

COMMENT

An Old Foe Returns



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Firstly the good news: after all those years worrying about the growing cost and bureaucracy of the ever increasing requirement to comply with international standards, we can calm down. Those of us in the EU can kick off our shoes and relax by a warm fire made of the burning EU directives and regulations (“It’s getting cold darling, throw another Solvency II on the fire; that should keep it going for a bit”).

To think, we were once concerned about MiFID 2; CRD kept us awake at night; the recast Deposit Guarantee Scheme Directive sent us to bed with a sore head. Now we need worry no more. They were a mere side dish. Now the real problems start - the socialists are back.

Now I don’t mean the social democrats, I mean the ones who got all teary when the Berlin Wall fell; the ones with plans that are usually at least five years in length; people who think that a sweet shop selling more than three flavours of fudge is an example of bourgeois decadence. The ones who really hate us.

The current argument is no longer about transparency, money laundering or alleged inadequate regulation. Those arguments against the international financial centres have been lost. The centres passed the tests proving they are responsible parts of the global economy. In some cases their pass marks have been higher than those of their detractors. Most governments, unless they have their own agenda, accept this. Theoretically, therefore, the pressure upon the centres should dissipate and eventually cease.

Yet this new group have a wider agenda, one that cannot be resolved simply by demonstrating facts. It is a battle of ideals. If a person believes the only good bank is a nationalised one, then ring fencing the more risky elements of a bank’s activity is hardly likely to satisfy them.

In the UK, the opposition Labour Party recently elected a left wing leader, Jeremy Corbyn. A man who, despite being opposed by most of his Parliamentary colleagues, won the leadership by a substantial majority. The press have even given him his own brand of economic policy, ‘Corbynomics’.

There are some who look at Jeremy Corbyn’s success with unalloyed joy, believing it will consign Labour to opposition for the foreseeable future. They seem to forget the truism that governments lose elections; the opposition does not win them. The Conservative party also has an ability for self-destruction, not least over Europe. A divided party, a fed up electorate, a desire for change and... “Welcome, Prime Minister Corbyn”.

Both Corbyn and, it can be argued, Nigel Farage of the UK Independence Party (which is campaigning for Britain to leave the EU) are manifestations of the “none of the above” attitude of a significant section of the British voting public. This includes people who have become tired of austerity. The UK is not alone; some other European countries have witnessed a similar movement.

Austerity has become a diet which, however necessary you know it is, now

seems tasteless and repetitive. There is no 5:2 austerity programme. You cannot be financially prudent for five days a week then spend what you like the remaining two. The economy does not have a metabolism. Yet people are sick of lettuce and carrots and yearn for the fad diets peddled by the austerity deniers. “Increase taxes on companies and the wealthy and economically boom in five easy steps”; “spend your way to financial nirvana”. Fad diets promise the simple, painless way to weight loss. Fad economic solutions proffer a similarly attractive but false hope.

So why do International Finance Centres need to face this new threat, rather than simply ignore it in the hope it will pass?

Well, as one example, Richard Murphy, credited by, amongst others, *The Independent* as being the architect of Corbynomics, is a co-founder of the Tax Justice Network (TJN), so long highly critical of International Finance Centres. It is unlikely that this criticism will now suddenly dissipate. One upside of this, is that what has been suspected, namely that some in TJN had an underlying political agenda, appears to be a lot more credible than it was. Perhaps now, their ‘independent’ analyses will be slightly more rigorously tested than previously.

I write this as the Shadow Chancellor in the UK has announced that the Labour opposition will no longer support a requirement to eliminate the budget deficit and build a budget surplus, the ‘fiscal charter’. This met with a furious reaction from some of the party’s own

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MPs. However, it must be remembered that there are also those in the Labour Party who still cling to the socialist ideals that we in the UK thought were buried in the 1980s. There is, however, something refreshing about this new challenge. The left is at least clear in their aims. This is no longer a case of which political party will manage a capitalist economy in the best way. It is a deep ideological battle. A Labour leader with a history of opposition to NATO and nuclear weapons, a republican. At least the next UK election will give the voting public a very clear choice in the direction they wish their country to go.

I was, of course, exaggerating for the point of effect when I said we need no longer worry about international standards and EU Directives (and if you are still reading this article it may have worked). Naturally they remain important, but there is a much more fundamental battle coming and one for which the International Financial Centres must be prepared for. One can see it in the media as politics intrudes more deeply into the financial press. For example,

publications such as *Money Week* seem to be spending more time on political analysis than they did previously.

So what should the response be of those of us in the IFCs? The answer is simple; these snake oil salesmen represent a true attack on our very existence. Most are sceptical about globalisation; some are actively hostile to capitalism itself. We are the physical manifestation of both of these and our continued success is evidence of the foolishness of their approach.

We must therefore move the debate from simply demonstrating adherence with international standards to actually demonstrating the benefits we bring to global prosperity and not just prosperity for the few but for the many. The stability we bring, the innovation we encourage, the inefficiencies we drive out through our enhancement of competition.

Currently, we do refer to this but we do not emphasise it, we are still in the mind set of defence, constantly seeking to prove what good global citizens we are. It is time to be more assertive. It is a field of play we have no choice but to enter.

The aim is not to win this group over,

we cannot. The goal is to persuade the majority of the merits of our argument.

This does not mean change, even radical change, for example within the EU, is not necessary. Indeed the debate upon that currently rages within the UK and elsewhere. Rather it means that an alleged solution being peddled by a specific group is not a way forward; it is a way back to a darker time.

Perhaps the current trend towards "none of the above" will fade as economies improve. Ireland represents a beacon by suffering the anguish of austerity in order to emerge stronger at the other end. Portugal re-elected a government which also has had to make difficult and sometime unpopular decisions to correct its economy. Yet we cannot simply trust this outcome to chance. The illusionary benefits being proffered are attractive to some, but to many of us they threaten the current return to financial stability that has been fought for over the last few years. We must actively defend what has been achieved. **IFC**

This article has been written by Marcus Killick in his personal capacity.



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