

The Taxcast, March 2022 Transcript

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. Our website is www.thetaxcast.com If you’re on twitter, we’re on @thetaxcast. If you want to make sure you never miss a Taxcast, just email me on naomi@taxjustice.net and I’ll put you on the subscriber’s list.

So - with Russia’s brutal invasion of Ukraine, even the most hardcore 'let the planet burn' people can no longer deny that fossil fuel dependency is a national and an international security issue. We know the resource curse goes hand in hand with corruption. And this is a time like no other for the world to finally see that the key to it all is financial secrecy – *that’s* a national and an international security issue.

Many nations around the world are in denial about *why* sanctions they’re now imposing on super-wealthy Russians who got rich from their close connections to the Kremlin – aren’t really going to work. The inconvenient truth is that the global financial secrecy we’ve been banging on about for all these years is designed to serve the very wealthy, at great cost to almost everyone else – us! And without major transparency changes and investment in law enforcement, sanctions are easily circumvented. Because the interests of the very rich and powerful have shaped our economies and our policies across the world.

And as all the Tax Justice Network’s Financial Secrecy Indexes consistently show, Britain is the world’s worst offender when you combine it with its satellite havens. This month on the Taxcast I’m speaking with journalist and anti-corruption campaigner Oliver Bullough about his excellent new book ‘Butler to the World: how Britain became the servant of tycoons, tax dodgers, kleptocrats and criminals.’ It could hardly be more relevant to these times. I spoke with him just before its release:”

Naomi: “Your book is connecting all the dots on what’s happening now with Russia and Ukraine, you know, we’ve got the resource curse and the finance curse hand in hand with Butler Britain, all roads leading to financial secrecy and all the things we’ve all been campaigning about for all these years. Our country has just bowed down to it all, so I, I mean, even if people don’t care how much the British Butlerying hurts people in other countries, they’ve gotta start understanding now, right, how it rots everything and hurts all of us, I mean, when it comes to Butler Britain, the concept of Britain being a Butler to the world, I thought it was such a, a good way to understand and kind of look at ourselves in the mirror and realise that there’s a subservience going on. We are kind of world beating, which we love to talk about, but actually we’re world beating at being completely servile to corrupt money. If you were to summarise the situation that’s happening right now with Ukraine and Russia, how would you summarise the lessons that we could learn when it comes to the finance curse and our complicity in what’s been building up for all these years?”

Oliver: “At the moment, quite naturally, there are a lot of comparisons between what Putin is doing in invading Ukraine and Hitler invading Poland in 1939, and I think a lot of people looking at that think, well there’s nothing we can do because we are not going to go to war

with someone with nuclear weapons. But the Kremlin is very different to a traditional dictatorship because of the way that the vast majority of the wealth owned by the Kremlin elite is outside Russia. They have offshored their wealth to a vast degree, and that is our fault. You know, I mean, Gabriel Zucman has estimated that up to 60% of the Russian elites wealth is outside Russia, and that is because they don't trust each other anymore than they trust us. Right? You know, that system of offshore finance and offshore structures, we in Britain invented that's the invention of the City of London. So we are responsible for sorting that out. We broke it, we need to fix it. And we're not just responsible for creating the whole system, but we are also specifically responsible for having welcomed Russian oligarch's wealth to our country. We have allowed them to fight their court cases in our courts. We've allowed them to use our lawyers to muzzle journalists. We've allowed them to buy our football clubs and to live in our Capital, to educate their children here and so on. Um, you know, we have a responsibility to the Ukrainians to sort this out. And, you know, I think there are obviously lots of things we need to do for the Ukrainians on a day to day basis. But I think the real important service we can do for the Ukrainians and for everyone is to recognise that the money that is coming here and the people for whom we are acting as butlers, that is dirty money. And those are dirty people. And we shouldn't welcome them here just because they're rich, and we shouldn't only tackle their wealth because they've invaded Ukraine. We should be doing it anyway. You don't investigate organised crime only when a gang war breaks out, you investigate it all the time because it's criminal activity. And I think that is what we've got desperately wrong. And I hope if something beneficial comes from this appalling tragedy, it could be that Britain starts to recognise the costs of the butler business and starts getting out of it."

