

Capitalists' immoral trickery exposed by "Mauritius Leaks"

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The International Consortium of Investigative Journalists, the non-profit USA-based organization that published the Panama Papers, has now exposed the big companies that nip through the Mauritius off-shore to invest elsewhere : the companies are tax dodgers. The ICIJ report begins with a narrative on how Bob Geldoff's financial advisors placed some of his fortune here in a Mauritius off-shore company in order to invest in Uganda later, and did this for tax reasons i.e. Uganda would not get tax money because Mauritius already took a 3% tax, and has a non-double-tax agreement with Uganda. Mauritius has agreements like this with 45 countries. This is what the Indian Government could not stand, especially when it was Indian companies that were effecting this public mischief and routing capital through Mauritius back to India to avoid paying tax.

This is, and always has been, the very definition of off-shore, long before Mauritius found the "filon" : It is a tax dodging scam. It is a way of hiding your wealth from the Government who might otherwise tax you, or worse. It is bad enough that income and corporate tax are now at rock bottom, making working people and pensioners shoulder the burden of tax, Value Added Tax. VAT taxes the poor at a vastly higher proportion of their income than it taxes the rich.

Anyway, legal or not, in line with OECD best practices or not, satisfying the World Bank and UNCTAD or not, it is this double-trick that is the very definition of off-shore : tax dodging and keeping capital secret. And it is at the heart of the immorality of modern capitalism. So exposing it, helps us understand that capitalism allows a small class of people to expropriate all the rest of the people on the earth - not even handing over the pittance of tax they owe.

The more people get to know about how capitalism and its opaque finance sector work, the harder it is for capitalism to continue to exist with impunity. The wealth produced by the working people of the world cannot forever be hidden from the various State apparati that need, at the very least, to tax it to provide services like health, education, pensions and other social infrastructure to those who produced all the wealth in the first place. Better still, working people world-wide should put their minds together around a political program to democratize all these private companies, and get those working in them to control them.

It is evident that there is no rational defense against the charges of the ICIJ in the Mauritius Leaks - or, before that, of Oxfam - against the Mauritius off-shore scam, or any other of the over 60 off-shore scams in the world. You just have to read Rama Sithanen's pathetic "defense". He is an "argument-oriented" person - one of the better characteristics of his public persona. All he can come up with is something childish along the lines of : "The others also do it", and if this isn't enough, "Look how important some of them are, like UK and USA". "Il y a, au moins, 64 pays dans le monde qui pratiquent de telles activités." Then he concedes that there must be some problem, by concluding, "Il faut donc améliorer notre 'brand', notre image, notre réputation comme centre financier robuste pour ce qui est du cadre légal, de la transparence et où il y a de la substance et des échanges

d'information." Change our "image" and improve our reputation, without changing the thing itself. His final conclusion reverts to, "Il nous faut finalement convaincre les clients que ce que nous faisons n'est pas différent de ce qui se pratique ailleurs." (Le Mauricien, 27 July)

The Mauritian Government does not even deny, in its reply, that some companies that make tens of millions of dollars income do not employ anyone at all in Mauritius. That is the extreme case of the accusation that offshore companies have little "substance", and are mere "shell companies".

Anyway, 54 journalists at the ICIJ worked at leaking some 200,000 emails, contracts, meeting notes and audio recordings that prove the accusation.

Mauritius, by its 45 non-double tax agreements and its low tax rate, manages to grab 3% tax, and this is useful for covering up a balance of payments problem, Sithanen says, and that is right.

The legal firm Conyers Dill & Pearman and others like the auditor/financiers KPMG are exposed in Mauritius Leaks for allowing big private companies to find loopholes and routes to invest in poor countries, where the rate of return on capital invested is high. Geldoff was seeking 20% return in Uganda. The companies don't pay tax in the rich country of origin or in the poor country they invest in. And, like a "razwar", the tax haven, in this case Mauritius, takes its cut.

LALIT has always denounced this off-shore mechanism. It is a particularly seedy side of the modern capitalist system, where a little dodge has huge social effects. Of course it is not only Mauritius that's a tax haven. Many countries did it before, and many joined in after Mauritius. That does not make it any better.

But so unpopular is this sector - and rightly so - that its "branding" advisors have tried to change its name from "off-shore" to "global business". Changing its name, its brand, its image, is just fooling the public, not changing anything.

The Weakness of this Form of "business"

When Mauritius, as a State, allows dubious businesses to operate via this dubious system, it carries with it, dangers. When Rama Sithanen says what worries him is "Pourquoi Maurice et pourquoi maintenant", although he speculates this and that, the implication is that the British (or US ?) are doing what they threatened to do to Mauritius, should Mauritius take it to the International Court of Justice on Chagos, and should it have the cheek to win. The implication is the UK-USA have somehow orchestrated the country chosen for exposure (Mauritius) and the timing (July 2019). Britain had clearly expressed its fury at Mauritius for claiming Chagos, including Diego Garcia, and for winning at the ICJ in February, and at the General Assembly in May. Britain, as a state, has hundreds of years' experience in such dirty tricks. So, it is not impossible - without any bad faith on the part of the ICIJ. Did the British not press-gang even the NGO Greenpeace into its cynical move to declare a Marine Protected Area around Chagos (leaving the Diego Garcia nuclear materials out of the Marine Park, of course) just to keep the Chagossians and the Mauritian State away from their illegal colony the BIOT ? This was proven in the Wikileaks Cables. It was the overt motivation of the British State. Greenpeace was just hoodwinked.

But, with off-shore, an immoral kind of economic "development", Government after Government, including when Rama Sithanen was Finance Minister (now he is a big offshore businessman), has exposed Mauritius to that very kind of attack from Britain, should it, in fact, be one. To make a reasonable comparison : In the times when companies used slaves to make profits, if Mauritius was accused of allowing its companies to enrich themselves by impoverishing slaves and by ruining the societies they were from (the exact kind of accusation the ICIJ is now rightly hurling at Mauritius), it

is hardly an excuse to have said then, “Look at the France, the USA and UK, their companies also use slave labour ! How will we make sugar profitable without using slave labour ? Everyone is doing it !”

Just so today with offshore

Indeed the British state does want to put the squeeze on the Jugnauth Government for humiliating it – and it has said as much – and the USA administration would be delighted, as usual, to help, having been equally humiliated at the UN. But, the kind of supposed “development” that off-shore is, leaves Mauritius open to the accusation the ICIJ makes – at any time. Simply because it is true to say off-shore means tax dodging and secrecy.

All this to say, that what the Mauritian Government should be doing is creating a proper economy in this country, around proper production. And this production should produce proper jobs for everyone. It all starts with using the land to produce food products, preferably free from pesticides and herbicides, food products that are then preserved and transformed for export, and for local consumption. This would create all kinds of jobs. This should be the basis for an economy, and then the other pillars are add-ons. More fragile sectors like tourism cannot be too central to an economy. Sectors that are super-exploitative, super-secret, and super-tax dodgers, are a non-starter for proper economic viability of a country.

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P.S.

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