

January 2009

HOME


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 GCSL - We are here to CONSULT and Serve You!


JACK'S CORNER

Is Jack a "Bon Vivant" or, loosely translated, a person who enjoys life? Funny that as I always thought of myself as an intensely thoughtful person, but a colleague mentioned with a smile that I am a Bon Vivant. OkeyDokey, I can live with that classification....as long as I can still enjoy The Noble Grape while wondering why people fail to appreciate Spinoza's exposition on "rational love" or why people have an irrational belief that science is anything more than a fancy religion!!!

And so it goes...

It was great to return to Hong Kong in December where I kicked off the season's festivities with a Red Wine Friday Lunch that extended to early morning snacks somewhere in Hong Kong. Thanks David (www.horizon-cellar.com)...your efforts are well-appreciated.

On Saturday, Marina and I traveled back to our youth with a weekend in Disneyland Hong Kong. I proposed to Marina at Disneyland Orlando so the place holds special meaning...or something like that. Hong Kong's version of the Happiest Celebration on Earth is unique in that not only do you see lilliputians smiling from ear-to-ear, but 80 year old Mainlanders giggling like this was the first day of their lives, which it just might be given the difficulties they would have endured in the early years of post-1949 China.



Tuesday saw the GCSL Group and GCSL Hong Kong hosting a Wild Wine Cocktail at Crown Wine Cellars (www.crownwinecellars.com) with 50 friends, colleagues and clients...not to mention the greater number of bottles imbibed by the revelers until Greg's great staff pointed out the event ended at 9pm...not 12 Midnight!!!



Shiva of Mandarin Oriental Regional fame, Martyn of my early years in Hong Kong, Veronica of Standard Chartered Bank SME cocktails, Michael of the hallowed halls of Baker & McKenzie, Marina of J&M BBQ excellence, Margaret of HSBC SME cocktails, Harlan of Tuscany by H with Dave, Bob and Guy and the grand finale GCSL Group and GCSL Hong Kong Christmas Dinner made for, well, two tough, but very fun weeks before departing on my annual pilgrimage to see Mom, Grandmom, the siblings and their lilliputians.



In between, I met Chris Watts of Stretch Asia (www.stretchasia.com) and was introduced to Active Isolated Stretching. Yes, folks, Chris actively stretches you from A to Z and isolates those areas that need more work. Give it a shot if you want to learn about why after 40 some years you still can't walk standing up straight!!!

Towards the end of the month, I received an interesting email from a colleague in the USA who several years ago asked me "Why would anyone invest in the Hong Kong markets? What level of over-sight and due diligence took place?" He reminded me in the email that I opined back then that the over-sight and due diligence was equal to or greater than the USA. He then sent me a link to a recent Tom Friedman piece from which I have borrowed the following paragraph:

"What do you call giving a worker who makes only US\$14,000 a year a nothing-down and nothing-to-pay-for-two-years mortgage to buy a US\$750,000 home, and then bundling that mortgage with 100 others into bonds — which Moody's or Standard & Poor's rate AAA — and then selling them to banks and pension funds the world over? That is what our financial industry was doing. If that isn't a pyramid scheme, what is?"

Not a big fan of the author, but, well, that sums up the institutionalized corruption endemic in the USA for more than two decades...and I doubt very seriously "Mr. Change" with all the same architects of that system working for him come next January will find it in his interest to seek another path.

Onwards and upwards...plan, protect and preserve in 2009!!!



GCSL NEWS

GCSL BELIZE AND GCSL SINGAPORE ON THE MOVE!

Please note the following changes:

GCSL Belize

35 New Road,
Belize City
Belize, C.A.

GCSL Singapore

6 Eu Tong Sen Street
#10-14 Soho 1
Soho@Central
Singapore 059817

Telephone, facsimile and emails all remain the same! C'mon over and visit the kids and see the new digs!!!



AOA

AOA BANGKOK, MARCH 22 – 24, 2009: The stage is set for a most excellent conference – Thai style – at **The Oriental** (www.mandarinoriental.com/bangkok). Our first night extravaganza will be held at the Rim Thai riverside restaurant at The Oriental. Executive Committee Member, **Michael Doyle, Partner, Seri Manop & Doyle** (www.serimanop.com) will update delegates on the latest Thailand business law issues facing foreign investors. Closely following on Mike's comments will be Global Advisory Committee Member, **Gabor Szabo, Partner, Dr. Gabor Szabo & Partners** (www.offshorg.com) discussing some of the cutting edge European tax issues. **Patrick Trainor, General Manager, Asiatic Trust** (www.asiaticiti.com) will discuss the new LLC legislation in the Cook Islands and mutual funds legislation in Samoa. Our second night fun will include a riverboat cruise. On Tuesday, we will learn about global intellectual property issues from **Franck Fougere, Director, Vidon & Partners (Thailand)** (www.vidon.com). **Howard Fisher, Partner, The Law Offices of Howard S. Fisher** (www.howardsfisher.com) will

parachute into Bangkok from Beverly Hills to enlighten delegates regarding pressing international tax issues. Executive Committee Member, **Peter Tay, Director, Mossack & Fonseca Singapore** (www.mossfon.com) will address the latest developments in private wealth in Malaysia, Singapore and Indonesia. Our last speaker, **Kevin Whitcraft, Director, The RMA Asia Group of Companies** (www.rmasia.net), will offer some unique insights of a foreigner working, doing business in and basically living the life in IndoChina. C'mon over to The Big Mango for a wonderful event at The Oriental.

AOA BEIJING, OCTOBER 11 - 13, 2009: The AOA will seek to rival the Olympics...well, not really...when we parachute into Beijing for smorgasbord of China business intelligence at the brand-spanking new, ultra-modern Mandarin Oriental (www.mandarinoriental.com/beijing).

AOA / THOMAS JEFFERSON SCHOOL OF LAW FINANCIAL INSTRUMENTS WWW COURSE

The AOA is please to offer its member a Financial Instruments Web Course featuring [Thomas Jefferson School of Law Graduate Program](#) Professor [Stephen Polak](#).

Professor Stephen Polak, CPA, has spent the last 20 years with the U.S. Department of the Treasury - Internal Revenue Service. Currently he is assigned to a LMSB Financial Products group as a "Financial Products and Transaction Examiner" where he is responsible for the examinations of Financial Products used by Multi National Entities. He is a licensed Certified Public Account, Insurance/Annuity Producer, and Stock Broker/Registered Investment Advisor (NASD/FINRA Series 7 and 66).

Upon course payment (**required by January 8th**), you will be enrolled in an online Orientation course.

