

Britain: Culture secretary embroiled in Silvio Berlusconi bribery scandal

By Rick Kelly
7 March 2006

Tessa Jowell, British Prime Minister Tony Blair's secretary of state for culture, media, and sport, is embroiled in a bribery and perjury scandal involving her husband, David Mills, and Italian Prime Minister Silvio Berlusconi.

According to Italian prosecutors, who are preparing tax fraud and money laundering cases against both Mills and Berlusconi, the Italian prime minister paid Mills a £350,000 (US\$600,000) bribe for providing favourable testimony on his behalf. This money was allegedly then laundered through a complex web of arrangements involving international hedge funds and the re-mortgaging of Jowell and Mills' family home.

British media coverage of the scandal has largely focussed on the question of whether Jowell breached the ministerial code of conduct. The culture secretary and her husband (who have since announced they are separating) insist that the £350,000 did not come from Berlusconi. Mills claims that he initially considered the money a gift from another Italian business associate. Under the Blair government's ministerial code of conduct, however, ministers are required to declare any overseas gifts to them or their spouses.

A cursory investigation into this issue by the cabinet secretary, Sir Gus O'Donnell, concluded on March 2 that Jowell had not breached the code of conduct despite her failure to disclose the "gift." The cabinet secretary accepted Jowell's assurances that the only reason she did not declare the income was that her husband never told her about the money when he first received it. She claims to have first found out about the money in 2004, when her husband declared the money as taxable income. Cabinet Secretary O'Donnell did not investigate the source of the £350,000.

Prime Minister Blair exonerated his cabinet colleague following O'Donnell's inquiry. "Tessa Jowell is an excellent minister who is widely respected," he declared. "I have full confidence in her."

The bribery allegations highlight the degree to which the interests of finance capital have become entwined with Britain's political establishment, and especially with Blair's Labour Party.

In an earlier period, an aspiring Labour politician with a spouse who specialised in international tax avoidance and hedge fund investment would have had problems advancing his

or her career. However, within the Blair government—which openly represents the interests of the financial oligarchy—Jowell's wealth and her husband's business interests are regarded as noteworthy achievements.

Tessa Jowell and David Mills have been described as New Labour's "golden couple." They met when they both served as councillors in London in the late 1970s. Jowell subsequently rose through the party's ranks, becoming public health minister following Labour's election victory in 1997. She was later promoted to employment minister, and in 2001 joined the cabinet as culture secretary. One of Blair's closest allies in the cabinet, she has staunchly defended all of New Labour's right-wing, pro-business policies and endorsed the invasion of Iraq.

After first serving as a barrister, David Mills trained as a taxation lawyer in the 1980s and specialised in offshore tax minimisation schemes. He became a multimillionaire after setting up a taxation solicitors' firm, Mackenzie Mills, which advised large corporations on how to best reduce their tax bills. His clients included a number of large Italian firms, one of which was Fininvest, the primary vehicle for Silvio Berlusconi's media empire.

In the 1980s and early '90s, Mills created a series of offshore Fininvest subsidiary companies, with a network of accounts in Switzerland, Monaco, the Bahamas and other tax havens. "The purpose of the network was to avoid paying taxes in Italy and to generate huge profits that could be kept off the books," Italian prosecutors now allege.

In 1997, Berlusconi was convicted of bribing tax officials to secure favourable audits of Fininvest, and in 1998 he was convicted of paying a bribe to former prime minister Bettino Craxi through a Fininvest subsidiary. (The convictions were overturned in 2000 due to "statute of limitations" clauses.) Mills was a prosecution witness in both cases.

Mills later allegedly accepted a large payment from Berlusconi in return for favourable testimony at these trials. In 2004, Mills wrote to his own taxation lawyer seeking advice on whether he would have to pay tax on the £350,000 "gift."

