

Introduction

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Many recent examples of international investigative journalism seem to follow the same pattern: Someone employed in a large and often multinational company such as a bank or a law firm becomes so dismayed by the things they witness that they decide to tell someone. This someone is typically a journalist. For the whistleblower, life will most likely never be quite the same. For two years, Raphaël Halet writes in this volume, he “lived a real thriller, a story worthy of a spy novel”. In retrospect, however, most whistleblowers realize that the thriller aspect quickly fades. As Halet notes after years of legal struggles, in reality he had “sacrificed” his “personal welfare for the common good”. For the journalist, working on a major leak could bring professional recognition and personal satisfaction. Most journalists can count on the backing of a community of journalists and other supporters. Nevertheless, as Craig McKune, Lina Chawaf, Rodrigo Véliz and others in this book explain, investigating the rich and powerful can also lead to serious legal or personal safety problems.

This book is about illicit financial flows. More precisely, it is about journalists, auditors, lawyers, activists, whistleblowers and others who have risked much to shed light on this opaque world. The stories range from revelations of murky deals in South Africa, the fallout from the

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Panama Papers in Iceland, Syria and Armenia, the dirty business of coal mining in Guatemala, and the luxurious life of bankers in Spain. The whistleblowers behind some of the most notorious financial scandals speak, as do lawyers and specialist auditors. The book also includes peer-reviewed articles from an interdisciplinary group of researchers and practitioners from the fields of law, economics and journalism. Revelations such as Lux Leaks, Swiss Leaks, the Panama Papers and Paradise Papers demonstrate how much societies around the world lose because of illicit financial flows, corruption and tax fraud. The articles in this book ask what can be done to make transparency possible. Only when key financial information is transparently reported for each country it will be possible to expose and hinder illicit financial flows and to discuss how to distribute wealth fairly between states and within states, and to see how value is created and distributed within a company.

Much of what we know about illicit financial flows is because of whistleblowers and investigative journalists. The Luxembourg Leaks, for instance, was a journalistic investigation conducted by the International Consortium of Investigative Journalists published in 2014 based on confidential information about Luxembourg's tax rulings set up by PricewaterhouseCoopers from 2002 to 2010. The tax rulings for over three hundred multinational companies based in Luxembourg were made public. The investigation shed light on a tax regime that was highly beneficial to multinational companies. International accounting firms set up tax rulings with schemes to transfer revenues to Luxembourg. Findings also showed that multinationals used mechanisms such as transfer pricing and intra group loans to move profits out of countries to reduce taxes.

Swiss Leaks (2015) has been called the biggest leak in Swiss banking history. It was started by information leaked by a computer analyst concerning the accounts of 100,000 clients and 20,000 offshore companies held by HSBC in Geneva. HSBC later agreed to pay €300 million to avoid going to trial in France for enabling tax fraud. More recently, the Panama Papers and the Paradise Papers have made headlines for revealing more about global illicit financial flows and those who make them possible. According to the International Consortium of Investigative Journalists, 140 politicians

from more than 50 countries have been connected to offshore companies in 21 tax havens in the Panama Papers. In 2018, international networks of journalists continued producing investigative journalism resulting in, for example, the Football Leaks and the Implant Files investigation.

These investigations are complicated and the financial mechanisms immensely complex. The point here is not the details of transfer pricing, tax rulings or intra group loans. The important lesson is that when society learns about financial secrecy, the information rarely comes from governments or transnational companies (TNCs). More likely, it comes from whistleblowers, investigative journalists, civil society organizations, and increasingly also from academia.

An interdisciplinary problem

This book is a result of two interdisciplinary conferences and workshops. In 2016 we organized the first Making Transparency Possible conference, a three-day event with 40 speakers from 19 countries. Since then, we have continued organizing workshops and conferences annually. The approach has been to invite a broad range of professions, disciplines and institutions. They each bring their own unique experiences, expertise and analyses of increasingly complex global financial integration. The varied backgrounds help highlight different aspects of illicit financial flows. The debates have underlined the many implications illicit financial flows have for, for example, national and international law, accounting practices, investigative journalism, labor unions, international development.