Naomi: "Oh, I really hope so. And you write about what comes up time and time again is the justifications of the unjustifiable is, 'oh, everybody else is doing it so if we don't do it, someone else will do it. And we'll stop when everyone else agrees to stop.' And democracies really must unify and develop a response to the challenge of dirty money and transnational kleptocracy because if we don't wage war on financial secrecy, it's gonna eat us all!"

Oliver: "Yeah, I agree. You cannot simultaneously have a total unquestioning acceptance of the wealthy from wherever they are, *and* democracy. You can't treat everyone the same before the law *and* give rich people anything they want. Because rich people want to have immunity from the law. When you get down to it, you have to choose one or the other, do you want democracy, or do you want to be a Butler? You know, I mean, I, throughout the book and I try to keep the book light, cos this is a, you know, it's a depressing subject, obviously it is and so I try and keep the book light and funny and I found, you know, when I was thinking about butlers, obviously I was thinking about the Jeeves and Wooster stories. And actually I found the Jeeves stories a surprisingly good source of parallels for what Britain gets up to. You know, if you strip away the PG Woodhouse jokes from the Jeeves stories, they're pretty *dark*. You know, Jeeves is an astonishingly intelligent, resourceful man who could do or make a success of almost anything. And yet he chooses to deploy his talents to help half wits to get out of scrapes of their own making. And some of the ways he chooses to do that are right out of Ukraine or Russia, I mean, you know, bribing police

officers, assaulting police officers, running an illegal bookmaking operation. And there's a sort of very odd lack of solidarity in Jeeves's world and PG Woodhouse recognised this, I mean, he's very funny and he has this very entertaining story when a group of revolutionaries come to lunch in Bertie's flat and one of the revolutionaries accuses Jeeves of being an outdated lackey of the ruling class and Jeeve's response is 'very good, sir.' And you just know that's essentially what the response of Boris Johnson's government is to being accused of being a lackey of the Russian ruling class. 'Very good, very good. What can we do, you know, for you now?' It's, it's just very disappointing that more politicians have haven't realised the damage that we as a country are causing by this unquestioning acceptance of really dirty wealth."

Naomi: "It's difficult to challenge British people's ideas about what Britain actually is..and even to challenge what other people around the world *think* Britain is because..you know, cricket and fair play, the rule of law. It's very difficult to challenge that and for people to accept it, it endures, this myth that we've told about ourselves all this time."

Oliver: "I agree. I think it's really fascinating. I begin the book with the Suez crisis. It's an incredibly consequential moment, the Suez crisis, it's the moment when the British empire, you know, loses really, the doom of the British empire at that point is written. This is the moment when the offshore dollar market was born, and London's future as an offshore centre is essentially set in train. We didn't really want *Egypt*. We just wanted the canal, but we had to, you know, *had to* in inverted commas, rule Egypt 'cause we wanted the canal and Egyptian nationalists drove out the British, defeated the British empire, and this new sort of Egyptian nationalism is born. And you know, we left as bullies and we came back as butlers and that's the transformation of Britain, right? You know, the biggest bully on the block is the empire, the biggest empire in the world goes bankrupt, but they've still got all the skills. They still know how to be a bully, they just can't afford it anymore. So if someone else wants to be a bully, we can just sidle into the room, cough discreetly and say, 'I've, you know, got some ideas for you, sir, here's what you can do. And you wanna hide your wealth, you wanna protect your reputation, here's what you can do.' Um, and, and so that's the story of the butlering issue really."

Naomi: "Yes. And one of the best insights into the rot really is your chapter on Scottish Limited Partnerships – I mean, it sounds like a dry subject but it really shows what a huge open door there is in Britain to corrupt money. It's one of many shocking stories in your book. We spoke years ago on the Taxcast about limited partnerships, the Scottish Wild West and what have we done about it? Nothing. In fact we've made it even worse! It's one of the most depressing stories in the book."

