**  
Barbados - **Wayne Fields**  
Bermuda - **Lynda Milligan-Whyte**  
Brazil - **Fabiano Deffenti**  
British Virgin Is. - **Ralph Naborro**  
Canada - **N Gregory McNally**  
Cayman Is. - **Michael L Alberga**  
Cyprus - **Christos Mavrellis**  
Dubai - **Andrew De La Rosa**

Gibraltar - **Nigel Feetham**  
Greece - **George Economou**  
Hong Kong - **James A F Wadham**  
Hungary - **Dr Gabor B Szabo**  
India - **Nishith Desai**  
Italy - **Prof Dr Francesco Schurr**  
Ireland - **Peter O'Dwyer**  
Labuan - **Chin Chee Kee**  
Liechtenstein - **Andrew J Baker**  
Luxembourg - **Paolo Panico**  
Malta - **Dr Max Ganado**  
Mauritius - **Suzanne Gujadhur**  
Middle East - **David Russell AM QC**

Nevis - **Mario Novello**  
Samoa - **Graeme Briggs**  
Seychelles - **Simon J Mitchell**  
Singapore - **David Chong**  
St. Vincent - **Alex Jeeves**  
S. Africa - **Prof Christian Schulze**  
Turks & Caicos - **Jonathan M Katan**  
United Kingdom - **Matthew Cain**  
United Kingdom - **Floyd Ronald Jenkins, Jr**  
Uruguay - **Geoffrey Hooper**  
USA - **Howard S Fisher**  
US Virgin Is. - **Marjorie Rawls Roberts**  
Vanuatu - **Lindsay D Barrett**

**ems** European Magazine Services Limited. © 2016.  
ISSN 0954-0628 US PS 002-273.

All worldwide rights reserved. Reproduction in whole or in part by any means without written permission of the publisher is strictly prohibited. Printed by Pensord Press Limited, Pontllanfraith, Blackwood, Wales, UK. *Offshore Investment* has tried to ensure that all information contained within this publication is accurate, however, the publisher would emphasise that he cannot accept responsibility for any mistakes or omissions. No legal or investment instruction is intended. The opinions expressed are strictly those of the authors. *Offshore Investment* USPS 002-273 is published monthly except July and December by Offshore Investment, 12-16 Castle Lane, Belfast BT1 5AF, United Kingdom. The 2015 US annual subscription price is 960.00. Airfreight and mailing in the USA by agent named Air Business Ltd, c/o Worldnet Shipping Inc., 156-15, 146th Avenue, 2nd Floor, Jamaica, NY 11434, USA.

US POSTMASTER: Send address changes to Offshore Investment, c/o Worldnet Shipping Inc., 156-15, 146th Avenue, 2nd Floor, Jamaica, NY 11434, USA. Subscription records are maintained at European Magazine Services Ltd, 12-16 Castle Lane, Belfast BT1 5AF, United Kingdom. Air Business Ltd is acting as our mailing agent.

**SUBSCRIBE!**  
INPRINT • ONLINE

Subscription includes the print edition and **FREE** One Year (10 issues)  
unlimited downloads from the online archive. **UK & Europe GBP380**

Tel: +44 (0) 28 9032 8777

Email: [subscriptions@offshoreinvestment.com](mailto:subscriptions@offshoreinvestment.com) **US Mainland USD960**  
**Rest of World GBP515**



## Taxation, Investment Strategies

Jurisdictions: Curacao, Gibraltar, Nevis,  
Samoa, St Kitts, The Netherlands