

The Taxcast, July 2021

Naomi: Hello and welcome to the Taxcast, the Tax Justice Network podcast. We're all about fixing our economies so they work for all of us. I'm your host Naomi Fowler. You can find us on most podcast apps. Make sure you never miss an episode, by emailing me on naomi@taxjustice.net and I'll put you on the subscriber's list. Tell me what you think of the show, I love hearing from you.

Ok, so this month on the Taxcast I'm speaking with Paul Caruana Galizia, one of the sons of Malta's incredible investigative journalist and anti-corruption champion Daphne Caruana Galizia. On 16 October 2017 the terrible news reached us at the Tax Justice Network, and the world, of her assassination. Malta is a small island nation that's long been displaying all the signs of the finance curse - state capture and corruption of democracy through an aggressive, over-sized finance sector model, with financial secrecy at its heart.

The Caruana Galizia family has continued Daphne's relentless fight for justice, accountability and transparency and they've done some amazing work through the Daphne Caruana Galizia Foundation. Last month we were honoured to present the Caruana Galizia family with our Anderson Lucas Norman award for Tax Justice Heroism. The award is named after three Jersey islanders who were among the first to challenge the financial sector's state capture of the tax haven of Jersey. We call them the 'firestarters' of the global tax justice movement. To find out more about *their* amazing story, I'll put a video in the show notes, and they're featured also in a Taxcast special on Jersey, in edition #88. I'll put all that and more in the show notes.

It's a mark of how dysfunctional Malta still is that *even the criminal* investigation into Daphne's assassination was totally compromised. Some in the Maltese government were implicated for years in offshore shenanigans and shady deals. That government was finally brought down, Malta's richest man was charged with complicity in Daphne's murder and the European Union's made rare interventions in what's often been dubbed 'the EU's pirate state'. As Paul Caruana Galizia tells me here on the Taxcast, the fight for justice in Malta is far from over:"

Naomi: "I wanted to start with the culture change that happens that we have seen in many of these small island nations, which can be quite strange places. Um, and I mean I spent quite a lot of time in Jersey talking with people there and how finance captured their island. Um, and one of the people living there and actually one of the kind of firestarters of the tax justice movement, told me that the atmosphere in terms of speaking out in Jersey became as bad as she experienced when she lived in Chile in the 1970s, which we all know was a terrible time. And you know, anyone doubting the fear about speaking out and this sort of the dysfunction in, in the culture should look into the attempts to cover up the child abuse scandal, just to see how rotten the culture has got there. And they call it, maybe you have an equivalent in Malta but in Jersey they call it 'the Jersey way'. You know, you don't criticise and it's, it's hard for outsiders to understand sometimes, and I wanted to start by asking you really, what were the early signs as finance took hold in Malta, that Malta was becoming seriously compromised in terms of democracy and accountability?"

Paul: "I think the first thing to say about Malta is it's, it's very small. I mean, its population when I was growing up, was around 3, 400,000 people. It's now doubled, but small country, small population. So on any topic, there was this culture of not sticking your neck out, not sort of criticising the country to people outside the country, not talking ill of your neighbours because you never know who you might end up working with, or for. But then what happened with the financial sector is when it started taking up an increasingly larger share of the economy in the early nineties, I'd say it

really started, this, the sense, this idea developed in Malta, across party ideology [laughs], there aren't, believe me when I say there aren't many areas where the two major parties in Malta come to an agreement, but they agreed on this one thing - that whatever we do, which is do not threaten the stability of the financial sector, because the economy is so dependent on it, so many Maltese people work on it, it's such a high-value add sector. And so it kind of almost, it almost became beyond criticism, you know, whatever you do, you just don't, you don't threaten finance. And that only became more of a thing as the financial sector took up an increasingly larger share of the economy. Before that it was mainly tourism.

I think the moment though that it started affecting the country's democracy is harder to pinpoint because so much of that was obscured by, by the rapid economic growth. And I think this is a pattern you see in many similar places that, you know, the economy is booming, you don't notice political issues. In many ways actually the politics of Malta seemed on the surface to be improving. It was becoming more liberal, more European. So it looked good at a superficial level but there were these deeper problems that were obscured by those superficial changes and again, the kind of more and faster the sector grew, people developed an even stronger sense that it's something you should not criticise. And very early on people who would criticise it were seen as traitors, raining on the parade, uh, that kind of thing.