Oliver: "Yeah, I think – and there are many stories that shocked me in that book when I researched them but I think the one that shocked me the most was the story of the Scottish limited partnerships. The damage done by SLPs to Moldova in 2014, you know, what, a seventh of the entire country's economy vanished in the click of a finger, hidden behind the cover of Scottish limited partnerships, is devastating and you know, it was an unanswerable case that this needed reform, if only the Scottish limited partnership, rather than the whole sink that is Company's House. But instead of reforming the Scottish limited partnership, the

Treasury said 'we need to be more concerned about the competitiveness of the city of London.' And instead of that, they produced a new kind of limited partnership, the private fund limited partnership, which is even less regulated than this already disastrous corporate structure that had moved a billion dollars out of Moldova, and hundreds of billions through the banks in the Baltic states, you know, the favoured money laundering vehicle for an entire generation of ex-Soviet crooks. And how much was it going to save, you know, the City of London - you know what? On a really generous estimate, a six figure sum, you know, across the whole of the city over many years, you know, each investment fund, maybe 10 grand, maybe. For a big investment fund, we're talking about a rounding error, but for the Treasury, they were so desperately worried about, you know, the bad publicity around limited partnerships driving investment funds to Luxembourg or Delaware or wherever that, that they had to accommodate this desire. And this concern about competitiveness in the City of London, it has allowed us to overlook the devastating damage that these hidden financial flows hidden by British law, like with SLPs or British companies, the devastating damage this has done to places like Moldova, Russia, Ukraine, we're talking about at the moment or more broadly, you know, Angola, Nigeria, Tanzania, you, you name it. And, and it's really seems to have come to a head in public debate because of the Ukraine crisis. And I really hope that this causes the government to, to look around and wonder about what it's doing, but I haven't seen any sign yet that politicians or the government in particular has really appreciated what the big challenges are."

Naomi: "No, and I mean, the prime minister has just said, 'no country is doing more than the UK to tackle this issue.' I can really relate to what you write in the book when you say, um, in earlier times, you know, you did all this work on exposing fraudsters and you kind of thought that, well, you know, once we expose these loopholes, they'll be closed because it's obvious that it's, it's outrageous. And the Scottish limited partnerships is a really good example, it would've been easy to fix that. And I mean, I saw that Daria Kaleniuk of the Anti Corruption Action Centre in Ukraine was trying to hold the British Prime Minister to account saying, you know, all that money, all our money went to London. And I dug out an interview I did with her back in 2014 after the fall of Yanukovich and she said, 'Europe must change. They've got to stop taking our money.' And it just encapsulates what Butler Britain really is all about. I mean, the lax law enforcement, the lack of any action, uh, it is just absolutely part and parcel of the shame that we feel, all these years trying to do something. And it's just really frustrating."

Oliver: "Yeah, I mean, Daria Kaleniuk is, as you know, one of the bravest and most imaginative and resourceful people in the world really, who's done an astonishing amount to drive through a reform agenda in Ukraine, it often feels like it's her and like three mates against the entire oligarch class and yet, you know, okay, they haven't won, but they've done a lot. They've achieved a lot, but you know, in 2014, the last time we really said we were gonna help Ukraine, you know, this was our moment to help Ukraine. They had a Ukraine forum in London to say, how can we help Ukraine? And Daria was *there* and was name checked by Theresa May, who was then Home Secretary to say, you know, 'she's here representing civil society, we promise Daria we are gonna really help you this time, you know, this time's gonna be different.' Nothing happened. You know, Unexplained Wealth

Orders were passed and yet the National Crime Agency wasn't given the resources it needed to make use of them. You know, it's like every time there's a crisis, the government passes a new law and that's it. It's like producing a new weapon and putting it down and then not paying any soldiers to use it. It's just infuriating. You can't battle oligarch's wealth on the cheap. You need to battle it as fiercely as they're going to defend it because you know, it's existential for them. I don't see any sign that, that the government has appreciated what needs doing, and it's incredibly frustrating.”

Naomi: “It is frustrating. And you just kind of feel like grabbing people around the throat and kind of saying 'you fools!', you know, and..you write about Dimitri Firtash, one of the super rich people that's, uh, it's just the most incredible story that you describe about how quickly somebody like that can rise..you know, be shaking the hands of royalty and getting invited to Parliament and all the rest of it. The doors are just completely open and buy passports, buy politics, uh, buy the law...”