In this process, we have collaborated closely with 30 investigative journalists from countries such as Guatemala, Ecuador, Colombia, Nigeria, Ivory Coast, Ethiopia, South Africa, Russia, Iceland and Norway. Additionally, we have been helped by whistleblowers, journalism scholars, economists, professors of law, and auditors, as well as tax authorities, financial prosecutors, development agencies, etc.

As Sambrook and co-authors write in the aptly titled *Global Teamwork*, “journalists should stop thinking they can always ‘go it alone’” (Sambrook et al., 2018, p.95). The financial complexity, the legal issues and the enormous volume of information involved in investigating such leaks

demand cooperation on a massive scale across borders and disciplines to succeed. Completely new types of global networks of investigative journalists have emerged over the last few years adhering not as much to the logic of competition as to the logic of mutual aid. ‘Sharing’ and ‘cooperation’ have become the new buzzwords.

Similarly, journalism scholars should stop thinking they can always “go it alone”. Understanding the emerging global networks investigating these and similar leaks requires insights from economics, law, computer science and a range of other disciplines.

The significance of illicit financial flows (IFFs)

Investigations into the Luxembourg Leaks, Swiss Leaks, Panama Papers, Paradise Papers and similar revelations of illicit financial flows matter. The harm is perhaps most clearly seen in illicit flows out of developing and emerging economies, although wealthy economies also suffer. Estimates of illicit financial flows will always be by definition uncertain. Nevertheless, a study from Global Financial Integrity has taken on the challenge. It estimates illicit financial flows from developing and emerging economies at US \$1 trillion in 2014 (*Global Financial Integrity, Illicit Financial Flows to and from Developing Countries: 2005–2014*, 2017). The outflow of capital impoverishes communities and societies especially in the global South.

The UN acknowledges that illicit financial flows increase inequality within and among countries. Therefore the UN Sustainable Development Goal 10.5 seeks to, “Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations.” The UN Sustainable Development Goal 16.4 additionally connects curbing illicit financial flows to the main target: “To promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.”

Despite international focus on capital flight, corruption, secrecy jurisdictions, corporate havens, money laundering and criminal activities, efforts to increase transparency continue to face significant opposition. These efforts are met with resistance from politicians, official institutions,

legal firms, accounting firms and multinational companies in all regions of the world. The political tendency seems to be inertia, to do nothing or to pretend to be doing something while at the same time making sure that the core privileges for these same groups remain largely unchanged. While the journalistic investigations mentioned above are impressive and important, much remains to be done. Perhaps the most serious challenge is to create sustained public interest, which over time can contribute to challenging the structures and mechanisms that make illicit financial flows possible, and challenge those who benefit from maintaining the current situation.

The structure of the book

The book mirrors the workshops and seminars. We start with investigative journalists sharing practical experiences from researching illicit financial flows, tax avoidance and corruption. The journalists frame the issues and help us ask the right questions. This is followed by articles by civil society activists, whistleblowers, lawyers and auditors. The second section of the book contains peer-reviewed articles discussing and analyzing some of the many questions raised in the first section.

Interdisciplinarity is necessary to begin to understand illicit financial flows and this type of emerging investigative journalism. Thus it is crucial to bridge the divide between practitioners and researchers. Scientific research can help shed light on the issues raised in this book. Moreover, those who practice investigative journalism produce important knowledge on a daily basis. A dialogue between researchers and practicing investigative journalists helps advance both the knowledge and understanding of illicit financial flows and investigative journalism. So far, a number of topics have emerged from discussions at the Making Transparency Possible conferences.

First, global teamwork within the international networks of investigative journalists points to a future of cross-border cooperation in journalism that could enhance journalism's capacity to investigate complex issues, such as illicit financial flows. Second, the increasing opacity of financial markets requires interdisciplinary teamwork. Teams

investigating illicit financial flows need to build alliances with experts in law as well as economics. Third, those investigating these issues must take digital as well as physical safety seriously. As several chapters in this book point out, special consideration needs to be made regarding the safety of members of international teams working in or from regions with high levels of violence, and relatively few legal protections for journalists. Finally, as these chapters demonstrate, without whistleblowers we would know little of the world of illicit financial flows. The role of the whistleblower needs to be further investigated.

This book is an attempt to start a discussion of these questions. We hope that it will be a small step forward.

