

War against peace hidden in Panama Papers

Clay Nelson © 24 April 2016

Tomorrow is the 100th observance of ANZAC Day. The first was one year after 2779 New Zealanders, 8500 Australians, 44,000 from France and Britain and their empires, and 87,000 Turks died at Gallipoli. It is a day of remembrance for those sacrificed on foreign soil for “King and Country.” It is as popular as it ever was. Thousands will rise early to attend the Dawn Parade. They will hear prayers, sing *Lest we forget*, listen to Laurence Binyon’s fourth verse from his poem *For the Fallen*:

*They shall grow not old, as we that are left grow old:
Age shall not weary them, nor the years condemn.
At the going down of the sun and in the morning
We will remember them.*

I hope a few of those stirred to tears during the playing of *The Last Post* will also remember those 2600 brave souls who in the face of tremendous public scorn opposed the folly of war. Conscientious objectors paid a high price. They lost their civil rights, including being denied voting rights for 10 years and being barred from working for government or local bodies. At least 273 were imprisoned for failing to serve, some of them Unitarians.

But remembering the past is only useful if it opens our eyes to the present. Sadly we are very selective in our remembering, which blinds us to imminent dangers today. If we were to ask those who attend the Dawn Parade what our 2779 countrymen died for, they would know little more than the populace did at the time. Some might remember the war was triggered by the assassination of Archduke Ferdinand in Sarajevo, but could not say why it led to the bloodiest war in history up to that time. In their defence, the factors are many, complicated, and entangled in history. But when boiled down, it was about building empires and protecting them. Imperialism is not concerned about the common good of all. Empire building is about money and power for the elite. War is the most important piston in the imperialistic economic engine. Those who served as cannon fodder that the empire might flourish did not benefit. There was no trickle down of the great economic wealth that came to the elite. They were induced to make the sacrifice by appeals to their patriotism, historic grievances, and fear and hatred of “The Other.”

While only the shadow of those empires at the turn of the 19th century remain, economic imperialism has colonised most of the planet. There is no name for it. There is no flag to fight under. It has no borders. But it far exceeds in power and influence the British, French, Spanish, Russian, Austro-Hungarian, Turkish and Ottoman Empires combined. Most of us are mere pawns unaware as we are moved by invisible hands of nameless people who play on a chessboard in a parallel universe. Their only intent is building their fortunes and global dominance at the planet’s expense and ours. Empire is no longer about controlling territory, but governments, while letting us pretend we live in a democracy. Although we have suspected for a while that it is all a charade, we have only recently acquired the evidence that it really is. The leaking of 11 million files from Mossack Fonseca, a worldwide law firm based in Panama and only one of many such law firms, has named names and exposed the corrupting influence of the tax havens of the 1%.

As Unitarians we respect the interdependent web of all existence of which we are a part. We respect the inherent worth and dignity of every person. We seek justice, equity and compassion in human relations. We respect the right of conscience and the use of the democratic process. Our goal is a world community with peace, liberty and justice for all. What the Panama Papers have revealed is another web of existence of which we are not all a part, that is destroying the planet, reducing humanity to economic units, fostering inequality, undermining democracy and supporting declared and undeclared wars, selling arms to all sides, and assuring only their own freedom to be unencumbered by any responsibility for the common good.

The Panama Papers reportedly cover more than 40 years of Mossack Fonseca's operations on behalf of a who's-who list of the global elite, including numerous important politicians and current or former heads of state, international criminals and star athletes, along with any number of less charismatic but equally wealthy corporations and individuals.

Mossack evidently created some 214,000 anonymous offshore companies for its moneyed clientele. These are "shell firms" with sham directors and phony boards of directors designed such that their true purpose and ownership structure is indecipherable from the outside. In most of these cases, concealing the identities of the true company owners was the primary aim, and the documents suggest that Mossack routinely engages in business practices that potentially violate sanctions, in addition to aiding and abetting tax evasion and money laundering. For us in New Zealand, the most disturbing revelation was that we are a tax haven as well, no different from the Cayman Islands, the Bahamas and our island neighbour, Niue, the world's smallest nation. Niue has a \$2 million dollar annual budget, \$1.5 million of which comes from the fees it receives to be a tax haven.

A "tax haven" sounds rather benign to those of us who will never have one. No one likes to pay taxes, so we tend not to be bothered greatly by the super rich who can avoid them. But behind 2.5 terabytes of data leaked about these shell companies are the faces of real people harmed by them.