An Orientation live lecture will be given January 14th (repeated live the 16th and 18th) whereas the **Financial Instruments** course begins **January 19th and ends April 30th**.

Please contact ron@asiaoffshore.org for the Registration Form.



GREATER CHINA UPDATE

CHINA MAKING FRIENDS AND INFLUENCING TAIWANESE MINDS

China recently offered US\$19 billion in loans to Taiwan companies operating on the mainland. In addition, China is purchasing US\$2 billion of flat-panel displays from Taiwan manufacturers.

SURVEY OF CHINA PUNTERS IS, WELL, REVEALING

SINA, China's largest online portal, and China Securities Journal, which is published by the Chinese Government's Xinhua News Agency, recently published the following results of an online survey about investors in the mainland stock markets:

- 83% reported losses.
- More than 75% invest in only two to five stocks while 11% invest in only one stock.
- 26% hold stocks for more than twelve months while nearly 5% hold no longer than one week.
- 42% do fundamental analysis, 21% do technical analysis, 17% invest based on government policies while 20% rely upon hot stock tips to make investments.

*Contributed by Johnson Chien, Managing Director, GCSL Shanghai
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NEW TRANSFER PRICING LAWS IN CHINA

Transfer pricing in China is governed by Article 13 of the Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises, and Article 24 of the Law Concerning the Administration Tax Collection. Since this legislation was first introduced in 1991, a time when China was attempting to lure as many foreign investments into China, the regulations have been further tightened through the State Administration of Taxation ("SAT") issuing a series of rulings (Guoshuifa 国税法). Through these regulations, the People's Republic of China ("PRC") government has adopted international practices to govern transfer pricing based on comparable uncontrolled transaction principles, such as the OECD and USA methodologies. Using these as guides, PRC regulations stipulate that inter-company transactions, and transactions between "associated entities" should be priced using "arm's length principles".

The test of "association" between entities is based on control and ownership. Once entities are regarded as being "associated", the firm must classify all related inter-entity transactions and account for them according to the "arm's length transaction" principle. This applies to tangible assets, intangible assets and inter-company service transactions.

On December 16, 2008, the SAT published Guoshuifa [2008] No. 114. These are the related party transaction forms required of taxpayers as a part of the annual corporate income tax filing due on or before May 31. In addition to a cover sheet identifying the taxpayer by Name of Taxpayer (Company Seal), taxpayer identification number, legal representative, contact number and filing date, the reporting forms include:

1. Associated Entities (related parties)
Eight different types are listed: share ownership, debt, shared management, shared directors, business operations dependency, captive goods and services flows, and other based upon effective control.
2. Associated Entity Transactions (related party transactions)
Taxpayer will be asked to quantify the amount in RMB of transactions in sales of materials (products), purchase of products (material), income from provision of services, expenses for the receipt of services, transfer in of intangibles, transfer out of intangibles, transfer in of fixed assets, transfer out of fixed assets, interest income from lending, interest expense from borrowing, and others.
3. Sales and Purchases
Taxpayer is required to declare the transfer pricing method applied to associated entity transactions. The methods are comparable uncontrolled price, resale price, cost plus, transactional net margin, profit split and others.
4. Services
Taxpayer must quantify the services transactions where it is a service provider and/or service recipient. For transactions over 10 percent of service income, the overseas party must be specified. The transfer pricing method applied must also be specified.
5. Transfer of Intangible Assets
6. Transfer of Fixed Assets
7. Financing
Taxpayer must declare an associated entity (related party) debt-to-equity ratio. The characteristics include the financed amount, interest rate, start/end date, interest expense/income, name of guarantor, guarantee fee, and guarantee fee percentage.

8. Outbound Investment
9. Outbound Payments

Taxpayer must quantify and characterize outbound payments made during the year, including those booked but not yet remitted. Type of offshore payments include dividends, interests, rental, royalties, asset transfer, commission, design fee, consulting fee, training fee, management service fee, contractor fee, construction and installation fee, performance fee, certification or testing fee, market spending, after sales service charges, and others.

The release of the associated entity transaction annual reporting forms is the first of two steps the SAT is expected to take before the end of the year. Clearly, China has stepped up to join its global trading partners in enforcing the arm's length principle for transfer pricing. One last note, all documentation has to be provided in Chinese. Documents in other languages may require an official translation plus legalization.

*Contributed by Stephen Tsih, Business Development Director – Greater China, The GCSL Group of Companies Limited.
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CRIME AND PUNISHMENT

Insider trading has a long and venerated history on the Chinese stock market. Back in the 1990s, the stock market was so plagued by retail investors scouting for so-called "insider tips" often scams that led to massive losses for the investors that authorities were forced to close down a slew of unethical trust and brokerage firms, crushing investor confidence and leading to an almost four year bear market.

During the most recent bull run, regulators were again forced to clamp down on illegal activities such as front running, known as "rat trading" in Chinese—whereby financial industry workers use insider information to trade shares before the public does, reaping illegal profits at the expense of small shareholders—and embezzlement by major shareholders of companies' assets.

But it wasn't until this August that China's top legislature pushed through an amendment to the nation's criminal law allowing those convicted of insider trading to be sentenced to up to 10 years in prison. This was a breakthrough as the first clear stipulation and guidelines for the recommended punishment of securities crimes. The new laws also set fines for securities crimes at five times the illegal gains derived from the insider dealings. On previous occasions, bogus traders had their illegal profits confiscated and paid an equal amount as punishment. Recent punishments for insider trading had been considered far too light to act as a deterrent for misconduct in any real way. In April, two Shanghai-based fund managers were convicted of front running and prohibited from entering the stock market. Yet they were fined just RMB 500,000 (approximately US\$73,000) each for their misconduct.

The effectiveness of the new law will largely depend on its implementation, and whether the stock watchdog will continue to ramp up efforts to battle insider dealings and stock-market manipulation. The China Securities Regulatory Commission earlier this year vowed to investigate financial crimes, joining hands with the country's law-enforcement ministries. But now more work needs to be done to coordinate different state agencies and provincial governments to facilitate the implementation of the new regulations. Besides amending the criminal law, legislators should also make significant changes to the civil law, to give investors who fall victim to insider trading a legal basis when seeking compensation for their losses.

Preventing financial crimes is always more important than dealing with their repercussions, and the stock regulator's recent push to improve market fundamentals should help in that regard. The China Securities Regulatory Commission passed regulations last month requiring stock houses to boost risk controls in underwriting IPOs, and asked them to be more accountable for the quality of the firms they sponsor. It also issued rules to limit the business scope of brokerages based on their capital strength.

The securities regulator must work more closely with the country's two stock exchanges to create a mature, real-time monitoring system of securities trading, which would help discover irregularities at a much earlier stage.

