

# Captured pirate could be charged in U.S.

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The only surviving Somali pirate of the four who took Captain Richard Phillips hostage off the coast of Somalia may soon face charges for his actions.

The surviving pirate was ferried to a U.S. Navy ship Saturday night for medical treatment. He suffered a stab wound days earlier from his hijacking attempt. The other three pirates were killed by U.S. Navy snipers Sunday out of concern they would kill Phillips.

Dean Boyd, spokesman for the U.S. Department of Justice said the pirate is currently in custody and "the Justice Department continues to review the evidence in this matter to determine whether to prosecute this individual in the United States."

Taking a hostage can earn a person life in prison.

Obama remained largely quiet in the first few days of the incident, declining to comment on it. During Monday's White House press briefing, White House press secretary Robert Gibbs explained why.

According to Gibbs, Obama's silence was for the protection of Phillips, as presidential acknowledgment of the situation could have made the pirates think more highly of their ransom.

"The protection and security of the captain was always the primary goal of any of his [Obama's] decisions or any of his actions," Gibbs said.

"The group that the president had assembled to work on these issues was not [in the spotlight], but was actively involved in looking at this and other issues," he said.

Defense Secretary Robert Gates spoke further about the incident Monday at the Marine Corps War College in Virginia.

He revealed that the pirates were 17 to 19 years old. He referred to



**FREEDOM REIGNS:** Crew members of the U.S. merchant ship Maersk Alabama gather around a U.S. flag while celebrating that the captain of their ship, which had been held captive by pirates, was freed on Sunday. ROBERTO SCHMIDT/AFP/GETTY IMAGES

them as "untrained teenagers with heavy weapons," according to the American Forces Press Service.

Cases of piracy are increasing in the Gulf of Aden and they hold an estimated 260 hostages.

Gates said that solutions to the piracy issue will be looked at in the coming weeks.

"All I can tell you is I am confident we will be spending a lot of time in the situation room over the next few weeks trying to figure out what in the world to do about this problem," he said.

Phillips was the captain of the Maersk Alabama, which was carrying food supplies bound for Africa.

He was taken hostage on a lifeboat by Somali pirates armed with AK-47s and pistols. The incident took place off the coast of Somalia, beginning last Wednesday.

Three U.S. Navy ships arrived on scene.

The pirate's life boat ran out of fuel and was being towed 90 feet behind the U.S. Navy USS Bainbridge while negotiations were attempted.

Saturday night, one of the Somali pirates was ferried to the Bainbridge for medical treatment. He had been stabbed days earlier during a scuffle with the Alabama's other members as they re-took their ship—he was the only pirate who

survived.

At an unknown time, U.S. Navy SEALs parachuted onto the Bainbridge and snipers took positions on the back of the ship, keeping close watch on the situation. President Barack Obama gave the authorization to use lethal force if it appeared Phillips' life was in danger.

By Sunday tensions were rising. One of the pirates held an AK-47 to Phillips' back. The other two had their heads and shoulders exposed.

Fearing they would kill Phillips, three U.S. Navy snipers fired simultaneously, killing all three pirates with shots to the head.

# Violent protests in Moldova after communist election victory

By GINA NEAGU & ADRIAN STURDZA  
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Following the victory of communist forces in the legislative elections that took place in Moldova last weekend, the capital, Chisinau, was the stage for anti-communist protests.

The protests, sparked by allegations that the communists won by rigging the elections, brought an estimated 10,000 youths onto the street. They shouted anti-communist and pro-Romanian slogans.

The peaceful demonstrators eventually turned to acts of vandalism, going so far as to ransack and set ablaze the Moldavian Presidency building and the parliament.

Moldavia was to be part of Soviet troops after Hitler and Stalin signed the Ribbentrop-Molotov pact in 1940. Like most USSR republics during the soviet era, its inhabitants endured decades of persecution by Russian communist authorities, and their culture and language were severely oppressed.

Moldavian communist authorities dismiss the notion that the Romanian population is reluctant to have another communist legislature. Following old-style communist rhetoric, Marian Lupu, the chair of the Moldovan Parliament, declared that "foreign, provocative forces" were behind the protests.

He stopped short of naming any, but hinted at Romania.

His declaration seemed to be based on the fact that the protesters displayed the Romanian flag and were shouting slogans supporting

unification with Romania. Moldavian President, Vladimir Voronin, described the protests as a coup and called on the authorities to "defend democracy."

Voronin's statement fails to address the context of the demonstrations, though. The protests, which resulted in one death and at least two hundred injuries after clashes with police, are believed to be caused by a corrupt election campaign where the pro-Kremlin president of Moldavia systematically denied the opposition access to mass media and crushed any attempt at democracy.

Moldova's political future is uncertain. Apart from the recent wave of protests, the poverty-stricken, Romanian majority republic is also locked in a land dispute; one of its regions—Transnistria—is Russian speaking and pro-Kremlin. The country's economy is heavily dependent on Russian energy, specifically gas.

The international reaction to the Moldavian protest has been as confused as the events themselves.

While the communist Voronin vows to crush the protests, Robert Wood, the State Department's Deputy Spokesman, called for maintaining calm. The European Union, which formerly courted Moldavia with the prospect of enhancing economic relations, has called for restraint.

The European Commissioner for Foreign Relations, Benita Ferrero-Waldner, declared Tuesday evening that is concerned about the development of the situation in Moldova and also called for restraint.



