

Exposing Global Corruption, Secrecy and Lies

By [Gavin Hayman](#)

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In early April, a major exposé of financial secrecy sent shock waves around the world. After devoting more than a year to examining 2.5 million leaked files, the International Consortium of Investigative Journalists, in partnership with several global news outlets, [revealed the names](#) behind more than 120,000 anonymous offshore companies and trusts.

Among the luminaries hiding their identities behind shell companies registered in the British Virgin Islands, the Cook Islands and other offshore zones were Georgia's billionaire prime minister, Bidzina Ivanishvili; the late Gunter Sachs, a well-known German billionaire and one of Brigitte Bardot's former husbands; Jean-Jacques Augier, the treasurer of French President Francois Hollande's election campaign; and Imee Marcos, a Filipino politician and daughter of the country's former dictator, Ferdinand Marcos. A Venezuelan general, international arms dealers and several Russian corporate executives also made the list.

Money

laundering
takes place not
only offshore
but in the U.S.
and Britain as
well.

The International Consortium of Investigative Journalists investigation, which details cash transfers, incorporation dates and links between companies and well-known individuals, demonstrates the massive scale of the offshore industry. It not only highlights the prevalence of financial secrecy worldwide, but it also shows how hidden company ownership facilitates tax evasion, money laundering, corruption and other crime.

Over many years spent investigating these issues, Global Witness has discovered that the ability to hide money offshore depends on two factors: banks that accept dirty money and companies that help the wealthy, well-connected and corrupt to conceal their identities. The International Consortium of Investigative Journalist report proves definitively that neither is difficult to find.

In [a review](#) of 200 cases of grand corruption, the World Bank found that more than 70 percent involved shell companies. Anonymously owned companies registered in the British Virgin Islands contributed to the introduction of horse meat into Europe's food chain earlier this year. And the Cypriot service provider linked to the food scandal provided nominee services for the convicted arms trafficker Viktor Bout, who profited from some of Africa's bloodiest wars, prior to his 2008 arrest in Thailand and subsequent extradition and conviction in the U.S.

Furthermore, Global Witness has exposed secret transactions in the Democratic Republic of the Congo, in which lucrative mining assets were sold off to shell companies linked to a friend of President Joseph Kabila at prices well below market value. The companies then sold the assets to major global investors for huge profits, depriving Congolese of hundreds of millions of dollars in revenue.

Similarly, during Global Witness's investigation in Sarawak, Malaysia, members of the ruling family and their lawyers described the mechanisms they use to evade taxes. For example, Singapore's secrecy laws enable them to conceal their identities when selling off vast chunks of disputed land.

Natural resources are a major potential source of wealth for developing countries. In 2010, the total value of mineral and fuel exports from Asia, Africa, and South and Central America was roughly 15 times higher than the aid that they received. But all too often, self-serving politicians deny citizens their right to benefit from their country's natural resources, using opaque or secret transactions to steal or siphon off assets.

Yet the investigation by the International Consortium of Investigative Journalists neglected a crucial point: Money laundering and financial secrecy do not take place only offshore. On the contrary, the U.S., Britain and other mainstream financial centers are at the heart of the action. Indeed, most of the shell companies implicated in the World Bank study were

registered in the U.S. And British, U.S. and European banks are routinely reprimanded — but rarely prosecuted — for handling the proceeds of crime. Just last year, it was revealed that British-based HSBC enabled Mexican drug cartels to [launder hundreds of millions of dollars](#) through the U.S. financial system.

The inclusion of financial transparency on the Group of Eight's agenda at its meeting in Britain in June is a step in the right direction. In an age of strained public budgets and widespread austerity, it is not surprising that politicians finally recognize the potential benefits of tackling financial corruption, and British Prime Minister David Cameron should be congratulated for taking a leadership role. Now he must keep the [promise that he made](#) at the World Economic Forum in Davos earlier this year to find who is hiding stolen assets in shell companies and offshore zones and to recover those assets.

The G8 and the rest of the global community must identify companies' owners and beneficiaries in existing corporate registries and make the information public. The European Commission estimates that open registries would cost less than the current, opaque system. Likewise, the British government has suggested that an open registry would save Britain and its businesses roughly £300 million (\$460 million) annually by simplifying due diligence for financial institutions and reducing domestic financial crime.

At this year's meeting, G8 leaders should develop an action plan that focuses on the causes, rather than the symptoms, of poverty. They need to protect citizens from the depredations of corruption and bad governance.

A genuine commitment to increasing financial transparency would carry huge potential benefits for the world's poorest people, while fostering more equitable economic growth worldwide.

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