In the past few years, retail investors have filed several cases against big shareholders for embezzling the capital of listed firms, along with other securities crimes. But, because there is no legal system in place to gauge losses, many victims complained that the compensation they received was minimal.

Efforts are also needed from stock brokerages and fund houses, as well as other financial institutions, to boost risk controls and weed out the possible loopholes that could be targeted by financial criminals.

The markets next bull-run will hopefully be better than the past two years, but for this to happen, prices need to be based on market fundamentals not insider tips. Investors need to think of the market as a smart investment, not as a casino with stacked cards.

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A YOUNG TAIWANESE IN CHINA...WILL THE MAINLAND CONTINUE TO GROW?

It has been only a month since my arrival in Shanghai, and I am already feeling the excitement and challenges facing the China market today. 2008 was a very interesting year for all, especially for companies and service providers involved in the financial and real estate services industries. In addition, this year's economic crisis continues to deepen and broader far more than many of us initially imagined. As uncertainty continues to grow in response to the continuing stock market drops, credit market tightens, job losses, and many other negative effects, perhaps there are opportunities for companies and investors to reposition themselves well for the future. One thing that history teaches us is that economic downturns are never permanent. As 2008 comes to an end, 2009 becomes ever critical than ever for any business in terms of trying to survive this economic crisis.

Governments around the world continue to take active steps to minimize the impacts of this year's economic crisis. The Chinese government is no exception. As other major economic powers continue to keep its own economy on track and at the same time, they are all waiting to see what the Chinese government will do to solve their problems. As expected, China announced a RMB4 trillion (US\$586 billion) stimulus package, by far the largest in China's history.

The stimulus package proposed that funds shall be injected into ten target areas, including health care, education, low-income housing, environmental protection, technological innovation schemes, transport projects and infrastructure projects. Additionally, some of the funds will be used for reconstruction efforts in areas such as Sichuan province which was devastated by a major earthquake earlier this year.

Many wonder whether the Chinese government stimulus package will help to save the global economy? The hope is that increasing internal demand within the Chinese market will help to continue growth in China. It is expected that this stimulus package will contribute 16% to China's annual gross domestic product. It is expected that as the result of this announcement, the banks will loosen credit and business will begin to get long overdue capital in order to survive. It is believed that channeling of capital to small enterprises, rural areas and other priority projects will minimize the negative impact of the economic crisis.

I expect more government regulations as the government is very concerned about the potential for frivolous or unnecessary investments. Thus, both foreign and domestic enterprises in China will have to pay close attention to the expected constant change in regulations and policies and formulate necessary plans to deal with the same. The State Council made it clear that all investment must be rational and should target necessary projects. As such, it is expected that regulatory agencies will take a more active role in terms of ensuring compliance with the State Council's decree.

*Henry Chen, General Manager - Fiduciary Services, GCSL Shanghai.
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AMIDST DOWNTURN, SHARE BUYBACKS, PRIVATIZATION, AND A REGULATORY FIGHT

As the market continues to tumble, a number of Hong Kong companies – thirteen in all – have decided to buy low, repurchasing all of their ordinary shares from the public market. In unrelated news, former PCCW chairman and majority shareholder, Richard Li, is attempting to take the land line provider private. The company is currently owned by Li, a Mainland company and a wide range of minority investors including both institutions and individuals. There has been a great deal of controversy surrounding the company since Mr. Li bought the Cable & Wireless Arm during the Asia tech boom and the move to privatize is no exception. Although Li and his investment company have offered a premium on the current price, many minority investors are not satisfied, given that at its peak the stock was worth far more. Regardless of the outcome of the PCCW deal, it would seem that the financial brass in Hong Kong are looking past the gloomy horizon to a time when public offerings will be again attractive or valuations will be based more in asset value than stock price.

On the regulatory front, and alongside the many banking and financial services scandals – think Lehman Brothers mini-bond fiasco – tycoons and directors of Hong Kong's public listed companies are crying foul. The Hong Kong Stock Exchange Listing Committee had passed a rule, to take affect at the beginning of the year, extending the blackout period in which a director could trade in the shares of his own company. Under the previous regime, the blackout period was a month prior to the release of earning announcements. Many shareholder advocates believed the period far too short and allowed directors the equivalent of an insider trader's advantage. The new rule extends the proposed blackout period to seven months prior to announcements. Criticism from the financial community has compelled the Listing Committee to push back implementation of the rule until 1 April 2009, but the committee insists it is not backing down.

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SINGAPORE UPDATE

THE CHEAP AND CHEERFUL

In these tumultuous times, when all belts tighten, every bit of good news counts. With inflation and fluctuating exchange rates, Singapore jumped all of 27 places up the global rankings of the world's most expensive cities to live in. This climb is also partially attributable to the reason that her regional rivals have seen costs balloon far more astronomically.

Even as Singapore jumped up to 95th place worldwide, her Asian ranking rose just one notch up to 12th place – with consumer goods here about 15% cheaper than in Hong Kong, according to findings by human resources firm ECA international.

These goods, which include food items and services, are also 68% cheaper here than in Tokyo, while Beijing is now three times more expensive than Singapore, compared to last year.

Will all this make Singapore a more attractive option for expatriates and international companies setting up base here? ECA International Asia and the Singapore International Chamber of Commerce seem to think so as it predicts costs will not become cheaper, but equally will not increase.

This could take six to eight months to happen, as companies would need to assess their financial position before focusing on Asia's domestic market. For now, rising costs would spell bad news for expat as companies are reportedly giving out less generous remuneration packages.

The ranking was compiled using surveys done in March and September and using November exchange rates over 370 territories.

Most Expensive City	Asian Ranking	Global Ranking
Tokyo*	1	2
Beijing	5	31
Hong Kong	6	33
Taipei	8	76
Seoul	11	90
Singapore	12	95

***The top four Asian cities are all in Japan**

*Contributed by Lawrence Fong, Managing Director, GCSL Singapore
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INTERNATIONAL UPDATE

KYC AND THE CON

For anyone who believes 9-11 imposed due diligence and KYC in the offshore industry is the be-all-and-end-all, I ask the billion dollar question to put a quiver in all our backsides:

Would you have accepted Bernie Madoff as a client?

Passport - check
 Address proof - check
 Professional standing - check
 Bank reference letters - check
 Former Chairman of the NYSE - check
 Access to incredibly wealth contacts - check Does charity work - check

Would a Regulator in an offshore jurisdiction have accepted Madoff as a "fit and proper person"?

BUT

With all the budget to due diligence his "investing" methods, how come none of his extremely wealth and sophisticated onshore clients and their lawyers and advisors spotted the scam he was pulling?