Part I

Craig McKune is a South African investigative journalist who has worked on a number of high profile cases in South Africa. At the 2016 Making Transparency Possible conference, McKune discussed safety with other investigative journalists. He explained that while South Africa was very violent, journalists were not physically in danger. In “It Happens Overnight”, McKune recalls how one of the other journalists warned him that “these things happen overnight”. McKune tells the story of investigating the Gupta brothers who built a South African business network using a web of offshore companies to channel financial flows, while maintaining strong ties to President Jacob Zuma. Investigative journalists such as McKune spent years researching the Gupta leaks. In the process, McKune explains, journalists were increasingly targeted. While a vigilant and organized civil society is important, he is not confident that it is enough.

“The Coal-Case of Guatemala” is written by **Rodrigo Veliz Estrada**, a Guatemalan investigative journalist. Veliz worked for the newspaper *Nómada* when it received information linking judges, lawyers, public prosecutors, immigration officers, an ex-US ambassador, high-ranking politicians and the then president’s son-in-law to complex and illegal schemes aimed at inducing institutions to give priority to a US electric power company. It is hard to estimate the precise degree of corruption

and volume of capital flight, as the core problem is secrecy. Still, people in places like Guatemala feel the cost of corruption and capital flight every day. Veliz also contributed to revealing how groups on the far right, formed by retired military officials and supported by companies, were behind death threats and groups linked to massacres. During the process, Veliz himself received implicit death threats, as have so many investigative journalists in Guatemala.

“Armenian ‘Hero’ of Panama Papers Becomes a Fighter Against Corruption” is written by **Kristine Aghalaryan**. Aghalaryan works for the NGO Hetq, the Investigative Journalists Collective of Armenia, which participated in the Panama Papers investigation and uncovered ties to Armenia. The Chief Compulsory Enforcement Officer in charge of overseeing that all court rulings are properly enforced was one of the officials found to have ties to offshore economic zones. His political position had made it possible for him to advance his private interests, while at the same time hide his income. The NGO filed a complaint with the Special Investigative Service (SIS) to carry out a proper investigation in the public interest. While initially dismissed, they later managed to reopen the case. In this chapter, Aghalaryan explains how the NGO spent years on the case witnessing firsthand the dubious investigation that in effect prevented any prosecution.

“Do Stories from Your Heart” is by the Icelandic investigative journalist **Jóhannes Kr. Kristjánsson**, whose interview with the former prime minister of Iceland, Sigmundur Davíð Gunnlaugsson, led to his resignation after he was asked about his wife’s involvement in companies exposed through the Panama Papers leak. The interview went viral. The former president’s reaction was to attack the journalists conducting the interview, the media, and reporters in general, rather than admit to any wrongdoing. Kristjánsson writes that the Directorate of Internal Revenue has demanded almost half a billion krona in outstanding taxes from 16 individuals based on information in the Panama Papers, and in addition, hundreds of names remain to be investigated. Kristjánsson points out that for this kind of journalism to happen everybody involved needs to leave their egos at the door and work together.

Lina Chawaf, executive director of Rozana Radio, won the 2018 Reporters Without Borders Press Freedom Award. During the Panama Papers investigation, Rozana worked on the story of Rami Makhlouf, a cousin of the head of the Syrian regime, Bashar Al-Assad. In “Safety in Journalism in Syria”, Chawaf discusses the dangers of speaking truth to power in a country such as Syria. “Delivering the truth threatens all those carrying guns on all sides of the conflict,” Chawaf explains. The chapter details some of the many examples of threats and violence experienced by investigative journalists and reporters in Syria. The chapter ends with a brief account of the safety programs being developed there for journalists.

Simona Levi is a theatre director and co-founder the Spanish group Xnet and 15MpaRato, a “citizens’ device to bring to court those responsible for the economic crisis in Spain”. In “‘We, the citizens, can fight against corruption.’ Open Source Jailing of Corrupt Bankers and Politicians Device: A Case Study”, Levi narrates how ordinary citizens investigated the Spanish banking ‘crisis’. The campaign led to the exposure of an extensive misuse of funds. In 2018, at least 65 high-profile bank executives and board members received sentences from Spain’s Supreme Court after the revelation that the group had spent €12.5 million on personal expenses ranging from vacations and jewelry, to meals in expensive restaurants. 15MpaRato is not made up of experts such as bankers, lawyers, economists or attorneys, Levi explains, but of non-specialists. Instead of relying on experts, Xnet launched an anonymous online service that people could contribute to (the Xnet Mailbox for Citizen Leaks). Additionally, the activists launched a “political crowdfunding” campaign to finance judicial costs.

