

Inside the Luxembourg free port storing riches for the super-wealthy

Level 3 • Advanced

1 Warmer

What do you know about Luxembourg? Are these statements true (T) or false (F)?

1. The capital of Luxembourg is Luxembourg City.
2. Luxembourg is the smallest country by area in the European Union.
3. There are three official languages in Luxembourg.
4. Luxembourg has borders with four other European Union countries.
5. The franc is the official currency of Luxembourg.

2 Key words

Fill the gaps in the sentences with these key words from the text.

money laundering
transparency

loophole
reluctant

furor
defraud

murky
discretion

haven
allege

1. A _____ is a place where you can feel safe and happy.
2. If you _____ someone, you get money from them in an illegal way.
3. A _____ is a lot of anger, excitement or activity caused by a particular event or situation.
4. _____ is the process of hiding the origin of earnings from illegal activities by putting them into legal businesses.
5. _____ is an honest way of doing things that allows other people to know exactly what you are doing.
6. If something is described as _____, it involves activities that are not clearly known and that people think are dishonest or morally wrong.
7. If you _____ something, you say that someone has done something wrong or illegal even though this has not been proved.
8. If you are _____ to do something, you are not willing to do it.
9. _____ is careful and sensitive behaviour that does not upset or offend people.
10. A _____ is something that has been left out of a law or legal document that people can use to avoid obeying it.

3 Find the information

Find the following information in the text as quickly as possible.

1. How many free ports are there around the world, according to a US congressional report?
2. How many are there in EU member state territories and their dependencies?
3. When was Le Freeport in Luxembourg opened?
4. How many bottles of wine can be stored in Le Freeport?
5. Where in Luxembourg is Le Freeport situated?
6. What is the approximate size of Le Freeport?

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Depending on who you speak to, Le Freeport is a high-security storage facility or a money-laundering risk

Jennifer Rankin

6 July, 2019

- 1 Along with free trade deals and tax cuts, special tax-free zones are likely to be a feature of Boris Johnson's premiership.
- 2 He said recently that the UK could have six tax-free zones, known as free ports. Belfast, Teesside and Aberdeen are among potential locations. A US congressional report in 2013 estimated there were 3,500 free ports across 135 countries, with tax-free zones ranging from car production to fine art storage.
- 3 One of those zones, and a potential model for the UK's post-Brexit future, can be found at the end of a motorway, in a warehouse next to Luxembourg Airport. This is no ordinary warehouse: Le Freeport is a maximum-security centre for the super-rich to store art, fine wine, vintage cars and other treasures.
- 4 Roughly the size of three football pitches, Le Freeport has four billion chambers, space for 750,000 bottles of wine and airport landing bays designed for armoured vehicles. The four-storey Le Freeport building is designed to look like a jewellery box. The interior reportedly has stylish rooms for wealthy clients to arrange sales or simply contemplate their treasures within the thick walls.
- 5 The draw for super-rich clients is not having to pay import taxes, VAT or capital gains tax on anything stored or sold within its confines. Promoters say clients benefit from lower insurance premiums and the easy access to the airport tarmac.
- 6 The opening of Le Freeport in 2014 – to capitalize on the rush to find safer assets after the financial crisis – was not universally welcomed in Luxembourg. A local group of artists, Richtung 22, wrote and performed a satirical play about what its spokeswoman Ada Günther calls a "fortress for art". The play also took aim at what the authors see as the government's goal of making the Grand Duchy "a haven for the super-rich from other countries", Günther said.
- 7 Doubts mushroomed in 2015 when the Swiss businessman and majority shareholder in Le Freeport, Yves Bouvier, was arrested on charges of defrauding clients by misrepresenting the value of artworks. Bouvier, who owns a stake in the Geneva free port and created the Singapore free port, denies all charges, and legal cases are ongoing.
- 8 In response to the furore, the Luxembourg government tightened anti-money-laundering controls. Since 2015, the three logistics firms licensed to work in Le Freeport have been obliged to keep records of the beneficial owner of property stored in the warehouse. Luxembourg customs officers inspect everything that arrives through the doors.
- 9 "In 2015, the government decided to evaluate the free port in Luxembourg and came to the conclusion that there were indeed money-laundering risks," said Djuna Bernard, co-president of Luxembourg's Green party, in a statement. The Greens pressed for transparency after joining a coalition government in 2013. Luxembourg is "the only country in which the Direct Tax Office has access to the ultimate beneficial owner data," Bernard said.
- 10 The European parliament thinks Le Freeport remains a money-laundering risk. "Everything is very opaque and murky," says Ana Gomes, a former Portuguese MEP. Gomes, a former member of the parliament's special committee on tax evasion, visited Le Freeport in February 2018 but remains unconvinced by its controls. Gomes thinks Luxembourg police and tax authorities do not have adequate access to the data collected by the logistics firms working in Le Freeport. "It is a major scheme to evade paying taxes, to avoid money-laundering controls," she alleges.
- 11 Luxembourg's Indirect Tax Office found Le Freeport to be "high risk in relation to money laundering", according to evidence collected by the European parliament. Le Freeport has strongly rejected the allegations. "The claims that Le Freeport could be used for money laundering and/or the concealment of stolen art are absurd and without factual basis," said a company representative. "Le Freeport is probably the most controlled storage place in the European Union."
- 12 Companies working at Le Freeport also say strict laws have cost them clients. The unexpected introduction of anti-money-laundering rules put

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Le Freeport at a “competitive disadvantage”, one Le Freeport logistics operator told the European parliament. “Clients like their privacy and are thus reluctant to provide their data. The same goes for merchants and dealers,” said the operator, who estimated Luxembourg’s tougher rules cost them up to 30 clients, who went to rivals with “more discretion”.