But I'd say for my mother that started writing, I mean, late eighties, but really she started her column in the early nineties, the really big problems became apparent, say 2013, around that point when there was a step change, when there was a change in government, and there was this radical liberalisation and deregulation of the financial sector so, so I'd say that's when it became impossible or very difficult to ignore.”

Naomi: “Yeah, and I know that the realities for ordinary people of finance kind of taking over in that way are really quite profound, and I mean I know from Jersey that the cost of living really shot up, all these glass fronted buildings started being constructed. Um, and, uh, you know, I, I spend a lot of time as you know, in Sicily and, uh, which has its own problems and dysfunctions, as does Britain! But er a lot of Sicilians look on Malta as kind of rich neighbour. Uh, lots of my friends, you know, they tried to find work in the gambling industry there, work as builders, and a good friend of ours moved there with his family in desperation. He didn't want to leave, but he was struggling so much to find work in Sicily, and eventually he moved back from Malta. He told us how much you have to pay for a kilo of tomatoes, for example, you know, and he actually found it a less bad option to return to live in Sicily, even though he struggles every day to find enough work, because it's just such an expensive place to live.”

Paul: “It's, it's really interesting to hear that from the Sicilian side, because we see it, you know, Maltese wages have risen above Sicilian ones and so you see a lot of immigration and there are loads of Sicilian restaurants, cafes all the rest of it, but your description is exactly right. Over the past 10 years house prices, for example, relative to incomes have really rocketed, the prices of groceries, food at restaurants have all rocketed. When I go there now, I find it expensive. So, you know, I moved to London in 2009 and at that point Malta was so much cheaper, you know, most people could afford a place to live, food was really cheap at restaurants. And over that over the period since then, prices have really converged. I'd say a lot of Maltese restaurants are now charging prices at the kind of London level in the parts of the country that are very popular among people who work in i-gaming, we call it so these online gaming companies, which in themselves, now I think account for something, something between 10 and 15% of our GDP. I mean, I think of it as part of the finance

sector, really, I mean, it bears many of the same characteristics, at least as the sector works in Malta. So places where people work in i-gaming live are extremely expensive. So St. Julian Silema's where I first lived historically was always a little bit more expensive, but now it's just unaffordable, um, to people of my generation, so people in their early thirties, late twenties. So, so in short, yes, there has been a really dramatic change in the country's wage structure. There's a lot of inequality now, because of course over this period, it's not like the wages of doctors have increased, or teachers, or police officers really, but there's now this class of people who can pay what I think are ridiculous sums of money for flats or small houses or whatever."

Naomi: "Yeah. it's really turbocharged inequality. I mean, we've seen that in Bermuda, Jersey, many, many places, and we've often talked about in the Tax Justice Network, a plan B for small island nations to be able to get off this kind of path dependency on finance. Um, there are different solutions for different locations that have their own difficulties, but, you know, we've seen things like farming and, um, tourism sectors suffering, uh, as finance kind of, sort of eats everything. Um, how would you see Malta diversifying economically to try to move away from this huge finance sector model?"

Paul: "I think the interesting thing is, around the time I left Malta, tourism, I think accounted for about a quarter of our GDP, so a huge sector, and there were all these very valid arguments against tourism becoming an even bigger part of our economy, based on its resource-intensive nature. You know, you need a lot of water, the country just can't sustain a million people every summer, it's ridiculous, we can't keep building these enormous hotels. But the kind of, even more valid arguments that perhaps the solution is shifting towards a more sustainable tourism, so not, not mass tourism, but, you know, what in Sicily they now call agri-turismo, things like that, it never, it never really took hold and I think it, I think it can and should. And, and we have a history and tradition of it.

