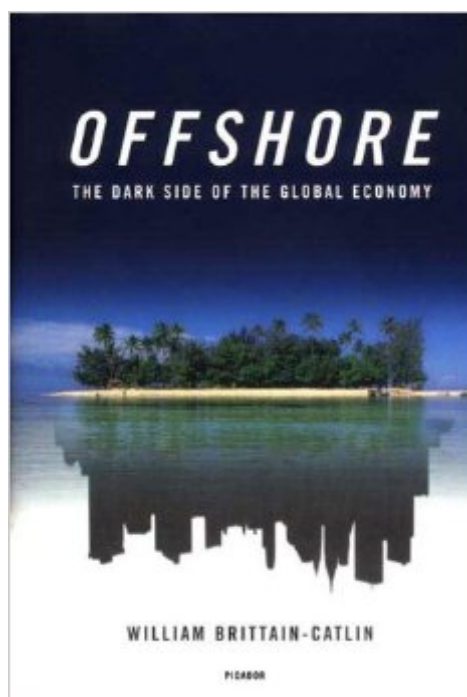


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# Offshore: The Dark Side Of The Global Economy



## Synopsis

A revealing-and chilling-exposé on the hidden side of global wealth and powerA revealing-and chilling-exposé on the hidden side of global wealth and power Offshore is an unprecedented exploration of perhaps the most mysterious aspect of global society today-and one of the most provocative books about money and business to appear in the decade since the age of globalization began. The world of offshore finance is one of dummy companies, shadow bank accounts, post office boxes, foreign registries, and the like, which allow giant corporations--such as Wal-Mart, British Petroleum, and Citigroup--to keep huge profits out of sight of investors, regulators, and the public. Whether in the Cayman Islands or the shadowy redoubts of the Islamic financial center of Labuan, Malaysia, "offshore" is where the game of profit and loss is played. A third of the world's wealth is held offshore. Eighty percent of international banking transactions take place there. Half the capital in the world's stock exchanges is "parked" offshore at some point. Trained as a reporter and a private investigator, William Brittain-Catlin brings both skills to this gripping book. He tells the story of how tax havens have become central to global finance today; in so doing, he takes us into the secret networks of Enron and Parmalat, behind international trade disputes, and into organized crime and terror networks, giving disquieting evidence that, through offshore practices, the key value of capitalism and civilization alike--freedom--is being put in grave danger.

## Book Information

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## Customer Reviews

Brittain-Catlin begins by observing that the Cayman Islands are the 5th largest banking center in the world, with over \$700 billion in assets. These assets, however, are largely not physically held on the island - simply notations in accounting books for the purposes of reducing or eliminating taxes. Corporations taking advantage of this include GM, ExxonMobil, Ford, IBM, Wal-Mart, G.E. (reduced its 27% '99 tax rate to 16% in '03), Citigroup (saved \$778 million in '03 taxes), Apple, Enron, Halliburton, Tyco, Global Crossing, Long Term Capital Management, Global Crossing, and Enron. "Transfer-pricing" manipulation is the main tax-avoidance mechanism afforded by offshoring. This involves corporations maximizing overseas production profits in a non-taxable offshore subsidiary. Unfortunately, Brittain-Catlin seems to dwell forever on his basic facts, and even spends considerable time exploring the philosophy of Kant. (I tried reading Kant long ago - Brittain-Catlin's version was no more interesting.)

My criteria for a book is simple. I want an interesting subject, I want good writing, and I don't want any wacko-eruptions where the author forgets to take his meds and strange things spill out. That said, this book is a pretty good primer about how major corporations avoid paying taxes while getting the full benefits and protection of the American government. I mean, if the current warlord of Lower Slobovia confiscates EXXON's oil wells there, will the Cayman Marines invade Lower Slobovia to get the oil back? Not likely. American Marines will. Marines paid for by middle-class taxpayers like you. The rich don't pay taxes, either; nor do they join the Marines. They go to Washington and make laws that enrich themselves and the multinational corporations who pay no taxes. Excellent book on the subject!

"Offshore" focuses on Cayman and its major role in offshore finances. Mr. Brittain-Catlin does a good job of explaining how corporations are viewed on the island in relation to individual citizens. Transfer Pricing is also defined. The biggest lure to Cayman for businesses was to evade taxes in their home country. The author also examines Delaware as another popular base for multinational holding companies and subsidiaries. There was a memorable quote from William Greider on the subject of the S&L bailout of the past - "The government's regulatory system was perversely diverted to a different purpose - 'socializing' the losses accumulating by freewheeling bankers and developers by making every taxpayer pay for them." The same scenario as the Wall Street bailout of this year,

bailout financial institutions with working peoples' taxes. The saving of LTCM is a similar story that the author brought up. One gem from the author was found on page 172 while discussing acclaimed "economic growth". "That economic growth had been brought about by letting corporations out of their obligation to pay taxes on their earnings. That growth was, in effect, their taxes, simply retained as profits and parked offshore." This book had some meaningful information as a result of research done by the author. What detracts from an otherwise very good book is the author's foray into mythology and related characters. It grew old for me personally.

Published in 2005, William Brittain-Catlin nevertheless had the foresight to challenge the received wisdom of his day: 'In both the neoliberal and reformist positions there is a strong element of naive idealism: in the former that a world of unrestrained economic liberalism would not bring about such catastrophe that the state would need to step in and sort out the mess'. Although we are indeed living in such a time, this is still an excellent analysis of how we got to where we are, mixing case studies, history and philosophy in a highly intelligent way

Offshore is a solid attempt to explain the fact that modern capitalism has become dependant upon the offshore, largely unregulated, international financial system. The cost of making tax-rate shopping a profit center in a corporation's strategic plan when revenues land back 'onshore' is paid by all of us. Essentially multi-nationals are competing to see who can pay the least tax. In the end, this behavior is to an economy what eating your seed corn is to farming. Brittain-Catlin is sounding an alarm hoping public policy makers and the public will heed. The author's prose is sometimes purple and his discursions into tangential topics is somewhat distracting, but on the whole, the book is worth reading for the very approachable manner in which it explains the history of offshore banking and how it ties into subjects such as BCCI, terrorism finance, drug money laundering, the 'private' bail out of the hedge fund LTCM, the capital flight that hammered Indonesia and other developing nations, and the collapse or corruption of companies such as Eron, Tyco, and Global Crossing. After reading this book, the business news achormen chattering about the 'mood' of international capital will begin to make some sense to you.

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