For if with all the powers and budget on earth that the IRS and SEC has and they didn't catch Madoff all those years, what chances have we?

And so will unfold no doubt an amazing tale of celebrity investors, a made-for-TV movie and a prison cell for Madoff and his accomplices.

Only in America.

Pictures at 10.

And the US think that regulating the offshore world is a priority!

Try looking in their own Mirror on the Wall St first.

*Contributed by Cathy Odgers, Group Legal Counsel and Compliance Officer, The GCSL Group of Companies Limited.
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USA RECESSION LEADS TO NEW DEFINITION OF ASSET PROTECTION PLANNING

On December 1, 2008, it was announced that it is official that the USA is in a recession and that the recession began December 2007. On December 2, 2008, the Wall Street Journal included an article, at page 1, titled "Fed Signals More Action as Slump Drags On," stating in the first paragraph that "the National Bureau of Economic Research said Monday that America entered recession in December 2007."

Notwithstanding the credit-induced boom in real estate and other areas and notwithstanding that the dollar is devalued from inflation (creation of money out of thin air), capital has not disappeared. The various assets were driven to an illusory higher value due to cheap credit with the result that credit-induced valuation is now spiraling downward due to the liquidation of malinvestments (investments that should not have been made). Capital has not disappeared but has been relocated.

The question is what to do? Assets must be protected in the current international debt crisis. Asset protection planning continues to mean positioning assets to avoid loss with respect to future litigation, but the focus of asset protection now is on protecting investable cash or assets. People have come to realize that if assets are not protected, they can lose substantial value because of the liquidation of the illusory values caused by the credit-induced boom or from the continuing deflationary period we are now in, followed by the future consequences of inflation (creation of money out of thin air), which is a general rise in prices and the loss of purchasing power. Before discussing what can be done, let's look at some aspects of the mindset and experience of many people in the USA.

In so doing, we must acknowledge eight painful financial truths. First, most of us in the USA grew up paying no attention to any currency other than the dollar. The dollar was king and everyone wanted the dollar as the universally accepted currency. Second, the dollar is no longer king and the USA is the largest debtor nation in the world, particularly to our biggest creditor, China. Third, most USA banks, brokerage firms and financial institutions also have grown up holding all investments in U.S. dollars and have no background, knowledge or experience in foreign currencies. Fourth, most USA banks, brokerage firms and financial institutions only allow pre-packaged and approved products to be sold by their representatives/employees, leaving little agility and ability to innovate or think globally by the representatives who work with these institutions. Fifth, these traditional pre-packaged products have failed to meet the needs of the current international debt crisis. Sixth, many banks and financial institutions in the USA may not be positioned or managed so that global decisions can be implemented quickly. Seventh, many banks and financial institutions in the USA may not be positioned or managed so that global decisions can be implemented quickly. Eighth, many banks and financial institutions in the USA cannot have the knowledge or experience to select recommended foreign currencies and treasury bills while waiting for asset values to be established so that investments into the market can be made

In answering the question of what to do with respect to protecting assets, the first requirement for banks and asset management firms is the same as for law firms engaged in helping clients protect their assets. Private banking departments and asset management firms must be agile, innovative and have an understanding and history of working with world markets and numerous currencies around the world. With the credit debacle dethroning the dollar, fiscal agility on the world stage is the new king.

*Contributed by Richard Duke, Senior Partner, Duke Law Firm, PC, Birmingham, Alabama
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FBAR UPDATE

USA taxpayers, who have control over foreign bank or other financial accounts in excess of US\$10,000, are required to file Form TDF-90.22-1 to report the details of such foreign financial accounts. Commencing January 1, 2009, Treasury will require the use of a revised Form TDF-9.22-1 (the "FBAR"), and this new form significantly expands the definition of persons required to report foreign bank and financial accounts. Disclosure is now a priority concern of the IRS and other Federal agencies.

A "United States Person" will now not only include USA citizens and residents, but also foreign persons "in and doing business in the USA." Heretofore, a foreign person physically present in the USA for less than 180 days, or not a USA resident by treaty, was exempt from FBAR requirements. This expansion to foreigners seems overly broad, and I believe further regulations or guidance will be required to clarify a foreigner's obligations. The new Form also requires reporting of a foreign trust by a USA beneficiary with a "greater than 50% beneficial interest" in the trust.

Furthermore, reporting is required by the creator of a Trust if a "Trust Protector" has been appointed. Apparently, the Trust Protector, who has authority to influence or control or replace a Trustee, need not be a USA person. While the language of the FBAR seems unambiguous, one must wonder if it should apply, for example, to a Protector who may not appoint a USA Trustee. A USA Trustor of a foreign Trust is always required to report the Trust on form 3520.

The term "financial accounts" is broad and includes foreign bank accounts, securities accounts, time deposits, and any other form of financial account over which the USA person has actual or constructive control. Financial accounts, for FBAR purposes, clearly now include the cash surrender value of a foreign life insurance policy if the cash value can be withdrawn at a later time. It remains unclear if FBAR reporting is required if cash value cannot be withdrawn for a number of years without penalties. However, prudence would dictate that the FBAR form be filed. Ownership of foreign real estate does not of itself require FBAR reporting.

It should be noted that the FBAR form is for disclosure purposes only and only on accounts in excess of US\$10,000 at any time during a tax year. USA taxpayers may maintain accounts, business entities, and insurance policies anywhere in the world, excepting bank accounts in certain embargoed countries.

The penalties for failing to timely file the FBAR form can result in both criminal and civil penalties. No penalty will be assessed if there is "reasonable cause" for not filing, but this exception will no doubt be narrowly applied. Voluntarily filing for at least six years, before the IRS makes a demand, should avoid penalties. The IRS does not currently have a voluntary disclosure program, but most commentators agree that voluntary disclosure should avoid further IRS action.

For a "willful failure to file", the civil penalty can be the higher of US\$100,000 or 50% of the amount in the foreign account at the time of the violation. It is unclear how this civil penalty will be applied over a number of years of willful failure to file. Criminal penalties including jail can be imposed, most likely in egregious cases. Non-willful failure to file can incur a US\$10,000 penalty for each violation of annual filing.

The deadline for filing the FBAR is June 30, and a tax return, Form 1040, also requires that a box be checked to indicate a foreign account.

*Contributed by Stephen A. Malley, Law Offices of Stephen A. Malley, Los Angeles, California.
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LIECHTENSTEIN STILL STRONG

When reading the newspapers in Liechtenstein and in some European countries one will find not only articles about the turmoil in the financial markets but also that Liechtenstein has signed a tax information exchange agreement ("TIEA") with the USA and is negotiating a fraud treaty with the European Union ("EU"). The question arises whether Liechtenstein will no longer be a suitable jurisdiction for clients looking for legal privacy. Maybe surprisingly for some I disagree. But let us first look briefly at those agreements.