Oliver: “ - Buy a tube station, in his case, he bought an actual tube station. I mean, that's, that was amazing, right? I mean, you know, Dimitri Firtash, for listeners who don't know him, was Gazprom's, the Russian gas company's, Putin's favourite companies- he was their partner in Ukraine. He was the man who sold Russian gas in Ukraine, who was in charge of the transit trade, which was, you know, the big earner for Ukrainian politicians. And if you controlled the gas transit trade in Ukraine, that was it - you controlled Ukraine to a large extent. And he was Putin's man in Ukraine. And he made this absolute fortune. They took on the post revolutionary government after 2004 and destroyed it. They destroyed the orange revolution coalition and Firtash made an absolute fortune with his share and he brought it to London and he bought himself a mansion. And he bought himself a place on the Guild of Benefactors of Cambridge University. He got to meet as a result, Prince Philip. He opened trading on the London stock exchange. He met John Bercow, the speaker of the House of Parliament and the Ministry of Defence sold him a tube station. And it's just, and, and that was in what, eight years. You know, in 2006, when Global Witness tried to write about him, they couldn't even find a photograph. All this time, while the British establishment was welcoming him, selling him anything he wanted, the Americans were calmly and patiently looking into the origins of his fortune, investigating him, and just days after the sale was finalised of the old Brompton Road tube station, they indicted him on an FBI arrest warrant and ever since he's been battling extradition to the US. And I'm not saying America is perfect, obviously America has plenty of problems with illicit wealth, but just the difference in the law enforcement response to, you know, oligarchs is just shown so clearly in the fact that as far as I know, no one in this country checked the origin of his wealth. After he was arrested in Vienna on the FBI arrest warrant, British politicians said, oh no, we didn't know, there were no concerns over his, the origin of his fortune. It's just simply not true that there were no suspicions raised by the Americans about the origin of his fortune. It's just that we much prefer taking the cash to doing the work and that's Butler Britain right there, really.”

Naomi: “Yes, and the hypocrisy is so breathtaking. On the one hand in the EU we're seeing this outpouring of help for Ukrainians running from the war – at least 10 million are now displaced. Contrast that with the mean-ness of Britain – yes, we'll take Ukrainian and

Russian corrupt money and enable the crooks that have fed in to this mess, but we're going to make it really hard for you Ukrainians to shelter from the storm. *But if you're rich*, well, then there's *total* freedom of movement with golden visa schemes, passports for sale, it's an open door policy, no questions asked. Russians have donated millions to the governing Conservative party, they're the second biggest donors after the City of London. And *now* they're shouting about how they're taking tough action...

Oliver: "Yeah, I mean I think one of the more dispiriting headline catching gimmicks that the government has come out with in, in response to the current Ukraine crisis is the banning of golden visas. Now don't get me wrong, I'm all in favour of getting rid of golden visas, but the idea that this is going to take on and tackle the Russian oligarchs on its own is ludicrous. You know, before 2015, there were no checks of any kind on the money that was used to buy golden visas, it could come from any financial institution anywhere in the world. And once it was here, it was here, you bought your visa and that was it. And since when they brought in checks – well, they didn't bring in checks but you had to pay the money from a UK financial institution, the number of visas being sold really, you know, dropped quite sharply. Simultaneously Malta started selling passports and everything, so there were alternatives, but all of those people who bought their visas before 2015, you know, it takes five years of residency to get indefinite leave, to remain. And then one year of indefinite leave to remain to become a citizen. So that's six years and that all happened seven years ago. So all of those people are now citizens. So what has this achieved? You are shutting the stable door after the horse has, you know, gone and bought itself a house in Surrey. It's just infuriating. And there seems to be still a willingness to just splash these gimmicks on the BBC website or on the newspapers without interrogating whether they're actually going to achieve anything because you don't get rid of dirty money or oligarchs by changing the immigration system seven years after the oligarchs have already got here, obviously. I'm hopeful that more people will start recognising that the money is already here, that the money is inherently corrupting and that, you know, we need to properly deploy an army of investigators and law enforcement agents to go back over the previous transactions and look at them and see whether the money should have been here in the first place, because yes, it's important to stop more coming, but that's not enough, you know, we need to go back and do the work that we didn't do in the past. It's gonna be really hard. You know, these people employ, you know, seriously good lawyers, but it's not impossible. It's only difficult cause we choose not to do it. We really need to take the threat to the integrity of our society caused by our elite essentially becoming butlers to crooks really seriously."

