

Expatriates in Global Wealth Chains

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Introduction: The everyday of the offshore world

The offshore world is commonly conceived as a place for banks and the global elite to hide their money (Palan, Murphy, and Chavagneux, 2010; Shaxson 2012). This depiction of offshore is accurate inasmuch as the key activities of offshore jurisdictions, or secrecy jurisdictions, is to assist the very wealthy, banks, and corporations. A central component of the STEAL Project at NUPI has been to provide a typology of the various forms in which this takes place through “Global Wealth Chains”, adopting market, modular, relational, captive and hierarchy types of governance (Seabrooke and Wigan 2014a; Seabrooke and Wigan 2014b). Most of these types of wealth chains originate from entities that have significant amounts of capital to invest, with the aim of tax avoidance or tax evasion. With this in mind it is tempting to view the offshore world as a consequence of structural dynamics of the international political economy, and where only corporations and global elites have agency.

Yet, as we suggest here, there is also an everyday side to the offshore world, whereby particular segments of a transnationally mobile population are encouraged to use offshore finance as their primary way of handling their financial affairs. This population are not the corporate and political barons one may imagine. Rather, the targeted population are expatriate “mass affluents”, those who can move between domestic fiscal jurisdictions and who can avoid and possibly evade higher taxes through the use of offshore services provided by large international banks offering services via what we identify as a modular global wealth chain. This population is wealthy enough for financial institutions to be encouraged to help them minimize tax liabilities, but not sufficiently wealthy to enlist, or afford, their own autonomous trustees and wealth managers (see Harrington 2012). Instead the expatriate mass affluent choose different forms of offshore products via a bespoke financial products.

This everyday offshore market does not simply operate according to rational incentives from those seeking to mini-

mize their tax liabilities. Drawing on the literature on the everyday in the international relations (Aitken 2007; Langley 2008; Paterson 2007; Seabrooke 2006; Kessler and Guillaume 2012) we suggest that “everyday offshore” presents an “imagined future” to expatriates alongside market devices that promote stability and certainty.

Below we sketch out a way in which financial institutions operating modular wealth chains aimed at the expatriate mass affluent propagate notions of security and autonomy by supplying offshore financial products while placing the responsibility for the client’s regulatory liabilities firmly in the client’s court with a “don’t ask, don’t tell” attitude. While the financial institutions may be legally bound to do so, this nevertheless contributes to make these bespoke products more attractive to clients seeking to evade domestic taxation. These particular conceptions of how the economy should work are at odds with most of the work on everyday politics and everyday life and financialization, which takes a domestic focus (Langley 2008; Seabrooke 2006). Furthermore, these modular wealth chains do not operate in the shadows of the offshore world, as faceless shell companies, but under active scrutiny from regulators.

Offshore and the Mass Affluent

Drawing on the study by Zsuzsana Vargha (2011), where she identifies that economic calculations and actions, just as the financial product itself, appear through the interaction taking place through the advising process, we approach offshore banking services offered to expats through the marketing of these products and the questions expats may have when seeking to invest. Accessing data on how individuals enter in contact with financial institutions providing offshore services is a difficult matter. Not only are these relations confidential, but it goes without saying that as the aim of these arrangements is generally to invest in jurisdictions with less transparency than the home jurisdiction.

Our research procedure and scope are therefore bound to be of a more exploratory character. The added difficulty with the

topic is that while tax evasion is illegal in most jurisdictions, placing capital offshore is not illegal in itself: While the ICIJ data offers insight as to investors in offshore, it does little to tell us whether these funds have been declared to national tax authorities. As a case in point, many newspapers have sought to investigate people named in the ICIJ data without making major headlines. In the case of Norway, the online financial newspaper e24.no sought to investigate the data creating more headlines than content. For instance, under the headline “Norwegians in tax heavens” (*Nordmenn i skatteparadis*) (E24 2013), there was no evidence of illegal activity. All the individuals who had been interviewed reported to have declared the funds to Norwegian tax authorities. There is thus little more information to be gained from those data for our present purposes. Using ICIJ data is therefore difficult for our present purposes, which is to identify and understand the use of offshore banking by “ordinary taxpayers.”