TIEA with the USA

The TIEA with the USA will not include an automatic tax information exchange. It rather foresees that the USA tax authorities for example can ask for tax information provided they substantiate and specify their case and reasoning for the enquiry. The applying party has to show that all reasonable measures have been undertaken in the USA to obtain the required information. It explicitly states that "John Doe enquiries" i.e. so-called fishing expeditions are not allowed. Additionally Liechtenstein has had a legal assistance treaty already with the USA and the statistics show that Liechtenstein has asked the US for assistance many times more than vice versa.

In any case we are very relaxed about this agreement as we have had a company policy not to accept USA tax payers if they are not prepared to work with USA tax experts and act according to their tax laws and regulations.

Fraud treaty with the EU

Liechtenstein has submitted a proposal for a fraud agreement with the EU but Germany is trying to squeeze more out of Liechtenstein than it is prepared to give. Liechtenstein's argument is quite simple: It is not prepared to offer more co-operation to the EU than the existing EU countries are willing to offer to each other. One could argue that a "multilateral agreement" with the EU shows the weakness of the EU: they are not in agreement amongst themselves. While Germany would like to see more cooperation from Liechtenstein, both Luxembourg and Austria disagree with Germany's request. Why is this so? They both have a banking secrecy law and in the case of Austria it is even enshrined in their constitution. Due to their laws they both – in different ways – have a very profitable financial services industry they wish to protect.

What is the effect for a European client having assets in Liechtenstein but undeclared to his home country? While so far a legal assistance application from a European state in a matter of tax evasion (NOT tax fraud) would probably not be answered I heavily doubt that there are such legal assistance applications anyway. Due to the nature of the best tax evasion in most European countries is a criminal offence and therefore any legal assistance application would mention allegations such as "potential fraud", "money laundering" etc.

As these issues are clearly a criminal offence in Liechtenstein as well, very likely any Liechtenstein judge would assist such an enquiry. So therefore in reality not much will change: If you have undeclared funds and your home country finds out about it, you are in problems; if your home country does not find out not much will happen. This will arguably remain the same before and after signing a fraud treaty with the EU.

In any event, each client should carefully assess the legal implications of each intended or existing structure.

*Contributed by Alexander Jeeves, Managing Director, Jeeves Group, Liechtenstein
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CARBON CREDITS - OPPORTUNITIES FOR THE BRAZILIAN MARKET

Contrary to previous beliefs, investing in environmental conservation can be a profitable activity. Compliance with the strict environmental laws under the Brazilian legal system will, primarily, hold companies harmless from heavy environmental fines and accountability at civil and criminal levels. Moreover, being recognized by both national and international communities as 'environmentally correct' sheds new lights on the business marketing area.

Among the benefits effectively yielding financial return, we have a market that is on the rise – the 'Carbon Market.' As we know, climate change has long been a concern to the whole world. This concern has grown in recent years in view of the 'uncanny' behavior of nature that we have lately witnessed. Recent natural disasters derive from substantial change in the natural environment due to intense human interference.

In 1997 the UN launched in the city of Kyoto, Japan, a meeting of countries to discuss Climate Change. At that meeting, the parties produced a document called the 'Kyoto Protocol', listing measures to be adopted and committing signatory countries to reducing the emission of greenhouse gases. The developed countries listed in Annex 1 of said Protocol were assigned targets for the reduction of greenhouse gases. Major developing countries such as Brazil and China, although having no targets to meet, have undertaken to reduce the emission of these gases. Article 2 of this

Protocol brings us a list of obligations that should be implemented into activities to help reduce the emission of greenhouse gases. The Protocol also gives room for cooperation between the signatory countries, having thus created the so-called 'carbon market'.

The Kyoto Protocol has established three mechanisms to assist the countries stated in Annex I (the ones having GHG reduction targets) in meeting its reduction goals: the Clean Development Mechanism, Joint Implementation and Emissions Trade.

What matters most to us, Brazilian people, is the Clean Development Mechanism, whose intent is to provide assistance to countries not included in Annex I to achieve sustainable development, and provide assistance to countries included in Annex I to meet its reduction goals in the emission of greenhouse gases. It is precisely this mechanism that enables the creation of the carbon market, since the countries included in Annex I can use the certified emission reductions produced by countries that are not included in Annex I, which includes Brazil. Developing countries have the opportunity to implement CDM projects, generating claims to it, and can sell those credits to countries that have to meet targets for reduction.

Carbon credits have been generated, for example, through projects aimed at protecting and increasing cesspools and reservoirs of greenhouse gases, promoting sustainable forest management practices, forestation and reforestation of degraded areas. Still, they can resort to the development of alternative energy sources, energy matrix change, replacement of fossil fuels and other renewable natural gas or biomass, among others.

Once evidenced that the CDM project complies with the formal requirements, the UN issues certificates of Reduced Emissions (CERs), which represent the tons equivalent to the reduced volumes of CO₂. Referred certificates will be traded on stock exchanges, funds and even by some banks.

Brazilian companies should start thinking about the benefits they can get from production and sale of carbon credits, developing projects that absorb or reduce emissions of greenhouse gases. Thus, we note that the adoption of an environmentally correct conduct will eventually result in effectively implementing the concept of environmentally sustainable development, yielding economic benefits combined with the delivery of CDM projects.

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OFFSHORE UPDATE

ANGUILLA: KEYNESIAN ECONOMIC THEORY IS BACK – EVEN ANGUILLA ANNOUNCES AN ECONOMIC STIMULUS PACKAGE FOR 2009

In this month's newsletter article, I wish to deviate a bit from the normal legislative exposition and spend my time commenting of the economic situation in Anguilla in an attempt to provide an overview of the jurisdiction as a whole and not just from a financial services perspective. In his usual "tour de force" presentation, Anguilla's Minister of Finance, the Honorable Victor Banks, presented the 2009 budget to the House of Assembly and people of Anguilla in early December as is customary. In the Anguilla parliamentary calendar, the budget presentation is the most important, far-reaching and educational exercise that occurs annually in the House, as the legislature is called for short. It is the one presentation during which the government presents its program of activities for the year ahead while looking back at the year that has past and previous years to provide an excellent overview of the island's economic and social development and situation. This year's presentation was no different and was highly anticipated given the global economic slowdown.

