



TRUST SERVICES, S.A.

OFFSHORE PILOT QUARTERLY

Published since 1997



Providing a helping hand for those navigating the hazardous reefs and shoals of international business structures

March, 2020

Volume 23
Number 1

Pendulums, Presumptions and Power

“It is one of the strange discoveries a man makes that life, however you lead it, contains moments of exhilaration; there are always comparisons which can be made with worse times: even in danger and misery the pendulum swings.” What the writer Graham Greene wrote in his Mexican masterpiece, “The Power and the Glory,” published 80 years ago, could have been written yesterday as we enter the second decade of this perilous century. What is constant, however, is the swing of the pendulum. He knew all too well about human nature and its frailties, words which I repeat from the final sentence (“Diplomatic Dodgems”) of last December’s Offshore Pilot Quarterly.

When I wrote last December about the ingredients needed for a successful business (“Reach and Grasp”) I emphasised the other side of the coin: skilled and like-minded people, regardless of their frailties, and

where duties of a fiduciary nature apply (especially in the fields of trusts and foundations) they could not be more vital. For me, however, much of our world is divided between trustees and beneficiaries, regardless of whether or not the relationship is formal and reduced to writing. A democratic government, for example, is entrusted with public funds and given powers by citizens with the expectancy that it will act in their best beneficial interests.

My experience has been that one of the most dangerous words in any language can be “assumptions”. So many assume, for example, that a government will shoulder its fiduciary responsibilities to its citizenry. One fact that is alarming to me is that more and more governments in the West are committing breaches of trust that were once largely mainly confined to that part of the globe, regarded as another planet, and once universally known as The Third World. Parts of Europe and North America in

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this century show that this is not so. Received wisdom, for example, once saw as a given, bad behaviour in Asia, Africa and South America. Although such behaviour has always had a presence in the West, it has increased and become blatant; what's worse, excuses are often made for it. This sends a wrong and at the same time, an encouraging, message to countries in the shadows; it also sends a very clear message to the rest of us.

A New Rome

A system of governance in the West dominated by the United States of America is losing its legitimacy, just as the Catholic Church in Rome did in the late 15th century. Until then the Church was perceived as all-powerful, its papacy infallible. Assumptions were made. There was a brisk business, for instance, in the sale of indulgences. Benefactors of the Church, by generous donations, such as building new churches or orphanages, would be granted certificates of merit (indulgences) that would reduce the believer's potential time in purgatory before reaching the gates of heaven. This reward system is not dissimilar to air miles—except that no matter how often you fly in the sky you arrive back on earth. Faith in the Church, however, has since waned whereas money's role has strengthened.

In matters of finance the Almighty has been replaced by the almighty US dollar. This matters because the US (for now) has the sway of a Julius Caesar over the direction that the West takes. This, of course, is being challenged, principally by China, and we can see the roots of this if we go back 20 years to when it joined the World Trade Organisation in 2001. The problem was that Beijing did not only want to join the club, but fundamentally to change its rules, ones which presently foster open markets, free speech, respect for allies and the due process of Law. Instead, however, of seeing China become more like the US as it steadily climbs towards the top rung of the superpower ladder, commentators worry that the US might become more like it. We can no longer assume that the US will adhere to those four precepts promoted by the WTO.

Washington, D.C., is Caesar's Rome in comparative, imperial terms with, if not literally, all influential roads leading to it. When in this new Rome, however, we should not do as the Romans do: we are seeing pomp being replaced by pomposity and ability compromised by political donors, with a seam of nepotism running through the White House; certainly since the last century. Now we have a president's child calling herself "First Daughter."

As for ability, 40% of the current US ambassadorships are occupied by business figures with no diplomatic training. These appointments have often been acquired by indulgences – although this time by putting faith in the power of the dollar rather than the pope. This crosses the political divide: in Barack Obama's administration 30% of his ambassadors were also campaign donors.

This paucity of diplomatic skills might present little impact in Alabama; but what about, say, Austria? The US administration, just like any other country's government, is trustee for its citizens and should only act in their best interests. But if, as it does, the US wishes to wield considerable influence and power beyond its borders and its own citizenry, its obligations become gargantuan.

For presidential breaches of trust, impeachment is the only recourse Americans have, whereas ancient Athens had ostracism, open to voters to impose a decade of exile on individuals of all ranks who earned their displeasure. The creator, for example, of the Athenian navy, Themistocles, was ostracised as a result of this annual gathering of citizens, usually taking place in the Agora (market-place) where this distilled, pure, form of democracy took place.