He explained that "the B people knew quite how much the way in which I had been able to give my evidence (I told no lies, but I turned some very tricky corners, to put it mildly) had

kept Mr. B out of a great deal of trouble that I would have landed him in if I had said all I knew. At around the end of 1999, I was told I would receive money, which I could treat as a long-term loan or gift. \$600,000 was put in a hedge fund and I was told it would be there if I needed it... For obvious reasons of their own (I was at that stage still a prosecution witness, but my evidence had been given) it needed to be done discreetly. And this was a roundabout way.”

In July 2004, Mills was interviewed by Italian prosecutors who had acquired a copy of the incriminating letter. Mills then signed a statement, saying: “I have tried to protect [Berlusconi] as best as I could and I tried to maintain, as far as possible, a certain degree of privacy about the transactions I made for him... [I was later told] that Silvio Berlusconi had decided to assign a sum of money to me as a debt of gratitude for the way I had managed to protect him during the investigations and the trials.”

Mills has since retracted this confession. He now claims that the letter to his tax lawyer was based on a “hypothetical” scenario, and he alleges that Italian prosecutors pressured him into signing a false statement.

Mills’s revised position lacks credibility, however; there is nothing in his 2004 letter to suggest he was writing about a hypothetical situation, and he has not explained how Italian prosecutors allegedly coerced him into signing a false statement, given his own legal expertise and the fact that his personal lawyer was present during the interview.

Mills now insists that the £350,000 payment had no connection with Berlusconi and instead came from Diego Attanasio, a Neapolitan shipping magnate. Attanasio has denied this and claims that he could not have made the payment since at the time he was in prison on corruption charges.

Berlusconi has similarly denied the allegations and has accused the Milan-based prosecution team of political bias against him. The prosecution has denied this and has also rejected the Italian prime minister’s charge that the case is being brought forward to coincide with the Italian general election on April 9. Italian authorities have pointed out that Berlusconi and Mills’s cases, which relate to alleged crimes in 1997, must be brought forward rapidly since the Italian prime minister earlier reduced the statute of limitations for such offences to just ten years.

For her part, Jowell has claimed that her husband’s finances were kept separate from her own, and that she was never involved with any of his dealings with Berlusconi. She did, however, co-sign documents which re-mortgaged her and Mills’s North London home in September 2000. The money was then invested in an international hedge fund managed by Sigma Asset Management. Nine weeks later the mortgage was paid off with the £350,000 Italian payment.

According to Italian authorities, the money had first been circulated through seven different international accounts. One

investigator described the process as “the craziest, most complex network I have ever seen.”

Mills has denied that any of his financial manoeuvres were aimed at laundering the £350,000. A number of questions, however, remain unanswered. Mills’s claim that the re-mortgage was necessary to take advantage of a limited investment opportunity has been contradicted by Sigma Asset Management, which told the *Financial Times* that it had no time-limited investment offers at the time Mills mortgaged his home.

Neil McKinnon, hedge fund manager of ECU Group, told the BBC that it was unusual for wealthy investors to take out mortgages for hedge fund investment. “Normally, hedge fund investors who are looking to seek better investment returns have the wherewithal to fund those investments directly without recourse to bank loans or, indeed, mortgage loans,” he explained.

Jowell’s defence rests on her claim that she was not involved in her husband’s financial deals and that he never told her of the £350,000 gift he had received. Her statement reveals the level of disconnect between the government and the mass of the population.

While £350,000 is more money than an ordinary British worker could ever expect to see, for those in the world of finance capital the sum is merely small change. Mills had millions of pounds circulating through a myriad of offshore accounts and hedge funds, and his income was carefully managed to exploit every available tax loophole.

While Blair has backed his culture secretary, Jowell is likely to come under further pressure and may be forced to resign. The British press are scrutinising Mills’s financial interests for any conflicts of interest with Jowell’s ministerial portfolios.

Mills was not averse to using his political connections to further his investments. Italian prosecutors claim to have 50 different documents where he referred to his wife’s position. “You will also know that I am married to a member of the Cabinet of this country,” he wrote in one letter to Dubai authorities. “I have the support and sympathy of very many people in public life, from the Prime Minister down.”

To contact the WSWs and the
Socialist Equality Party visit:

<http://www.wsws.org>