William Bourdon and **Amélie Lefebvre** build on more than 15 years of experience defending whistleblowers. In “A Long Way to Go for Whistleblowers”, Bourdon and Lefebvre sum up some of the key battles. The recognition of whistleblowers is primarily a question of protection, the authors write. Being seen as courageous informers is secondary. If the status of being a whistleblower does not afford them protection, they will be vulnerable. According to Bourdon and Lefebvre, it is imperative for a potential

whistleblower to consult with a technician such as a lawyer, in order to measure possible support from unions, associations or from the media. Journalists can support those who are about to blow the whistle by invoking the right to protect their sources. However, contacting journalists can in some cases run the risk of exposing whistleblowers to legal proceedings, the authors remind us.

Antoine Deltour is a former PricewaterhouseCoopers employee who provided information to French journalist Edouard Perrin. The so-called Lux Leaks scandal shed light on how Luxembourg had helped large corporations cut their global tax bills. It was the biggest leak of its kind until the Panama Papers. In “Whistleblowing on Luxembourg’s Tax Practices”, Deltour explains how the company had been logging everything that happened on their computer network. The company was thus able to find traces of Deltour’s copying two years after the events. He then had to emerge from anonymity. Numerous lawsuits and appeals later, the Luxembourg Supreme Court finally recognized the right to whistleblow according to the case law of the European Court of Human Rights. Deltour sees this as an “undeniable victory for the right to information”. However, he simultaneously fears that the length of his legal battle may deter other potential whistleblowers.

Raphaël Halet is the second former PricewaterhouseCoopers (PwC) employee who leaked information to the media. The first round of the Lux Leaks scandal erupted in 2012 (see above). At the time, Halet worked in a strategic department and had access to all tax documents created by PwC for their clients. Watching a documentary based on the first leak, Halet realized that the “documents presented as proof of tax evasion are the documents I handle every day. Now they are like fire in my hands.” If he did nothing, he would be complicit in the system of tax evasion; if he reacted, he would put his future at risk. “I cannot continue without doing anything,” Halet writes in “Being a Whistleblower”. However, when Deltour was acquitted in 2018, the court upheld the conviction of Halet. Halet did not meet the whistleblower criteria. Nevertheless, Halet writes, “Thanks to my revelations, the European Commission found that

Luxembourg gave illegal tax benefits to Amazon worth around €250 million. Apple (€13 billion), Ikea (€1billion) and dozens of companies are also being sued by Margrethe Vestager (the European Commissioner for Competition).”

Frian Aarsnes draws on nearly 30 years of experience in auditing extractive industries, as well as international consulting, and asks: “What Tools Can States Use When Faced with Systematic Tax Avoidance?” According to Aarsnes, states seemed unable to handle the issues arising from the behavior of multinational companies. The chapter presents tools that can be used unilaterally by states to reduce tax avoidance to a minimum. “Put simply, if states individually or collectively use the toolbox, they can handle almost all the issues in international taxation identified today,” Aarsnes writes.

Part II – Academic Perspectives

In “Combating Corruption: Investigative Journalists on the Frontlines”, **Kalle Moene** and **Tina Søreide** seek to understand how investigative journalism contributes to controlling corruption. The authors are interested in what the disciplines of journalism and economics can learn from each other. Writing from the perspective of economics, Moene and Søreide find, “The more authoritarian leaders weaken integrity standards in governance, the more financial secrecy providers facilitate grand scale crime; and the more barriers there are for journalists who seek to disclose misdealing, the more important it is to join forces across countries and across disciplines.”

“Investigative Journalism on Oil, Gas, Mining: Has Technology Made a Difference?” by **Anya Schiffrin** and **Ryan Powell** builds on existing literature and the authors’ extensive experience with global investigative journalism to discuss why investigative reporting on oil, mining and tax avoidance is thriving. Schiffrin and Powell find that “digital tools and data-driven reporting has helped journalists do a better job of holding governments and corporations to account”. Journalists now use big data

and data visualization to report and write powerful stories. Mobile and social media platforms make it easier to disseminate the work effectively.

