

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

Level 2 • Upper intermediate

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 using these key words from the text. The paragraph numbers are given to help you.

money laundering
warehouse

loophole
defraud

murky
reluctant

premium
abandon

transparency
discreet

1. A _____ is a big building where large amounts of goods are stored. (para 2)
2. A _____ is an amount of money that you pay regularly for an insurance policy. (para 3)
3. If you _____ someone, you get money from them in an illegal way. (para 4)
4. _____ is the process of hiding the origin of earnings from illegal activities by putting them into legal businesses. (para 5)
5. _____ is an honest way of doing things that allows other people to know exactly what you are doing. (para 6)
6. If something is _____, it involves activities that are not clearly known and that people think are dishonest or morally wrong. (para 7)
7. If you are _____ to do something, you don't want to do it. (para 9)
8. If you are _____, you are careful not to say anything that is secret or that could upset someone. (para 9)
9. If you _____ something, you stop doing it because you do not want to continue with it. (para 11)
10. A _____ is something that has been left out of a law or legal document that people can use to avoid obeying it. (para 11)

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 report?
2. Where in Luxembourg is Le Freeport situated?
3. How many bottles of wine can be stored in Le Freeport?
4. When was Le Freeport opened?
5. How many free ports are there in EU member state territories and their dependencies?
6. When will EU anti-money-laundering rules come into force?

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- 1 Special tax-free zones could be introduced by the UK's new prime minister, Boris Johnson. He said recently that the UK could have six tax-free zones, known as free ports. Belfast, Teesside and Aberdeen are three of the possible locations. A US report in 2013 estimated there were 3,500 free ports in 135 countries, with tax-free zones ranging from car production to the storage of works of art.
- 2 One of those zones, and a potential model for the UK, is 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. About the size of three football pitches, Le Freeport has four bullion chambers, space for 750,000 bottles of wine and airport landing bays designed for armoured vehicles.
- 3 The attraction for super-rich clients is not having to pay tax on anything stored or sold within Le Freeport. Clients pay lower insurance premiums and have easy access to the airport.
- 4 The opening of Le Freeport in 2014 was not welcomed by everyone in Luxembourg. 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.
- 5 In response, the Luxembourg government tightened anti-money-laundering controls. Since 2015, the three logistics companies licensed to work in Le Freeport have been obliged to keep records of the owners of property stored in the warehouse. Luxembourg customs officers inspect everything that arrives through the doors.
- 6 "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, of Luxembourg's Green party. The Greens asked for transparency after joining a coalition government in 2013. Luxembourg is "the only country in which the Direct Tax Office has access to the owner data," Bernard said.
- 7 The European parliament thinks Le Freeport is a money-laundering risk. "Everything is very 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 is not convinced by its controls. Gomes thinks Luxembourg police and tax authorities do not have enough access to the data collected by the logistics companies working in Le Freeport. "It is a major scheme to evade taxes, to avoid money-laundering controls," she says.
- 8 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 denied this. "The claims that Le Freeport could be used for money laundering and/or concealing stolen art are absurd," said a company representative. "Le Freeport is probably the most controlled storage place in the European Union."
- 9 Companies working at Le Freeport also say they have lost clients due to strict laws. The unexpected introduction of anti-money-laundering rules put Le Freeport at a "competitive disadvantage", one Le Freeport logistics operator told the European parliament. "Clients like their privacy and are thus reluctant to give their data. And it's the same for merchants and dealers," said the operator, who estimated Luxembourg's stricter rules lost them up to 30 clients, who went to "more discreet" rivals.
- 10 Free ports inside the European Union have to follow EU law, including an update of anti-money-laundering rules that comes into force in 2020. 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 dependency, which is neither part of the EU nor the UK.
- 11 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 say 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. If the EU believes British tax loopholes are excessive, the UK could lose access to European markets or even end up on a tax blacklist, she added.

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4 Comprehension check

Are these statements true (T) or false (F) according to the text?

1. The super-rich clients of Le Freeport don't have to pay taxes on anything stored or sold inside.
2. Le Freeport is the only free port in Europe.
3. Everyone in Luxembourg was happy when Le Freeport opened.
4. Customs officers in Luxembourg inspect all the goods that arrive at Le Freeport.
5. When Luxembourg introduced stricter rules, more than 300 clients left Le Freeport.
6. If the UK does not follow EU anti-money-laundering rules, it could lose access to European markets.

5 Find the word

Find the following words and phrases in the text.

1. an adjective meaning *of very good quality* (para 2)
2. a noun meaning *gold or silver in the form of solid bars* (para 2)
3. a noun meaning *someone who pays for a service* (para 3)
4. a verb meaning *increase or develop very quickly* (para 4)
5. a verb meaning *give a false or incorrect account or description of something in order to trick someone* (para 4)
6. a noun meaning *a union of different political parties that agree to form a government together* (para 6)
7. an adjective meaning *completely stupid, unreasonable or impossible to believe* (para 8)
8. 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 11)

6 Two-word phrases

Match the words in the left-hand column with those in the right-hand column to make expressions from the text.

- | | |
|---------------|----------------|
| 1. tax | a. premium |
| 2. insurance | b. security |
| 3. majority | c. officer |
| 4. maximum | d. period |
| 5. transition | e. shareholder |
| 6. customs | f. evasion |

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7 Word-building

Complete the table using words from the text.

	verb	noun
1.	represent	(person)
2.	store	
3.	respond	
	adjective	noun
4.	private	
5.	secure	
6.	transparent	

8 Discussion

Discuss the statements.

- Free ports are just a way of avoiding tax and should be banned.
- 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. warehouse
2. premium
3. defraud
4. money laundering
5. transparency
6. murky
7. reluctant
8. discreet
9. abandon
10. loophole

3 Find the information

1. 3,500
2. next to the airport
3. 750,000
4. 2014
5. 80
6. 2020

4 Comprehension check

1. T
2. F
3. F
4. T
5. F
6. T

5 Find the word

1. fine
2. bullion
3. client
4. mushroom
5. misrepresent
6. coalition
7. absurd
8. go rogue

6 Two-word phrases

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

7 Word-building

1. representative
2. storage
3. response
4. privacy
5. security
6. transparency