I think finance can also be rebalanced um, in other ways. So, so Malta is, um, you know, it's part of the European Union, it uses English as an official and an increasingly important language, so historically we've been quite an important centre for education at different levels, I think there are attempts to kind of develop some technology, I mean, it's a really difficult question because a policymaker has to tell the country, look, I know the financial sector has been a huge success, but, but actually I think you know, and there's no politician in Malta who's going to do that. It's going to take a lot, I think, for the electorate to start recognising the huge problems. Interestingly, that may be happening in a really circuitous way. So Malta's seen a real lot of development over the past 10 years, so the coast around those places I mentioned St. Julians and Silema is all high rise, apartment blocks. Your Sicilian friend might have told you this, but the country feels like it's permanently under construction. It is unbearable, you know, roads blocked, cranes everywhere, the air is thick with dust, everything's covered in concrete, noise all the time. It's a really deeply unpleasant place to live. And that's happening because of a mixture of things, bad planning, a lot of corruption in the planning process, but because the country just went down this very aggressive, hyper-financialisation, hyper-development route, with an aim to one day become like Dubai, you know, like a hyper-financialised, hyper-globalised city state. And it's the kind of consequences of that overdevelopment that'll push people away from that model, I sense. And I find that really interesting because there hasn't been in Malta, a very strong environmental movement, the green party never once won a seat in parliament, for example. But now there is this growing awareness that this, this really matters. We can't keep living like this. It matters to our health, our living standards have really deteriorated. And I think that's forcing a debate on these, on these deeper issues."

Naomi: "That's, that's good. And it's not an easy answer, certainly, I used to live in Costa Rica, which pursued a very, an eco-tourism kind of model, which, you know, can very fairly be criticised, for many things. But I always find it fascinating to compare Costa Rica as a tourism model with Sicily actually, because they have around the same population size and yet they've not developed those types of, you know, it would certainly need more visionary thinking. And I think that tends to come from younger generations. But I wanted to ask you about your mother's work given the atmosphere, we know how difficult it is in some of these small islands, in Malta, how incredibly toxic the environment was that she was working in. I mean, what drove her to be so brave in that environment?"

Paul: "I, I think, to kind of rewind a bit the period in which she started writing, there were no women writing newspaper columns, or even reporting really straightforward news stories. Malta had emerged from this period of quite heavy state repression of the press, of a lot of parts of society and the economy. And so newspapers continued this tradition of carrying columns and news reports without by-lines so she was actually the first newspaper columnist to use their own name, and she was the first woman to write one. What drove her, I think because she was so young right, she was in her early twenties. I think in part, it was frankly, I think naivety, she really thought this is it, Malta's changing, let's do away with all this rubbish, it's ridiculous that people have to write anonymously. I just don't accept it. It was that kind of boldness, you know, when you're young, you might have. And, and once she set it, you know, it opened up the culture of newspapers, I think quite a lot, of reporting a lot. She grew up in that period where it was very difficult to travel, the country was very poor, there was a high rate of illiteracy, the church was very powerful, and she found it very oppressive, very, very oppressive. But her parents used to subscribe to foreign magazines and she kind of grew up reading them and she always wondered why the countries she read about in these magazines were so different to Malta, why the writing was so different, because she had in a way no access to it, and she decided, you know, when I'm working, I want to change things, I want to live in a completely different country. And I don't, I don't want my children - so she had my three brothers, my two brothers and me when she was very young. And so by the time she was twenty five [inaudible] And she said, I don't want them to grow up in the same way that I did. And the momentum just kept building, you know. Once she did away with anonymity, once she came over the, you know, the prejudice against women writing it just kept building and building and building, and she just became more and more of a force. And a lot of it is it's just down to her personality, you know, she was a very, very determined person, had total conviction in what she thought was right and wasn't easily swayed at all.

I think a lot comes down, you need to be very strong. because there was this culture in Malta of not speaking badly, at least publicly about anyone. To do the job that she did you, you really have to be your own person. You really couldn't be the kind of person who worries what people might think of you, who worries about bumping into someone you've criticised, because that used to happen all the time, right? I remember growing up, we'd go to a restaurant and there'd be the subject of one of the columns sitting at the table next to us [laughs] or relatives of the drug trafficker she was reporting on in our class. It was just how things were in Malta. And you really have to, you really have to say, no, I'm not going to adapt, I'm not going to fall into that mould. I'm going to break it and keep breaking."

Naomi: "It's so interesting that she was the first woman, as you say, and she was such a trailblazer in that way. And I've often thought a lot of what she was fighting is a kind of a male-driven, sociopathic culture that seems to pervade some of these big finance sector, you know, even the City in London, I don't want to overstate it, but it does seem like a very masculine kind of culture."