Understanding the Everyday Offshore Market

In order to gain information about how these products are marketed and how individuals come into contact with them, we have tried to retrace steps a soon-to-be expat would hypothetically take. It is reasonable today to expect that such a process would involve searching for financial solutions online. One can imagine that today, someone planning to move abroad and in need of a new financial institution would search for precisely that online: “banking” “abroad”. Out of the ten results displayed by Google, three link to HSBC. When seeking out the search terms “expat” and “banking” on Google, one is met with both ads and links. The ads are the following titles (with organizations in parentheses): HSBC Expat Banking (HSBC), Bank Globally with Citi™ (Citibank, Singapore), Expat Banking – Free Report (Offshoresavingsdesigner.com), Offshore Banking Expat (Ocara), Open Offshore account online (Bredersuasso), Anonymous offshore bank (offshore-bank-account.eu), Offshore Bank Accounts(myoffshoreaccounts.com), Offshore Ready-Made Co (formationshouse.com), Offshore Selskap (lpoffshore.com), Belize Offshore Banking (incorporatebelize.com)

These ads tell us something about what is being marketed to whom. Expats seeking out banking solutions (or, for that matter, potential future expats seeking out possible financial solutions) are the target both of tailored financial solutions – HSBC Expat, Citibank – but also of anonymous offshore accounts, including banking services in tax havens such as Belize. The links that appear from such a search are fairly similar, with HSBC and Barclays at the top. From a series of related searches, the most visible actors are HSBC Expat, Barclays Wealth, and Standard Bank. While these actors do not necessarily represent the most important providers of financial services to expats, one can assume on the basis of our procedure that they are central in framing the understanding of these services, as they are likely to be some of the first actors a potential investor encounters when searching for providers. In seeking out to understand the marketing underlying these services, and thus also how these products are tailored in the encounter between financial services provider and customer,

HSBC Expat offers the most fruitful case for an exploratory study, as it the website which has the strongest presence on our internet searches. The HSBC website also offers a host of material, which is integrated with services of other actors (e.g. Ernst and Young, editorial collaboration with the Guardian). Their website also offers a series of resources for expats, helping them organize expat life well beyond financial needs.

HSBC Expat: A Case Illustration

Formerly HSBC International, HSBC Expat is a banking corporation devoted to the needs of expats. The operation is heavily marketed on the internet, including through the daily press who often refer to the bank’s annual Expat Explorer Survey (www.expateexplorer.hsbc.com, see HSBC 2009; 2010), where the HSBC ranks the “best country for expats” every year. This ensures that expats or potential expats will visit their website, and in the process get acquainted with the financial services offered by the bank. The HSBC website offers a fairly complete and complex web of information and gives us a chance to understand the mechanisms through which expats enter into offshore banking – and, perhaps, why. The promise of HSBC Expat is simple: “remove the complexity from managing your money” (HSBC 2014a)

Throughout the HSBC Expat website, we encounter descriptions and depictions of successful expat life: “Expats life is great, especially from a financial point of view.” (HSBC 2010) Throughout both the website and the material available through it, expat living is idealized in an exotic way as the stressless, successful life. The illustrations throughout the website suggest that banking is something the expat does in a hassle-free manner in the middle of exotic, breathtaking landscapes and views. This exotic depiction of living and working abroad can be found throughout HSBC’s material, including material found on The Guardian’s connected website, which collaborates with HSBC Expat, and which figures in The Guardian’s lifestyle (sic.) section. Illustrations are accompanied by text which work construct an easy-going, hassle-free and affluent expat life: The expat life can be “incredibly rounded”, it is a “great opportunity to earn more money”, it is “a life changing experience”, which “can provide expats with greater financial rewards and new career opportunities”. Yet, throughout the material, the expat is made aware of potential issues of concern standing in between her and the idealized, exotic expat life. Those obstacles are generally explained to be the greater complexity arising from new financial needs and regulations, and solved through the seamlessly streamlined products HSBC offers.

For the narrative of the HSBC Expat is as simple as it is catchy. At every stage of the “expat experience”, HSBC is the solution to living the good expat life. The starting point of every narrative about expat living (on introductory videos and information material) is that it involves a chaotic degree of complexity compared to home living: Throughout the material, HSBC Expat becomes the gateway to the perfect, seamless, exotic expat life. The solution to deciphering local customs, the solution to being able to afford good schooling, and the solution to fitting in socially.

For at every stage of the journey, managing wealth is the main barrier between life at home and the good (expat) life, to which HSBC Expat is the solution: “Moving from country to country should be an exciting, life changing experience; but local financial practices and tax systems can be confusing, and it’s really important you understand what this means for you.” Or as stated on their website in a section on taxes: “Expats often find that when they move abroad their tax situation can become more complicated, so it’s important to seek expert financial advice on exactly what your tax obligations are and how managing your savings and investments offshore could help you benefit from potential tax efficiencies.”