Jenik Radon, Mahima Achuthan and **Nandini Ravichandran** explain the benefits of transparency through disclosure of the real or ultimate owners of a company (beneficial ownership) in their chapter, “Beneficial Ownership: Filing the Gap in Transparency and Accountability in the Extractive Industries and Improving Governance”. The authors argue that increased transparency helps reduce natural resource revenue leakages. Precious financial resources can instead be invested in public priorities such as education, healthcare and infrastructure. Additionally, transparency helps foster competition, reduces corruption and promotes fair business practices.

As the global economy becomes increasingly opaque, new forms of collaboration between journalists and civil society are emerging to protect democracy and the rule of law. In “It’s All in the Game: Journalism, Whistleblowing and Democracy Under the Rules of the Global Economy”, **Petter Slaatrem Titland** analyzes discussions of whistleblower protection in the EU and Norway in light of the Lux Leaks whistleblower–journalist collaboration and the internal whistleblower in the Telenor/VimpelCom corruption case. Titland calls for parliaments to update legislation affecting collaborative investigative journalism, and whistleblower protections in particular.

“What Is a Leak, Who Is a Whistleblower? An Evaluation Within the Scope of the *Cumhuriyet* Newspaper, Can Dündar and MİT Trucks Case,” written by **Dr. Behlül Çalışkan**, examines the famous MİT Trucks Case in Turkey. The former editor-in-chief of the center-left newspaper *Cumhuriyet* was later awarded prestigious international prizes for whistleblowing, and for the reporting on weapons shipments to Islamist fighters in Syria. In this chapter, however, Çalışkan questions the definition of the MİT Trucks scandal as a “whistleblowing leak” that “served the public interest in terms of its revelations, the identities of its sources, its wider political entanglements, and the timing of its emergence into the public domain”.

Elisabeth Eide continues the examination of the journalist–whistleblower relationship in “Chilling Effects on Free Expression: Surveillance, Threats and Harassment”. According to Eide, whistleblower Edward Snowden played a pivotal role in helping investigative journalism expose modern global surveillance. Her chapter addresses global surveillance and presents examples of how it deters public intellectuals and other citizens from voicing their opinions in the public sphere. In addition, the chapter discusses consequences for the future of investigative journalism.

“Reporting on Unfinished Business: Emerging Digital Media and Investigative Journalism in Guatemala”, by **Ingrid Fadnes**, takes the reader back to Guatemala (see also Rodrigo Véliz). Fadnes calls for more knowledge of specific local and national contexts in order to develop manuals for in-depth journalism. Fadnes is particularly concerned about safety and security issues. Cross-border reporting on links between national political elites and illicit financial flows increases the risk of attacks on journalists. However, little research has been done on the safety and security risks of partners in countries, for instance in Latin America, when they participate in global collaborative investigative journalism.

In “‘What someone wants kept in the dark.’ An Analysis of the Norwegian Panama Papers Coverage”, **Birgitte Kjos Fonn** asks whether the Panama Papers investigation contributed to influencing public understanding. Did the revelations raise public awareness in relation to transparency? Fonn sees leaks as valuable journalistic tools, and international cooperation in deciphering the contents of the leaks as essential. However, leaks are not enough, Fonn writes. “To make the system transparent, journalists have to monitor law-making and international cooperation (and the lack of such) also in between ‘the great leaks.’”

“Making Sense of Overwhelming Flows of Financial Data”, by **Mona Thowsen** and **Roy Krøvel**, asks what journalism educators can learn from investigative journalists working on revelations such as the Panama Papers, Paradise Papers, Lux Leaks and Swiss Leaks. Can this type of cross-border cooperation help prepare journalism educators for a future

in which money increasingly flows across borders? The authors argue that educators need to provide students with at least a basic understanding of core economic and financial concepts. At the same time, building on qualitative interviews with journalists around the world working on stories connected to illicit financial flows, corruption and tax havens, Thowsen and Krøvel find that investigative journalists demonstrate a considerable capacity for collective, self-organized learning while they investigate and together solve problems as they arise.