- 13 All free ports inside the European Union have to abide by EU law, including an update of anti-money-laundering rules that comes into force in 2020, obliging free ports to carry out due diligence on clients. There are 80 free ports in EU member state territories and their dependencies. This includes a free port on the Isle of Man, the British crown dependency, which is neither part of the EU nor the UK.
- 14 After Brexit or a Brexit transition period, the UK would no longer be obliged to follow EU anti-money-laundering rules. But free-port critics argue the UK would pay a price for abandoning EU standards. “If politicians in Britain think Britain should go rogue in financial services, yes it makes sense to have a free port, but I don’t think it is good in the long run for the reputation of Britain,” said Gomes.
- 15 If Brussels considers British tax loopholes to be excessive, the UK could forfeit access to European markets or even end up on a tax blacklist, she added. “If that is the way for Britain after Brexit, there is no shortage of ways in which the EU can react.”

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4 Comprehension check

Choose the best answer according to the text.

- What is the attraction of Le Freeport for super-rich clients?
 - They can sit inside and look at their treasures.
 - It is located at the end of a motorway and next to the airport.
 - They don’t have to pay taxes on anything stored or sold inside.
- What did Luxembourg’s Indirect Tax Office find?
 - It found that the idea that Le Freeport could be used for concealing stolen art was absurd.
 - It found that there was a high risk of money-laundering at Le Freeport.
 - It found that Le Freeport is the most controlled storage space in the European Union.
- What happened as a result of tougher rules introduced by the Luxembourg government?
 - Le Freeport gained a competitive advantage.
 - A number of clients left Le Freeport and went to rival companies.
 - A large number of clients became reluctant to provide their data.
- What could happen after the UK leaves the EU if it does not follow EU anti-money-laundering rules?
 - It could lose access to European markets or end up on a tax blacklist.
 - It would pay a large amount of money for the right to abandon EU standards.
 - Its reputation would benefit in the long run.

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5 Find the word

Find the following words and phrases in the text.

1. an adverb meaning *approximately* (para 4)
2. a two-word phrasal verb meaning *use an event or a situation to help you to achieve something or to get an advantage* (para 6)
3. a verb meaning *increase or develop very quickly* (para 7)
4. a verb meaning *give a false or incorrect account or description of something in order to trick someone* (para 7)
5. an adjective meaning *difficult to see through or understand* (para 10)
6. a two-word noun phrase meaning *the detailed examination of a company or an individual and their assets* (para 13)
7. a two-word verb phrase meaning *behave in a way that is not normal or is unexpected and cause potential damage to others as a result* (para 14)
8. a verb meaning *be forced to give up a right or benefit because you have broken a rule or law* (para 15)

6 Verb + noun collocations

Match the verbs in the left-hand column with the nouns or noun phrases in the right-hand column.

- | | |
|------------|----------------|
| 1. collect | a. rules |
| 2. reject | b. charges |
| 3. follow | c. controls |
| 4. deny | d. evidence |
| 5. tighten | e. records |
| 6. keep | f. allegations |

7 Word-building

Complete the sentences using the correct form of the word in brackets at the end of each sentence.

1. The former Portuguese MEP Ana Gomes is _____ by the controls introduced by Le Freeport. [CONVINCE]
2. Le Freeport has argued that the claims that it could be used for the _____ of stolen art are absurd. [CONCEAL]
3. Companies working at Le Freeport say the introduction of anti-money-laundering rules have put them at a _____ disadvantage. [COMPETITION]
4. If the EU finds British tax loopholes _____, the UK could lose access to European markets. [EXCESS]
5. Clients who use Le Freeport like their _____. [PRIVATE]
6. Some clients use Le Freeport for the _____ of artworks. [STORE]

8 Discussion

Discuss the statements.

- Free ports are just a means of avoiding tax and should be banned.
- Everyone should pay their fair share of tax without any exceptions.
- Lower taxes would benefit everyone.

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KEY

1 Warmer

1. T
2. F – Malta is the smallest.
3. T – French, German and Luxembourgish
4. F – Just three: France, Germany and Belgium.
5. F – It's the euro.

2 Key words

1. haven
2. defraud
3. furore
4. money laundering
5. transparency
6. murky
7. allege
8. reluctant
9. discretion
10. loophole

3 Find the information

1. 3,500
2. 80
3. 2014
4. 750,000
5. next to Luxembourg Airport
6. three football pitches

4 Comprehension check

1. c
2. b
3. b
4. a

5 Find the word

1. roughly
2. capitalize on
3. mushroom
4. misrepresent
5. opaque
6. due diligence
7. go rogue
8. forfeit

6 Verb + noun collocations

1. d
2. f
3. a
4. b
5. c
6. e

7 Word-building

1. unconvinced
2. concealment
3. competitive
4. excessive
5. privacy
6. storage