Thus, HSBC simplifies all phases and financial complexities into streamlined accounts and simple, sober, video presentations. These are meant for all phases of expat life – even after returning home: “Moving back home: Going home. Back to family, friends and all those little things you missed while you’ve been away. It’s an exciting time. But there are a lot of things you need to organise – including your finances.”

These quotes are worth noting, as they illustrate the general narrative of selling financial services to expats. To back their claim, as mentioned above, the bank’s website offers a host of information about every aspect of expat living. This is often done in collaboration with other reputable actors. Examples of this may be the “Global Tax Navigator. In association with Ernst & Young,” (HSBC 2014b) or the “Expatriate guide to money management. In association with the Guardian.” (HSBC 2014c). On the latter, HSBC informs that “Tax is never far from the minds of most expats, making it an essential part of money management. Along with a sunny climate and a good quality of life, the benefit of paying less tax on earnings (or even no tax, in the case of countries such as Dubai) can be a key reason for choosing a new country.”

Imagining Offshore Banking

There is no necessary link between living in another country than one’s home country and having an offshore account. Yet, the solution championed by HSBC Expat in the guide issued in collaboration with the Guardian is “holding your savings and investments offshore” which in turn “allows you to manage the repatriation of your wealth tax efficiently on your return to your home country.” However, as the bank cites David Kilshaw, chair of KPMG UK, “When coming back, make sure that you’re not rolling up future [tax] problems.”

The answer HSBC provides potential expats is that living abroad involves more than opening a local bank account for handling salary, groceries and paying for school. Throughout the website, HSBC discursively and visually links expatriate living to offshore banking. To be sure, these two do not have to be linked. Most people living abroad, ostensibly, manage with two bank accounts: one in the home country and one in the host country. To get the most out of living abroad, HSBC markets the “expat experience” by linking it to offshore banking (“Your money stays in one location.”). By linking offshore

discursively to the “expat experience” HSBC normalizes offshore banking thereby making it not only a natural part of being an expatriate, but also a necessary one.

Conclusion: Evading the Tax Question?

Taxation does not figure prominently in the information material for expats, except for a link to “Understanding tax”. When clicking the link, the potential expat investor is met with “we do not provide tax advice and recommend you obtain professional advice from a tax advisor.”

From a marketing perspective, this warning is of special importance, especially since it is repeated throughout HSBC Expat’s material. But paradoxically, the warning which limits the bank’s liability – and which the financial institution may be legally bound to make – may also work towards making the product sold more attractive. In fact, what the warning advertises is full confidentiality and non-disclosure. Taxation is one of the advantages of expat living, as the bank explains in one of their videos, by moving accounts to HSBC expat, there are taxes to be saved: “By banking offshore you may be able to manage your savings and investments to take advantage of any potential tax efficiencies.” (HSBC 2014c)

The “Understanding Expat Tax” video presented on HSBC-E is telling. The “exciting” aspect of moving abroad is set up against the hassle of “local financial practices and tax systems.” Watching the video with the express aim of understanding how taxes are made more “efficient” gives few answers. However, it is made clear throughout that: “it is your responsibility to notify the appropriate tax authorities” (emphasis added) (HSBC 2014d).

Through the marketing material found on banks’ websites, there is no direct explicit connection between offshore/ expat banking and tax evasion. While most of the websites are full of references to potential “tax efficiency”, the products marketed – at least on the websites of serious established institutions such as HSBC, Lloyds, and Barclays – have no direct reference to tax evasion, secrecy, or confidentiality. Yet, a leak of account details of some of the bank’s 8000 customers in 2012 opened for speculation as to the nature of these accounts and whether they could be linked to tax evasion or laundering (Financial Times 2012). Similarly, HSBC’s US operation came under serious scrutiny and criticism by a US Senate Committee.

But as one is reminded of throughout HSBC Expat’s videos, “Remember, moving from country to country should be an exciting, life changing experience.” Throughout its material, HSBC Expat trivializes offshore banking through both cartoons, lifestyle articles, and the “hassle” it helps avoid. In doing so, offshore banking becomes intrinsically linked to the “expat experience” and the connection between the two achieves a taken-for-granted status. This normalization of offshore, combined with the marketing of offshore banking as the key to unlocking the true expat experience, trivializes questions of taxation, rights and duties. By emphasizing that

the bank will not disclose anything to the authorities as this is the duty of the customer, a confidential secure offshore account becomes not only within reach of most expats, but becomes a condition of possibility of their exotic dream.

Funding

Research for this brief was supported by the 'STEAL – Systems of Tax Evasion and Laundering' (#212210/H30-STEAL) funded by the Norwegian Research Council's NORGLOBAL Programme.

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