In addition to outlining government's recurrent revenue generating plans for 2009, which amount to an anticipated figure of US\$92 million and recurrent expenditure of around US\$90 million, Minister Banks announced a capital expenditure program of US\$36.45 million for 2009. This represents a sharp increase of some US\$16.74 million from the projected capital expenditure for 2008. In making the announcement, Minister Banks noted: "it is our commitment and our duty to maintain public sector activity that will provide the required stimulus to our economy in the challenging year ahead. It is also our commitment and duty to maintain the level of investment in our social infrastructure. In contrast to the last recessionary episode in 2002, through careful stewardship, Government is in the position to undertake significant borrowing." And borrow the Minister shall in the amount of US\$28.83 million. The plan is to raise some of the financing from loans issued by the Caribbean Development Bank (CDB) and from domestic banks as well as by issuing bonds on the Regional Government Securities Market. The Government of Anguilla also plans to raise additional short term financing by issuing Treasury Bills for the very first time. This will be done as soon as the legislation is in place and will mark an interesting development in Anguilla's development since it remains to be seen how the market will react to the issuance of Anguillian government paper. This development is also made possible by the fact that Anguilla was given a credit rating for the first time in its history last year by a regional credit rating institution based in Trinidad and Tobago, the Caribbean Information and Credit Rating Services Ltd (CariCRIS). Anguilla was issued a CARI AA (double A) rating for a notional debt size of US\$25 million or equivalent. The second assessment was undertaken in July 2008 and Anguilla maintained the initial double A rating.

In addition to borrowing, the Minister announced that the remaining funds for the capital expenditure program will come through private grants and the capital budget from recurrent surpluses. The money will be spent on a plethora of public sector projects including land acquisition to facilitate the progress of the government's social development and infrastructural initiatives including the National Community College, the Blowing Point Port Facility, a Central Office Accommodation Master Plan Study for providing a new headquarters for the government's many offices, Airport Development, Road Development, a new primary school in the Island Harbor area of the island, a Land Information System for the digitization of paper records of all lands, the Tourism Sector Development Project and other areas.

It remains to be seen how much of a stimulative effect these projects will have in Anguilla since the other tools of macroeconomic policy which governments in other jurisdictions use to stimulate the economy such as interest rates and tax cuts are not available. Interest rates are set by the independent Eastern Caribbean Central Bank and tend to be fixed or move within a very narrow band and in Anguilla, neither companies nor individuals pay corporate or income taxes. While government could reduce customs duties, those are sacrosanct and it is debatable what stimulative effect, if any, such a move would have on economic activity while blowing a hole in government's revenue projections.

In his presentation, Minister Banks made note of some interesting developments in Anguilla's economy of which the following are worth repeating. He pointed out that official statistics indicate that in 2007 Anguilla's real gross domestic product (GDP) grew to US\$130.6 million, an increase of 21% from 2006 when the economy grew by 15%. Over the period 2004–2007 the economy grew in excess of 10% annually. This means that Anguilla's per capita income is around US\$8,737 which compares favorably with its English-speaking neighbors based on a population estimate of 14,886 people in 2007. However, the rate of growth in 2008 is expected to slow to 7% and the Minister estimates that in 2009, the Anguillian economy is likely to grow between 5% to 7%.

The Hotel and Restaurant sector continued to be the number one contributor to GDP, with 27.9%. Continued growth in the construction sector led it to be the second largest contributor in 2007, accounting for 23.9% of GDP. Banking and Insurance was the third largest sector with 15.8% of GDP. The top three sectors grew by 6.4%, 65.7% and 15%, respectively. The particularly strong growth of the construction sector was fueled by

the robust activity in all of its sub-sectors, commercial, residential, villa and resort construction. The major contributors to recurrent revenue collections are Import Duty on all imports except fuel and gas, Stamp Duty, Accommodation Tax, Work Permit Fees, and Import Duty on Fuel and Gas.

While Anguilla is a micro-economy at best, the effects of the US/Global credit crisis did not leave us unscathed. Four of the island's major tourism projects all had to either close or delay start due to problems raising capital. These included the Flag Luxury Properties development which sits on the island's sole golf course. This project closed in July 2008 in need of a US\$200 million cash injection. If all turns out well, it could reopen in April 2009. The other projects include three which have significant local participation and investment in the form of contributing the land as equity. These include the Shoal Bay, Rendezvous Bay and Conch Bay projects. The closure of and delay in starting of these projects contributed to the down turn in economy activity. However, all is not doom and gloom in Anguilla's booming tourism industry. The US\$350 million Viceroy Project which is owned by the KOR Group out of California, USA, is scheduled to open in phases in 2009, culminating in full operations by November of next year with a staff of over 500 persons. In addition, the US\$60 million, wholly locally owned Royal Caribbean Resort will open Phase 1 by July 2009, with 80 rooms, 2 state of the art conference rooms and a staff compliment of 150 persons. So while 2008 was and 2009 will be a challenging year for Anguilla's tourism plant, all is not lost.

If there was a criticism of Minister Banks' bravura budget presentation, it was his continued failure year-on-end to mention the offshore finance sector, which is likely to face further attack from the UK government, the EU, OECD and the soon to be inaugurated Obama administration in the USA. These developments are likely to impact the entire offshore industry to varying degrees based on politics of course and the Minister could have referenced this and given an indication of his strategy for dealing with them.

Be that as it may, I personally appreciated the Minister's comments which set out the framework in which Anguilla functions internally which in turn affects its offshore industry overall.

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BELIZE: A TOUGH YEAR, BUT THE FUTURE LOOKS GRAND FOR PEOPLE WHO DO IT RIGHT!

As I am writing this, we are approaching the end of the year 2008. We have much to be thankful for. We have been giving good service to our clients, we have managed to grow as an office and we have progressed as a service provider. Our focus is service, and in these days of hard economic times, service with integrity is what people need. So it got me thinking as to what is required of a Service Provider in this industry. We are not fish vendors who can tell people to go to hell even when the fish is being bought by the people. We are not people who tell you one thing, then do another.

