

# Panama Papers: Further revelations about New Zealand's role as a tax haven

By Tom Peters and Sam Price  
19 May 2016

Reports published last week, based on the Panama Papers, cast further light on New Zealand's role as a location where wealthy individuals around the world are able to hide their fortunes.

Last month the International Consortium of Investigative Journalists released millions of leaked documents revealing that Panama-based Mossack Fonseca, the world's fourth largest trust law firm, established secret trusts for wealthy clients in more than 200 countries. The firm facilitated money laundering, tax avoidance and criminal activity, including drugs and arms dealing.

Radio NZ and TVNZ journalists and investigative journalist Nicky Hager analysed links to New Zealand in the documents. The number of foreign trusts registered in New Zealand has exploded over the past decade, from nearly 2,000 to more than 10,500, or 12,000 according to some reports.

Mossack Fonseca (MF) established its New Zealand branch in December 2013. The local director is trust lawyer Roger Thompson, co-founder of Auckland accountancy firm Bentleys. Thompson and his colleagues acted as "directors for hire," enabling MF's clients to stash hundreds of millions of dollars in anonymous companies and trusts.

MF told its clients that New Zealand's unregulated environment allowed "for the speedy formation of appropriate mechanisms for wealth protection, inheritance and tax planning." An MF memo said 95 percent of the company's work was "selling vehicles to avoid taxes."

A small group of politically-connected lawyers worked with MF to ensure no restrictions were imposed on foreign trusts. Radio NZ reported that "representatives of five New Zealand law firms met with the then Revenue Minister Todd McClay at the

end of 2014" to lobby against any move by the Inland Revenue Department to shut down the industry.

One lawyer who has had dealings with MF is Ken Whitney, who for several years handled Prime Minister John Key's personal legal matters. Key stated in April that Whitney assured him he had no links to MF. Journalists have since revealed that, until 2014, Whitney was a director of Rothschild Trust (NZ) Limited, which owned two companies registered in the British Virgin Islands that had MF as their agent.

According to Radio NZ, typical clients of the Panamanian firm's New Zealand branch "are an Ecuadorian banker, two Colombian car dealers ... a Mexican film director, and wealthy Mexican society figures."

One client is Asaf Zanzuri, the Israeli chief executive of Balam Security, a company whose dealings include a multi-million dollar sale of Dominator XP surveillance drones to the Mexican government. Balam established two trusts in New Zealand via MF last year.

The *Australian Financial Review* reported that Mexican construction tycoon Juan Armando Hinojosa Cantu, known as "The Duke of Influence" because of his close ties to Mexican President Enrique Peña Nieto, used MF to place approximately \$US100 million in three New Zealand trusts.

Other clients include Carlos Dorado, CEO of Venezuela's bank Italcambio, and Brazilian mining engineer Bruno Lima.

According to NBC News, the Panama Papers show that Canadian-born billionaire Calvin Ayre established a trust in New Zealand, and also moved money to the British Virgin Islands, the Cayman Islands and Liechtenstein. Ayre founded the gambling web site Bodog.com and is wanted by US authorities after being indicted in 2012 for money laundering and illegal

gambling charges.

The papers also reveal that MF provided a New Zealand address for GETR Iraq Limited in October 2011, owned by Basil Al Jarah. A Fairfax Media and *Huffington Post* investigation published in March this year said Al Jarah, the Iraq country manager of Monaco-based company Unaoil, “cultivated an astonishing web of influence in the upper echelons of Iraqi power—all based on the simple expedient of bribing the right man at the right time.”

The report, subtitled “How the West Bought Iraq,” explained: “Al Jarah and Unaoil were at the heart of a global bribery operation funded, sometimes wittingly, by dozens of US, British, European and Australian multinationals. These firms paid huge sums to Unaoil. In return, Unaoil used its friends in high places to win billions of dollars’ worth of government contracts.”

More revelations from the Panama Papers are likely to be released in coming days. There is already ample evidence that New Zealand is a major tax haven for the world’s elites, including some accused of illegal activities and Al Jarah, who assisted the looting of Iraq by Western imperialism.

Prime Minister Key has continued to assert that New Zealand is not a tax haven. In several media interviews he absurdly tried to dismiss the latest revelations by denouncing journalist Nicky Hager as a “left-wing conspiracy theorist.”

Key was the only world leader to be named in a “manifesto” published this month by “John Doe,” the anonymous source for the Panama Papers leak. Doe said Key “has been curiously quiet about his country’s role in enabling the financial fraud Mecca that is the Cook Islands.” The islands are a semi-colony of New Zealand, with only limited independence. Niue and Samoa, both former New Zealand colonies, are also tax havens that have been used by thousands of MF clients.

Key told the media: “I have as much responsibility for tax in the Cook Islands as I do for tax in Russia.” In reality, Wellington exercises considerable economic and political influence in all these small Pacific countries. Business columnist Fran O’Sullivan noted on TVNZ that “most of the key tax lawyers who ... set up those tax mechanisms [in the Cook Islands] are New Zealanders. New Zealanders are in the thick of this industry worldwide.”

Responding to the latest revelations, opposition

Labour Party leader Andrew Little said in a statement on May 10: “Foreign trusts in their current form cannot continue to operate in New Zealand and John Key has many more questions to answer.”

However, the transformation of the country into a tax haven is the outcome of policies implemented by successive Labour and National Party governments. The current foreign trust laws are essentially the same as those introduced by Labour in 1988. New Zealand achieved notoriety in the 1980s as the “wild west” of international financial deregulation, due to Labour’s right-wing “reforms,” including massive tax cuts for corporations and the privatisation of several state-owned companies.

From the mid-1980s to the mid-2000s, social inequality in New Zealand widened faster than in any other developed country. While the working class faces ongoing job cuts and austerity, and there is “no money” for decent healthcare, education and housing for the growing number of homeless families, the country has become a hive of parasitism, speculative activity and tax avoidance by the rich.

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