For the last three years Syria's air force has rained death on 21,000 civilians, their bodies ripped apart by exploding barrel bombs and missiles dropped on homes, businesses, bus stops and hospitals. These war crimes are well documented, but not the role of offshore tax havens. Various companies supplied fuel to the air force in spite of a ban by multiple countries including the US and Britain against doing business with these companies. To get around the ban these companies formed shell companies with the help of Mossack Fonseca. Clearly tax havens and peace are antithetical.

In Russia, businessmen kidnapped orphan girls as young as 13, raped them and then sold them to others for sex. One of the ringleaders was a client of Mossack Fonseca. When they discovered their client was a paedophile, they decided they were not legally obliged to report his offshore business activities to authorities. Clearly tax havens destroy lives.

In Uganda, a company that wanted to sell a prospective oil field hired Mossack Fonseca to help it avoid \$400 million in taxes. It was simple paperwork. The company's address was changed from one tax haven to another. In a country where one in three of its people live on less than \$1.25 a day, \$400 million dollars represents more than the government's annual health budget. Uganda spent years in court trying to force the company pay its taxes, meanwhile in the shadow of the oil fields, hospitals lacked even the most basic equipment. Patients slept on floors. They were asked to bring their own medical supplies, as basic as gloves and cotton balls. Uganda ranks among the top ten worst countries for their high maternal, new born and child mortality rates due to the lack of access to appropriate medical care. Clearly tax havens kill.

Illegal tax evasion is only a small part of the larger picture of perfectly legal tax avoidance. Companies and individuals are perfectly within their legal rights to structure economic activity so as to make as large a share of it as possible take place in low-tax jurisdictions. They are legal because the elite super rich write the laws. They are legal because they say they are legal. Hedge funds where the staff is located in New York City are often formally incorporated in the Cayman Islands. As an Apple devotee, I find it appalling that Apple registers a very large share of its global profits as accruing to its Irish subsidiary rather than its US-based parent company. In both cases, this is to take advantage of a low corporate tax rate.

If these kinds of relatively small countries were acting to undermine the integrity of the global pharmaceutical patent system, they would be stopped. But political elites in powerful countries allow them to undermine the integrity of the global corporate tax system — even when Ireland was desperately in need of bailout funds from the European Union, it was not forced to change its corporate tax system — largely because the wealthy and powerful want the global corporate tax system undermined.

Globalisation is sometimes a process of writing common global rules for economic activity like the TPPA. And it's sometimes a process of not writing common rules, and implicitly allowing ethical standards to be eroded in the name of higher profits. It is not a coincidence that the choices made tend to be systematically biased in favour of the economic elites who are making them. Which choice they make can be predicted if it allows them to avoid paying their fair share to the countries that provide the infrastructure that allows them to make a profit: ports and airports, roads, educated labour, health care, electrical grids, police, and so on. One hundred per cent of us benefit from these assets and services, but only 99% of us pay for them thanks to tax havens.

There is a story about F. Scott Fitzgerald telling his Parisian drinking buddy Ernest Hemingway, "Ernie, the rich are different from us," only to be rebuffed by the legendary comeback, "Yes, they have more money." While this exchange is probably apocryphal, both observations are true, and what sounds like a contradiction is not a contradiction after all.

What we have we learned so far from the Panama Papers, which have begun to peel the lid off a vast web of global greed, deception and iniquity among the highest level of the moneyed classes, confirms it. The very rich are different from the rest of us. Yes, it starts with the fact that they have more money, but it doesn't end there. How

did they get all that money, and what are they doing with it? Why do they have so much more money than the rest of us — unimaginably more, and on an unprecedented scale? Why do they seem so perpetually unsatisfied with their wealth, and so desperate to nurture it, shield it and multiply it?

While an international consortium of investigative journalists, including our own Nicky Hager, continues seeking answers to those questions, I have no doubt that the Empire will strike back. Those in power are not renowned for giving it up peaceably. Already many times more lives have been lost for the sake of this economic Empire than were lost or destroyed at ANZAC Cove 101 years ago, but no Dawn Parade will be held for them.

Sermons are supposed to have some kind of good news in them to inspire, motivate and transform us. That is hard to come by in the Panama Papers, beyond becoming aware of this shadowy world. But in two weeks I will try to offer some as I examine what has made it possible for this thirty-plus-year old empire to rise up and what can be done about it.