In the final years of the fifth-century BC, however, ostracism was tainted by the power of demagogues. As Plutarch, the Greek biographer and essayist said, "the people felt disgruntled, because the procedure had been abused." Demagoguery, however, is back in fashion and democracy has become "demockery", an absurd misrepresentation or imitation of the real thing.



The West Wobbles

As the political axis upon which the West has rotated since the middle of the last century wobbles we have perhaps experienced a Martin Luther moment. The German priest and philosopher nailed his 95 theses to a church door (a document which attacked the Catholic Church's corrupt practice of selling indulgences to absolve sin). It was printing that spurred and spread this one-man revolution and started the Protestant uprising. Unlike then, however, corrupt practices can reach a global audience, and much quicker than Luther could ever have imagined.

Cole Porter, an American composer and songwriter, who died in 1964, was famous for his memorable melodies and clever lyrics, including the musical "Anything Goes" which focused on America's Depression era. Plutarch, like most of us today, would have agreed with the lyrics from the title song: "The world has gone mad today, And good's bad today, And black's white today, And day's night today..." It is a reminder, nonetheless, that we have been here before.

The unknown has always unsettled us and we need to try and emulate Victor Hugo's thoughts: "Be like the bird who, pausing in her flight awhile on boughs too slight, feels them give way beneath her, and yet sings, knowing she hath wings." Alas, it is getting harder to sing as we look around us in today's world.

First we had prominent universities conducting ethics classes for students studying business; now, PricewaterhouseCoopers is sending its accountants off for "scepticism lessons" as a result of the loss of trust in the accounting profession. I applaud, but at the same time I'm appalled, at the need for this initiative. And another "Big Four" accountancy firm, KPMG, rather than teaching accountants to "think sceptically", is schooling them in how to have "challenging conversations."

This hark's back to my number one dangerous word. In the United Kingdom – although not alone – regulators have monitored "the big guns" accounting firms more lightly; surely, after all, in their case,

prestige is synonymous with proficiency? Not so. Beside PricewaterhouseCoopers and KPMG, both Ernst and Young and Deloitte have been embroiled in corruption scandals which has brought into question their levels of skills - a subject which I mentioned at the beginning of this newsletter. Why should ethics, scepticism and "challenging (i.e. enquiring) conversations" need to be taught in a formal setting? Accepting that ethics, in most cases, should have been instilled in you by your parents before adulthood, the remaining two essentials in any business will come with experience; it is hands-on experience that will develop professional scepticism coupled with good training that will prompt the right questions to be asked.

The Boy from Bulawayo

It's certainly from experience that I discovered just how wrong many of both my assumptions and perceptions were. We are all, of course, products of our past, from which our individual futures are most likely to be influenced if not shaped. Suffice it to say that this boy from Bulawayo, brought up in the last British colony in Africa, has had his eyes opened wide since he first swapped his safari suit for a business suit in the City of London, a journey that would transform me, along the way, from a rifleman in the Rhodesian army, swearing allegiance to the (once) Republic of Rhodesia, to a regulator in the British West Indies, swearing allegiance to the Queen. The many illusions about professions, organisations and institutions would be dispelled during that journey.

As aides-mémoires I keep a shelf of books that for me are perennials in prose that traverse cultures and the centuries, reminding me how history can point towards the possible future course of events, especially when they are on a global scale. These books have tabs for easy reference when a page's contents might prove to be prescient, providing comfort or perhaps concern, as Graham Greene's pendulum perpetually swings and I pause in flight like a bird.

The closest I ever got to Cole Porter was one of his pianos, on display in New York during a stay at the



Waldorf Astoria. The songs, if not his piano, are, however, within everyone's reach. Besides "Anything Goes", he wrote the words and music for the play, "High Society", also about those rich and powerful people, known as such during the early part of the last century. Today they would be referred to as "the one percent", in order to highlight the extreme global imbalance between the wealthy and the wretched.

Cole Porter, however, has described perfectly our present world in his other musical: "But now, God knows, Anything goes". But for how long?

Plutarch also said: "An imbalance between rich and poor is the oldest and most fatal ailment of all republics". It is an ailment in need of a cure as much as global warming.



Offshore Pilot Quarterly (independent writing for independent thinkers) has been published since 1997 by Trust Services, S. A. which is the British face of international business in Panama. It is written by Derek Sambrook, our Managing Director, a member of the Society of Trust and Estate Practitioners and a Fellow of the Institute of Bankers in South Africa who was both a member of the former Latin America and Caribbean Banking Commission and an offshore banking, trust company and insurance regulator. He has over 50 years combined private and public sector experience in the financial services industry about which he has written extensively and our website provides a broad range of related essays.

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