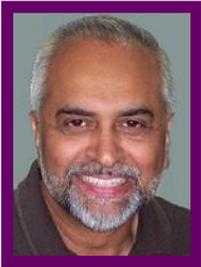


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The Panama Papers – Embarrassing & Damaging Exposure



The massive leak of highly confidential documents known as the Panama Papers exposes the secret accounts of the rich and powerful, as well as every other entity that did business through offshore companies. Most of these transactions are probably quite above board and legal. But these leaks, more usefully, exposed the duplicity of many governments, their leaders, former leaders, and high officials that held offshore accounts while publicly condemning such practices.

The exposure is stunning in the number of political leaders and former leaders (*140 politicians and officials, including 12 current and former presidents, prime ministers and royals*), and their family members and friends, across the globe, in democratic, dictatorial and communist regimes, that have kept monies in offshore accounts. That fact exposes the potential of far greater involvement of public officials, keeping in mind it is only from one such company that the data has been leaked, while there are literally thousands of big and small other 'advisory firms', holding untold numbers of names and accounts, out of which unknown numbers of politicians, relatives and close friends (*used as proxies*) could be exposed. This leak has in that regard, finally exposed government leadership to direct accountability for their decades of duplicity, insincere rhetoric, and ineffective actions against such as practices.

The leak of 11.5 million documents from the offices of one of the most important and secretive Panamanian law firms, Mossack Fonseca, specializing in setting up confidential offshore accounts for clients from all over the World (*among the top 3 or 4*), sent a shock wave through the massive global financial services industry located offshore, where, it is estimated by US economist Gabriel Zucman, over 8%, or \$7.6 Trillion of the World's wealth is sheltered, and Governments lose on an annual basis over \$200 Billion in tax revenues.

The global consulting and advisory services industry revenues are estimated to be approximately \$450 Billion a year. Not all of that revenue is from

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offshore banking alone, but in a world of increasing globalization, international travel and business, and multiple domiciles for corporations and individuals, off shore banking, 'tax planning and optimization', is a multi-Billion dollar legitimate and necessary business. And specialists in that arena are required, as entities try and negotiate the complex world of international tax treaties (*tax treaties negotiated between countries to avoid such things as double taxation etc.*).

Where the problem comes in, as in most human endeavour, greed creeps in and corrupts the legitimate actions and contaminates the entire industry. In off-shore banking and tax planning, most of the firms that specialized in that field, actively and knowingly aided and abetted clients by setting up offshore structures that avoided taxes illegally, laundered monies gotten by illegal means, and hid monies of corrupt officials from the world over. It is the 'knowingly' setting up *illegal tax avoiding schemes*, as in creating shell companies and appointing false nominees to help clients remain anonymous, that is the problem for firms such as Mossack Fonseca and others, in an otherwise very significant and legitimate international business.

The shady side of the business has always been known to all, particularly Governments, but till Panama Papers leak, it was hidden in plain sight and generally ignored by all authorities because of its pervasiveness and general acceptance, just as corruption in high places. Now it is exposed that officials in governments, and their agencies, were just as guilty as anyone else.

The other aspects of offshore tax sheltering is that the very rich and powerful have asked for and received special permission in the form of 'special exemption', from the tax authorities to move significant amounts of their wealth (*in the Billions*) offshore, to shelter it from current and future taxes. Such a request perforce uses political influence available to the super rich, and is processed by powerful legal and accounting firms that advise on and help write tax laws. With such overwhelmingly front loaded and powerful requests, permission is usually readily given. Needless to say, this privilege does not extend to ordinary citizens, of course.

In Canada, special exemptions have been granted through a special ruling by the Canadian tax authorities, a number of times, to the most powerful politically connected family fortunes. Those exemptions and rulings became publically known usually *after the fact*, of course.

Globally, in the West and in countries like India and China, for decades the governments regularly made noises to go after tax dodgers and 'black money' (*monies made from undeclared transactions*), and just as in pursuing corruption they never quite did so with any conviction. The reason for that was because a lot of them were themselves participating in and guilty of these crimes. As the 'authority' one cannot push to eliminate corruption, in offshore banking or other endeavors, if one is taking full part in it, which is unfortunately true for a lot of governments, powerful organizations and individuals, as was proven by Panama Papers. If members of governments,

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close family and friends, or other regulatory or enforcement agencies members have no clothes on, then it is a little difficult to chase and arrest other nudes.

The almost immediate fallout from the Panama Papers leak has been the resignation of the Prime Minister of Iceland, and the reluctant admission of Britain's Prime Minister that he did at one time have monies in his father's fund with Mossack Fonseca; and pressure on other heads of States that were personally named, or whose family members were named as holding accounts in Mossack Fonseca.

In authoritarian regimes, like China, where President Xi's relatives were named along with other prominent leaders/former leader's family members, the news was simply blocked. In Russia, where President Putin's closet friends were named, he simply put it down to foreign effort (*American*) to discredit him and his friends, and as anti-Russian propaganda. Other dictators in Africa and Middle East simply ignored the expose. But in democratic countries, the leaders were questioned and had to defend themselves, weakening their moral authority. In that regard, this leak has put all governments on notice that in the age of 'leaks and hacks' their hidden misdeeds are no longer safe, regardless who they are, and in what country.



(Sources: aljazeera; bbc.com; cnn.com; nbc.com, below;)



Not only did the leak turn a glaring spotlight on government leaders, friends and family and other known and famous people from across the World that were named, and on scores upon scores of the smaller and publically unknown private companies, like Mossack Fonseca, but it would have also sent shock waves into the largest and most influential consulting and accounting firms like the big 4; namely KPMG, Ernst & Young (E&Y), Deloitte, and PricewaterhouseCoopers (PWC).

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The Big 4 used to be Big 5 before Arthur Andersen (*the biggest and most respected*) imploded after aiding and abetting Enron in its massive financial fraudulent practices, including setting up hundreds of offshore companies, for the gigantic fees that Enron paid them. But Enron's spectacular collapse along with others that were equally high profile, that were Arthur Andersen's clients, brought their illegal practices to the forefront and vaporized one of the most venerable accounting and advisory firms in the World.



Along with the Big 4, thousands of other companies of great size and reputation, all over the World, have specialized departments that routinely handle, on a daily basis, massive amounts of national and international (*including offshore*) tax planning, for their clients that are individuals, corporations, charitable and other organizations, governments and quasi-government organizations/agencies, and others that are perhaps not so legitimate. *Now all their internal highly confidential files, holding all the secretive information on some of the largest and most powerful organizations, private and public (including governments) and individuals, mega rich and just rich, are vulnerable and exposable.*

What is most damaging for those that would have liked to have stayed in the shadows forever, most keen of course being those in government positions, is that the Panama Papers have shone a bright and exposing light in those dark recesses where the powerful, rich, and the corrupt and hypocritical officials have been hiding for years. Now the public is made aware beyond a doubt that their own government officials may be just as guilty as the rich crooks and companies that they had been allegedly trying to expose and persecute.

With the cover lifted and many officials exposed, it puts real pressure on all governments to bring in changes to regulations and laws that do actually make a difference. Which means they need to come clean first. That is why these leaks have made transparent the cloak of secrecy behind which the guilty hid, now that opaque offshore tax haven landscape is changed forever.