Paul: "There is a real culture of misogyny in Malta. I mean, violent, ugly misogyny, that was terrible when she first started out, which is when people started calling her a witch, you know, this ancient super-misogynistic insult, and would actually say things like burn her, burn the witch and that carried on, it carried it on literally to the day she died and after, you know, it was really like a long witchhunt, her life. And I think that that kind of seeped into public life in Malta the way government officials, MPs spoke about her was really vile, really misogynistic. And in the media as well. And of course, in finance and various other economic sectors and whatever government officials, especially later, criticised her for, they always brought in, always brought in the misogyny. There was always, it was always there, always."

Naomi: "Yeah. And in terms of the Daphne Foundation that your family set up, obviously it is still not safe for whistleblowers and journalists and people, women who want to speak out today. Why did you set that up, the Daphne Foundation, I mean, what do you hope to be bringing about, I mean, obviously there's a terrible story about the complicity and in terms of even the criminal investigation was completely compromised, again, this dysfunctional nature of things in Malta."

Paul: "So we set it up quietly in the summer of 2018, really as a vehicle to carry on the campaigning that my family had been doing from the murder onwards. And also to promote my mother's work and to secure her legacy, which is still, you know, it's always under attack, her credibility, the credibility of her work. And also just to more broadly shift the culture away from secrecy and silence, away from the idea that corruption has always been part of Maltese public life and will always be part of it, just to shift things concretely and also to support and promote investigative journalism, the kind my mother was doing. I mean really the focus more recently has been on fighting the legal cases, so, you know, there are criminal proceedings against a number of men in Malta."

There was a public inquiry that's recently concluded, but hasn't yet reported, and there are a number of constitutional cases, and so most of our resources, as the foundation have been dedicated to this legal work. In the longer term, we'll broaden out to supporting, doing more supportive work for journalism organisations. So it's run by Matthew, my oldest brother, who was a journalist himself, he worked on the Panama Papers. And one of the projects he did, for example, through a grant was set up an investigative journalism centre, which allowed Malta's main dailies to collaborate for the first time on a project they called the passport papers, which was based on a leak from the private firm Henley & Partners, that had the sole concession to sell Maltese passports. So in the long-term, the plan is to do a lot more work like that, but right now we're in the thick of all the, all the legal cases."

Naomi: "Right, right. I know certainly in the UK, they're planning to remove the public interest defence for whistleblowing, uh, which could put reporters in jail. I know the EU whistleblower legislation is not perfect, but it's a lot stronger, but I do know Malta has had this huge decline in the reporters without borders press freedom index, and there's still such a lot of work to do. And in terms of the European Union, um, how do you, you know, you mentioned the passports for sale, um, you know, there's mafia and oligarch money, huge frauds, corrupt government, uh, you know, did eventually get brought down, but, um, you know, in terms of the European Union, dealing with, you know, a criminogenic EU member state, um, how do you feel that that –"

Paul: "The strange thing is this, that I think if we were from a less, less surprising country, say a post-Soviet state, and we went to the EU and said, oh, this has happened, we would have been less

effective. And I think the thing about Malta is for so long, it flew under the radar, and when we first started campaigning across Europe, and we really started really a few days after the murder, why? Because we realised looking around us, almost every national institution was compromised in the sense that we knew there were individuals within those institutions, say the anti-money laundering agency, the police force, the AG who were honest, capable, and very determined, but they were overpowered because the way Malta is set up constitutionally is almost everything, including large chunks of the judiciary is answerable and controlled by the prime minister's office. So we said, we have to look outside for justice and thank God we were EU members, right? And council of Europe members, because where else would we have gone? We would have been totally stranded. And when we got there, we realised people had no idea. People had no idea what had been going on in Malta for the past, say five, whatever years, and so it shocked them. And in a way it shocked them into action. And that's good and bad, it's bad because it means they weren't really monitoring the country and they let it run so long that it got to the point of car bombings. Um, good in that it meant their response within the constraints that exist was quite strong. So the European Parliament sent a number of delegations, really put pressure on the commission to act. The commission did act in a number of important respects and, you know, came down on the Maltese government privately and publicly. And we knew that the campaign was all about that basically, using external levers on Malta. Another good thing about Malta, unlike say Turkey or Russia is because it's so small, international relations are really important. Malta can't just say whatever, we don't care what the Europe thinks because we really need European Union membership. So these things, these levers are quite powerful. An Important point came when we learnt of this mechanism at the council of Europe that allows the council to assign a special rapporteur to individual cases, so we lobbied, you know, in the same way bizarrely, that a tobacco company might lobby for something. We were running around assembly members, asking them to support this motion for a rapporteur, you know, long, long story short, the parliamentary assembly assigned one. He investigated my mother's case for a long time, wrote a very damning report, called for a public inquiry under the threat of sanctions. And so we got one and, you know, over two years, it was all about that - what levers can we use, not just in Europe, really everywhere from the US to everywhere, to just open up a space in Malta for those individuals I mentioned earlier to be able to work without political interference? And, you know, we finally, we finally managed, at least we managed to get to a point where people were arrested and charged."