Naomi: "Yeah. I can never decide whether politicians who make these silly statements actually understand that what they're saying is just complete bullshit about tackling it or whether they just perfectly well know, and it's probably a combination of both, but I, I know that you, you wrote about appearing in Parliament to give evidence to a Select Committee and the first question was, well, how big is the scale of money being laundered through Britain? And it, it is just where do you start?!"

Oliver: "Well, it was worse, it was worse. It was, the question came from Pritti Patel, who's currently the Home Secretary and she asked how much Russian money is there. And what

does that question even *mean*? Sort of, you know, if, if money came 20 years ago and it's been here for 20 years, is, is that naturalised yet? If, if Russian money's came, come via, you know, a shadow trade at Deutsche Bank, um, you know, is that Russian money? if it's come via Cyprus, is that Russian money? It's like, you know, if it's been washed around the world a couple of times and come in via a, you know, a, a, a shell company in the British Virgin Islands, is that Russian money? You know, if the Russian in question is, is a naturalised British, is it still Russian money? You know, this idea that, that, you know, Russian money is like the red army, you know, and it crosses your border and you can say, 'well, there you go. There's a hundred thousand red army soldiers, you can count them!' As if, as if that's how money works, it's so sort of illiterate and..you are right. I mean, do politicians just not understand? And I think that probably they don't. I'm generally, and I, I often get criticised for this, but I genuinely..don't think anyone is, like a Bond villain sitting on a swivel chair cackling to themselves about ruining the world. Most people want to make the world a better place, and often they just don't appreciate that what they're doing has tremendously harmful effects for other people. So, I don't think that - genuinely, I don't think that the treasury officials who, you know, decided not to do anything about Scottish limited partnerships, I don't think they meant to do harm to Moldova. I just don't think they knew or cared. And I, so I firmly believe that if we can explain the damage that, you know, what Nick Shaxson calls the finance curse does and, you know, and what I write about is, you know, the butler to the world problem, that by earning this money we are causing a greater amount of damage overseas, I'm really hopeful that we can turn politicians away from it and towards a more constructive way of earning a living. Maybe I'm naive."

Naomi: "Yeah. Well, I, I like your optimism. And in, in, in so many ways, you, you have to think like that, otherwise you'd go and live in a cave somewhere and, you know, completely disconnect from the world. But it seems so bloody obvious to me that the very wealthy that put assets in their own name, they call the 'stupid rich' right? And I mean, it's just so obvious that if you allow anonymous ownership, then you are opening the doors wide to corruption, why is it so difficult to understand?!"

Oliver: "It's really interesting..trying to find positive arguments in favour of anonymous ownership, I always find it interesting."

Naomi: "It is, it is. You, you write quite a lot and it's really shocking and shameful actually. is how terrible our regulatory bodies are. There's something like 26 regulatory bodies..completely under resourced. And I think they have 4 million pounds a year for one particular agency, and they tried to prosecute a case and they had to pay out one and a half million in just in one case. Anyone that you ask around the world who's got anything to do with regulation and compliance, enforcement just laughs at how pathetic our enforcement is, even of the decent rules that we actually do have!"

Oliver: "Yeah, a hundred billion pounds is estimated to be laundered through the city of London every year. So clearly something isn't working, right. That's a lot of money –"

Naomi: "And that's a conservative estimate."

Oliver: “Yeah, that's a conservative estimate, but that's the National Crime Agency's own estimate. And I looked at, you know, the, the list of regulators of whom there are 26 or whatever 27, I think there might be now, I think they added one and the situation with accountancy is even worse. You know, you have eight different regulators, which, you know, accountants can pick and choose between if they want to. And they don't have to sign up with any of them, but they can pick and choose between them. And those organisations are dependent for their existence on the fees that accountants pay to be regulated. So if an accountancy company doesn't like how it's regulated, they can just go somewhere else, which is a bit like having a referee and a football match who is dependent for his wages on how strict he is to the players. So if he's too strict, they're not gonna pay him anymore. So obviously he's not going to be strict. Why would you be, um, you know, your job is dependent on not being, and that's extraordinary. I mean, and that's just the anti-money laundering and regulatory aspect. I mean then you have, you know, the National Crime Agency, which was set up to be our version of the FBI and yet is desperately underfunded. You know, they have this incredible quote from Lynn Owens, the head of the NCA to Parliament's Intelligence and Security committee in this report published in 2020 when asked why they didn't go after more oligarchs and she said, ‘because we are bluntly concerned about the impact on our budget’ and, well, I mean, that is not the sign of a law enforcement agency, which is confident about what it's doing. They shouldn't be worried about that, that's absurd. You know, and as you say, they tried to bring this case, the unexplained wealth order against the daughter and grandson of the former president of Khazakstan, and ended up with 1.5 million pounds in costs, which totally ruined the entire strategy. It's just extraordinary the extent to which sort of behind the facade of everything looking fine with the FATF, Financial Action Task Force, giving Britain a glowing report of how well it's doing, behind the facade there's just nothing.