In 2007, the International Financial Services Commission instituted what is known as the "Trust and Company Service Providers (Best Practices) Regulations, 2007." These regulations are geared towards the proper operation of affairs by the Service Providers, in the provision of the service they are supposed to be providing. In light of the recent financial meltdown, first starting really with the subprime mess of about a year ago, along with the widespread failure of the banking sector, to finally the Bernie Madoff scandal, one has no choice but to be wary of the persons with whom one is doing business. The Internet does not provide any level, or sense, of security, so indeed it is vital that one have that necessary level of confidence in the persons who purport to offer the services that you desire. If it is just a simple IBC, then you should have no problems in trying to get your entity transferred to another agent. You must remember, this is about money, your money, and you therefore cannot be entrusting your money to any Tom, Dick, Harry, Mary, Jane or Sue out there. Remember that there are a number of persons who have managed to get licenses and be in business, over the years, but their interest is only in collecting the money that clients have to shell out when purchasing their entities. That is why jurisdictions like Belize sometimes get the reputation of being the locale where one can find cheap and quiet Trust or Company services. The problem lies especially in relation to trusts, and when the trust becomes the subject of litigation, and the trustee does not want to do its job because it will be named in litigation. Suddenly there is a problem that the trustee cannot handle, leading it to resign in a hurry, thus leaving the client not only with a feeling of being alone, but now burdened with the task of finding a trustee at the very time that a trustee is greatly needed.

The first issue of importance is that of the integrity and competence of key persons in the firm. Issues such as the professional qualifications of those persons, as well as any knowledge or experience they might have in the area of fiduciary services, will be of key importance. Be forewarned: not all attorneys are well versed in fiduciary services, nor are all Service Providers attorneys. It is not only training but also experience which is fundamental. The combination of expertise and experience, the theoretical and the practical, will help you to determine if that agent or service provider is right for you.

Corporate governance is of primary importance, because proper conduct in this regard ensures the continuity of the operations of the Service Provider. What do I mean by corporate governance? This has to do with ensuring adherence to proper business practices, compliance with regulations concerning money laundering, compliance with financial regulatory standards, compliance with domestic statutory requirements, and also complying with the norms of the principles of fiduciary duties. Too many of you have had too many experiences of a Service Provider being less than satisfactory in some, or even all, of the aforementioned categories. I urge you all to consider these issues carefully when contemplating your choice of Service Provider.

In a sense, it almost sounds like I am telling you to be as vigilant as when you are trying to find a satisfactory telephone or internet service provider. It is, however, certainly more important than deciding if you will go with Sprint, Vodafone or Orange.

Of course, the bane of everyone's existence is due diligence, forever the sticking point in negotiations between clients, Service Providers and banks. It is, however, a necessary evil. Routinely some regulators are asked to check on a series of names because of suspected terrorist association. Much of the transaction is done via the internet, and let's face it, in this day and age of Photoshop, even if one is not an expert, one can still doctor documents. As such, increasingly it is becoming difficult to walk into any establishment without identity documentation and expect to get through immediately with whatever transaction one desires to accomplish. So, just for the record, Service Providers in Belize, operating under the laws of Belize, are required BY LAW to collect due diligence on the same level as banks. That means that at least a certified true copy of the passport and residential address proof of the client should be collected. There are reports of Service Providers not requiring any documentation from anyone opening companies with them. My advice to anyone with such a Service Provider: think twice before continuing with them. The last thing you need to worry about is where your IBC will be housed. After all, we all need a level of certainty in our lives, and if we cannot rely on the continuity of the service provided, then there is no purpose in engaging in the use of an entity such as an IBC. Such a Service Provider will end up costing you more than the quiet hassle of getting a few documents together to prove who you are.

Conduct of Client Business: This is shown in a number of ways, chief among them being that the Service Provider can ensure that the client's assets are being effectively handled, covering safe custody and proper management of assets. Most Service Providers simply want to sell you the company or the trust, and then you're on your own. For an IBC, that might work, but if it is a Trust, there is no way that that is feasible. This is why we have so many instances of trustees resigning and running away because of any litigation that might occur as a result of problems arising for the Settlor. Of course, maintaining adequate client documentation is of primary importance, especially in the course of a business transaction. Too many liabilities arise because communication is not recorded, or documents are not properly collected and recorded. These are the issues that Service Providers need to be aware of, or they find themselves in serious danger of not properly attending to their clients' needs. This ties in

maintaining adequate records of clients' affairs, and ensuring all transactions entered into on behalf of clients are done by qualified persons with an appropriate level of knowledge, experience and status to allow such transactions to be properly done. The final piece of that puzzle is that the Service Provider must always ensure that the laws of Belize are being fully complied with in relation to the transaction(s).

Financial Soundness: This for some companies in 2008 proved to be quite difficult, and I speak generally, not just in relation to Service Providers. We saw the financial sector of the USA take a beating, there may be no more GM or Toyota, which is forecasting an operating loss for the first time in 70 years. That said, Service Providers are operating essentially a cash business: we sell you something, you buy something, you pay for what you buy. If sales are down, yes, there is a problem, but we still see many persons flocking to Belize, via the internet or actually on an airplane or boat or by car, to purchase the IBCs and explore the world of Trusts. The Service Providers are now under an obligation, by law, to ensure that they maintain compliance with financial regulatory and accounting standards. The norms of business operations abound. So, as much as we love all the beautiful things of this world, we must be frugal, in our operations, so that the work we do will prove profitable, and also that we do not run ourselves into debt.

Finally, the Service Provider must ensure that there is the implementation of different systems and procedures, and quality control assessment. Reporting procedures are of great importance, as well as compliance issues. There should be a proper complaints handling system.

Of primary importance to the client must be the maintenance of an appropriate location in Belize, and the adequate and orderly maintenance of all records of business transactions, especially instructions received from clients. Not only that, but also ensuring that individual professional development requirements are routinely and satisfactorily met.

GCSL Belize has managed to meet all these standards. We are, however, by no means perfect, and if there is the possibility of improvement in our dealings, and you have a suggestion, always feel free to make contact with us, at belize@gcsl.info. We are willing to listen to your suggestions, and even complaints.

*Contributed by Carlo Mason, Managing Director, GCSL Belize
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COOK ISLANDS: LIFE IS A BEACH

As I write, we have just capped off a week of doing nothing more than enjoying the simple pleasures of life. This time last year we were on the magical Island of Atiu, in the Southern Cook Islands. This year, with less of our family visiting for the summer holidays, it's been a slower paced affair. For a change, we decided to stay home and enjoy the many blessings that we have at our door step; including the fact that we live next to one of the most beautiful beaches you will ever find on this planet! With something as spectacular as what I wake up to everyday, I make no apologies for being so bashful.

As often happens when you live where I live, I reflected on the many blessings that Tai and I have had over our lifetime. And to be perfectly honest, after I took stock of my lot, it was hard to fathom anyone luckier than me (wow I must really be in the mood!!). I mean, by fate of chance, I was born into a family that hails from an Island that epitomizes everything you have heard about a South Pacific Island paradise; then consider that I'm a citizen of a country that makes no trouble with anyone and is not at war; and for good measure, when I have breakfast in the mornings, I have as my front yard the pristine waters of a blue green lagoon that gently laps onto a golden beach. If there was a picture of Heaven, I reckon this would be close to it. How luckier could you be!!!