Naomi: "Yes, thank goodness, thank goodness for that. On the one hand, there is Malta and other jurisdictions, um, with kind of similar problems on the other hand, uh, Malta is only possible because of the global financial secrecy architecture that small island nations like Malta do feed into and they're all connected with. One Italian professor I interviewed years ago told me, we were talking about Berlusconi and his tax dodging and he said to me, look, he's not our Berlusconi, he's your Berlusconi, you know, because he wouldn't have been able to do what he did, the mafia wouldn't be able to do what they do, uh, without the city of London and these financial systems that are globally open for corrupt money and, uh, you know, Malta is just a part of a much bigger puzzle. How do you see that I mean in terms of what needs to happen?"

Paul: "I think, so the analysis really fits Malta, right? And the, the amazing thing about my mother's career is that she went from reporting on domestic corruption, which at the time was say, a corrupt judge, a corrupt MP, corrupt prime minister, to almost imperceptibly reporting on globalised corruption, you know, from reporting on bribery at a level of say 20,000 euros to reporting on bribery of tens of millions of euros, which, you know, my mother at the end of the day was a freelancer for a Maltese daily. And that is an extraordinary shift and level of pressure to deal with. And, like you say, it was made possible, ultimately because of secret companies, right, because of

anonymous shell companies, are really the key. The Panama Papers leak, that kind of cracked this wall of secrecy that she kept hitting at, hitting at, hitting at until the crack opened up letting in more light, say, that she could suddenly see what was happening behind the wall. And the moment, it's amazing, that the moment she got, she got there, right, she got to the final company and she said, 'this is it. I just need to find the name', she was murdered. And, you know, the person who murdered her made the calculation that there was only one person who could have got the name of the company, and now she's dead, I had her murdered, so I'm safe. But through another series of accidents, he was, he was found out. But that, you know, that's, the murder was to protect a secret, the shell company. so to protect the secrets of massive corruption. What needs to be done about it? My view is really straightforward, that the privacy argument for anonymous shell companies, if they're even valid, are far outweighed by the public interest argument against them. And I just don't think they should exist anywhere in any form. But before we get there, I think that, I think there are serious reforms that need to be made of the, the sectors that we call enablers, the accountants, the lawyers, the fixers, I think, I think it's, it's crazy that they can open up shell companies for politicians, and oligarchs in this way, and we're somehow meant to say, 'hey, that's their job.' I, I just think that's unacceptable. I think on the official response to it, there are real deficiencies in how national authorities, like financial intelligence units and other anti money laundering agencies share information and collaborate on investigations. And, you know, we're talking about really globalised transnational crime here. You know, we need a system of enforcement that is as globalised as the crime it's trying to fight."

Naomi: "Yep, absolutely. Absolutely."

Paul: "The one thing I will say Naomi is, at least in Malta's case the story is far from over. A lot of the changes that need to happen in the country have yet to happen. My mother's case is still ongoing, journalists still operate in a highly threatening environment. But the country, if we grow out of this, rather than end up suffering even more from it, will, we hope provide an example to a lot of other jurisdictions around the world that find themselves stuck in this trap where they think corruption will always be with them, that they will never grow out of this financial sector dominance. I hope that will emerge from this as a positive example against those issues."

Naomi: "I hope so too, yes."

Paul: "Thank you."

Naomi: "You've been listening to Paul Caruana Galizia on the Taxcast. To find out more about the work of the Daphne Caruana Galizia Foundation, go to www.daphne.foundation Thanks for listening, bye for now."