Naomi: “Yeah. And I mean, I think there's more trained accountants per head of population in the UK than anywhere else in the world, and no wonder, it's not a surprise, is it?! And I mean the Tax Justice Network and others, Thomas Piketty and Gabriel Zucman and people like that have been pressuring for a global asset registry for a long time. I've been reading recently you can own shares through shell companies, so obviously we're gonna need a public shareholder registry. Um, we've got to end secret ownership everywhere, end trust secrecy except under very specific circumstances, you know, I mean, here's, here's one - how about as emergency measures, we freeze all anonymously owned assets wherever possible, and we only *unfreeze* them when we have full information on the ownership? And obviously, resource law enforcement properly, reform the libel laws and gotta get private money out of financing, political parties as well, I mean, that's my list!”

Oliver: “Yes, we need all of those things and more. Essentially, people who are wealthy enough to have assets in more than one country have advantages that the rest of us don't have, that's the core mismatch. So in order to combat that we need to reassert national sovereignty over wealth. We cannot go on as we are. We hear a lot from some politicians, particularly of the right who claim to oppose globalisation and say, ‘we need to take back control’. But what they're talking about is taking back control from immigrants, they're not talking about taking back control from wealth. But I do think that there is among, you know,

a lot of ordinary people, a recognition that something is wrong, you know, that governments don't have the control that governments should have. And the reason for that is because as you say, money can just flee, you know, anonymously owned assets can just undermine sovereignty. So yes, transparency in ownerships, you can see who owns what in your country, absolutely take back control over ownership, you know, proper law enforcement, take back control over the law. Absolutely. You know, those things are crucial. And those two things alone would have a massive effect on the way that oligarchs from everywhere are able to evade, you know, paying for the crimes they commit. And the reason they can do that is because Britain has been Butler to the world and has helped them do so. So if we got out of the Butlerying business, it would do a massive amount of good in terms of just stopping this from happening in the first place. Yeah, it wouldn't be everything right, and there are lots of places that would need to be dissuaded from following in our footsteps but, you know it would be a good start.”

Naomi: “Do you think that there's an opportunity now because of what's happening with Ukraine and Russia, they say decades can happen in a few days that something good could come this terrible tragedy that's happening? I find it difficult to look people like Daria Kaleniuk of the anti-corruption action centre in the eye. Uh, you know, I, I feel really ashamed of my own country and that's, that's a horrible thing.”

Oliver: “I, I hope that seeing the astonishing damage that kleptocracy does as a system of government to the Russians, to the Ukrainians, to the Georgians, to lots of people, I hope that this gets us out of the Butlerying game. Um, you know, I don't think we can expect that to happen overnight, but, you know, Daria said to me a few years ago when I asked her how she didn't lose faith and lose hope in battling corruption, considering how hard it was in Ukraine. She said, she doesn't think about conquering corruption. She thinks, she says, well, we're at 5% now, what can I do to get us to 6? And then she gets to six, then, you know, that's a win. She marks that up as a win. And I think that's the way to look at it. There is a huge amount of Britain's ruling class that have made a very good living out of being butlers and they're not going to take easily to me, or anyone telling them that they should stop. So we need to not lose focus. Then I think we'll get there.”

Naomi: “You've been listening to Oliver Bullough on the Taxcast. His book 'Butler to the World: how Britain became the servant of tycoons, tax dodgers, kleptocrats and criminals' is published by Profile Books. If you're in the US you'll have to wait until June 2022. I'll put a link in the show notes. Thanks for listening. I'll be back with you next month.”