Then there's that "thing" called children. Above all else, our children are what Tai and I consider our greatest blessing. My eldest son Valentino has just finished his first year of Law School and my youngest at 8 months, Teivanui, is still waking us up two or three times a night to change her nappy or give her a bottle. In fact it is 3am in the morning as I write, because I'm wide awake after Teivanui woke both of us up to give her cough medicine after spending way too much time in the sun and sea. So am I about to complain? Absolutely not!!

In between our eldest and youngest, our children include Marino (soon to be 17), Vaiti (14), Jonel (10), Teapare (5), and Te Urianga, who survived one day after birth would have been 4. Te Urianga taught us the value of life and how precious our children are. Through the highs and lows of raising a family, I say with conviction that it is the laughter and cries of children that gives life its true meaning. We have a saying in the Cook Islands that life is not worth living without the clatter and noise of children. At this time of reflection, I am moved to say that our children represent the very essence of our being and we are so thankful for the opportunity to have had all our children.

And so this year, we decided to spend our holidays....on the beach. It was even more enjoyable that I had an adult niece and nephew with their young families camping out on the beach as well. Of course in the Cook Islands, family is generally an extended one with uncles and aunts, nephews, nieces, grandparents and more. For the last week, from morning to dusk, there was action in or above the water for those that wanted it. There were children running, crawling, digging, tackling, battling on the beach. In the evenings, chasing crabs, playing tags or Board games were favoured. Then there was meal time, where each night we would all gather to share a meal, and exchange stories of the year that has just passed us by. The Noble Grape featured during these meals. There was laughter and love aplenty - it was indeed a time to reflect upon the simple pleasures of life.

From the Cook Islands, Tai and I would like to wish everyone a most prosperous New Year filled with peace and harmony.

*Contributed by Puai Wichman, Managing Director, GCSL Cook Islands
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SAMOA: HAPPY, HAPPY FROM THE GLOBAL GIRLS

Manuia le tausaga fou or HAPPY NEW YEAR from the Global Girls in Samoa! We look forward to an exciting and challenging year ahead of us. We wish you all, our colleagues and precious clients a wonderful and prosperous New Year. Our office as well as the Registrar, including the Government Ministries, Legal Offices and Embassies shall be back to normal working hours from 5th January 2009.

Laura, Fono and Salome.

*Contributed by Laura Fepuleai, Manager, GCSL Samoa
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TIDBITS

The things that make us smile, frown and generally make life interesting...

OUR MONTHLY QUOTE THAT MADE US SMILE

"I believe that banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around the banks will deprive the people of all property until their children wake up homeless on the continent their fathers conquered." - Thomas Jefferson

"The income tax has made more liars out of the American people than golf has." – Will Rogers

THE DIS-UNITED STATES OF AMERICA?

Did you read the recent article about the Russian professor who predicted in 1998 the disintegration of the USA in mid 2010? Yes, this fella made the call and, well, it is not being received as such a silly statement given recent events. California a part of China....hmmmm, I know some people who already think that has occurred. Texas being subsumed into Mexico...apparently another no brainer, albeit we lack much experience in this regard and heard it was the other way around. The Northeast becoming a part of the European Union...well, given the Socialist drift in Washington DC, this seems a done deal. Hawaii will be a Japanese island....funny that, many people already think that has happened! Alaska will be returned to its rightful owner, i.e. Russia...hey, dear Comrades, you can have the place along with the Soccer Mom who made it famous. The only fallacy is any part of the Midwest being owned by Canada...c'mon, surely the people of the heartland would balk...after all, they still trail the Canucks in ice hockey, eh!?

FRIENDLY BANTER...WE LIKE HIM

This bit is apparently a portion of an ABC interview between a female broadcaster and General Cosgrove (Australia) who was about to sponsor a Boy Scout Troop visiting his military headquarters.

FEMALE INTERVIEWER: So, General Cosgrove, what things are you going to teach these young boys when they visit your base?

GENERAL COSGROVE: We're going to teach them climbing, canoeing, archery and shooting.

FEMALE INTERVIEWER: Shooting! That's a bit irresponsible, isn't it?

GENERAL COSGROVE: I don't see why, they'll be properly supervised on the rifle range.

FEMALE INTERVIEWER: Don't you admit that this is a terribly dangerous activity to be teaching children?

GENERAL COSGROVE: I don't see how. We will be teaching them proper rifle discipline before they even touch a firearm.

FEMALE INTERVIEWER: But you're equipping them to become violent killers.

GENERAL COSGROVE: Well, Ma'am, you're equipped to be a prostitute, but you're not one, are you?

Heck, we do not like guns, but we like him!!! Strange that she didn't answer ;-)

OUCH!

We ran across this little ditty and thought it might make you smile as you pay your next hotel bill...worked for us!!!

A husband and wife are travelling by car from Brisbane to Melbourne. After almost ten hours on the road, they're too tired to continue and they decide to stop for a rest. They stop at a nice hotel and take a room, but they only plan to sleep for four hours and then get back on the road.

When they check out four hours later, the desk clerk hands them a bill for AU\$450.00. The woman explodes and demands to know why the charge is so high. She tells the clerk although it's a nice hotel; the rooms certainly aren't worth AU\$450.00. When the clerk tells her AU\$450.00 is the standard rate, the woman insists on speaking to the Manager.

The Manager appears, listens to the woman, and then explains that the hotel has an Olympic-sized pool and a huge conference centre that were available for the husband and wife to use.

'But we didn't use them,' the woman complains. 'Well, they are here, and you could have,' explains the Manager. The Manager goes on to explain they could have taken in one of the shows for which the hotel is famous. 'The best entertainers from New York, Hollywood, and Las Vegas perform here,' the Manager says. 'But we didn't! go to any of those shows,' complains the woman again. 'Well, we have them, and you could have,' the Manager replies.

No matter what amenity the Manager mentions, the woman replies, 'But we didn't use it!'

The Manager is unmoved, and eventually the woman gives up and agrees to pay. She writes a cheque and gives it to the Manager. The Manager is surprised when she looks at the check. 'But mam,' he says, 'this check is only made out for AU\$50.00.' 'That's correct,' says the woman. 'I charged you AU\$400 for sleeping with my husband.' 'But I didn't!' exclaims the Manager.

'Well, too bad,' the woman replies. 'He was here and you could have!'

OPTIMIST???

We think this fella, Chief Economist, Moody's Economy.com, sums it up from an optimist's viewpoint when saying "The first six months of '09 will be very painful, the second six months will just be painful, and 2010 will be uncomfortable." He must not be Russian!!!

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