**A Moldovan worker shovels debris left by protestors inside the parliament building in Chisinau on April 9, 2009.**

VIKTOR DRACHEV/AFP/GETTY IMAGES

# Slovak president re-elected for second term

By PETER SEDIK  
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BRATISLAVA, Slovakia—Ivan Gasparovic, current Slovak president, won the second round of Saturday's elections with 55.5 percent of votes. His opponent, Iveta Radicova, received 44.5 percent. Voter turnout was more than 51 percent.

Backed by the socialist and nationalist coalition parties, Gasparovic became the first Slovak president elected for two five-year terms. "The Slovak citizens respect me and I didn't disappoint them," Gasparovic said. His presidency started in 2004 when he won

against the former Prime Minister Vladimir Meciar.

The result confirmed the popularity of the socialist Prime Minister, Robert Fico, with the president as his close ally. "I'm glad that another period of stability is ahead of us," Fico said.

Although not winning, the final results were seen as a personal victory for Radicova, who can look forward to the role of opposition leader for the upcoming general elections next year. "Almost one million votes," she said, starting her thank-you speech after learning the results. "I view the support of so many citizens as a duty, a challenge, and a new beginning."



**Slovak President Ivan Gasparovic (C) celebrates with Prime minister Robert Fico (L) and speaker of parliament Pavol Paska (R) after the announcement of the first results of Slovakia's presidential election.**

SAMUEL KUBAN/AFP/GETTY IMAGES

# The United States goes to war on tax havens

By HEIDE B. MALHOTRA  
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In an effort to crack down on offshore tax havens, several nations are threatening to blacklist countries and organizations that withhold certain information on alleged tax evaders.

The United States, France, and Germany submitted names of countries to be included in a blacklist maintained by the Organization for Economic Co-operation and Development (OECD), against countries that have laws prohibiting financial institutions from releasing confidential banking information.

The Germans, French, and Americans suggest that respect for privacy is not an acceptable excuse to hide money in tax havens.

A rush to commit to OECD's "Tax Information Exchange Agreement" (TIEA) ensued. Over 20 governments committed to the TIEA, including offshore havens Andorra, Austria, Guernsey, Isle of Man, Liechtenstein, Luxembourg, Monaco, San Marion, Hong Kong, and Singapore.

Not one of these countries wanted to be named on the OECD "List of Unco-operative Tax Havens"—a blacklist naming countries that allow banks to withhold client banking information under the mantle of bank secrecy and the right to privacy.

The Swiss government—overseeing the world's largest offshore banking industry—agreed to adopt Article 26 of the OECD Model Tax Convention governing suspected tax evasion. However, the Swiss Bankers Association announced that "bank-client confidentiality will be upheld for foreign clients innocent of any wrongdoing."

"Once the G-20 nations threatened to blacklist Switzerland as a tax haven, it had to consider the potential risks to its entire economy," the Swiss Bankers Association said.

Under the Swiss Banking Act of 1934, hiding one's assets from tax authorities is not a criminal offense, and the only punishment is that back taxes must be repaid once discovered. However, lying about one's assets on any official bank application is a criminal offense. Those rules are being ironed



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CARL LEVIN CHIP SOMODEVILLA/GETTY IMAGES

out and reformed laws will consider tax evasion and tax fraud as criminal offenses.

## No fishing expeditions

Swiss industry officials remain wary, however.

"The OECD provides a model double taxation agreement (for cross-border tax issues) for its 30 member states," the Swiss Bankers Association claims on its Web site. "This agreement represents neither applicable law nor valid legislation. Rather, it is merely a model text that can be used as a basis for state treaties as negotiated and signed by the relevant countries."

But Angel Gurría, the OECD secretary-general, announced that confidentiality of bank clients should be safeguarded and "fishing expeditions" for tax evaders are not permitted under the TIEA agreements.

Interpretation of "fishing expedition" has become subject to heated debates, as the United States wants to get wholesale information from the banks without

submitting specific names.

"In practice, all countries have some form of bank secrecy and all countries acknowledge the importance of protecting the privacy of tax payer information," Gurría said in a recent press release.

He continued, "What [the agreement] will do is ensure that tax authorities in both developed and developing countries have the necessary information to enable them to apply tax rules fully and fairly."

## Going after offshore tax evasion schemes

The global financial crisis has brought governments to their knees. The United States has allocated enormous sums to reverse the economic downside. Present tax revenues are insufficient to pay for what already has been apportioned and governments are scrambling to find new revenue sources.

What better way than to go after those hiding their wealth from tax authorities in countries with strong secrecy laws, such as in Switzerland, Monaco, and Liechtenstein?

"Each year, the United States loses an estimated \$100 billion from U.S. taxpayers using offshore tax schemes to dodge their U.S. tax obligations," said Sen. Carl Levin, D-Mich., during a congressional testimony last month. "Those offshore shenanigans cheat honest U.S. taxpayers."

The United States has signed TIEAs with more than 70 countries. A Joint International Tax Shelter Information Center was set up by the U.S. Internal Revenue Service (IRS), which relies on whistle-blowers for information.

"The U.S. has received information regarding transactions [tax evasion] of which it had not been previously aware" prior to the information center, said Doug Shulman, IRS commissioner.

"There is no silver bullet or one strategy that will alone solve the problems of offshore tax avoidance. If such a solution existed, it would have been implemented a long time ago," said Shulman.

(Please also read: Germany, Liechtenstein Spar Over Tax Havens; Pressure Mounts on Liechtenstein as Tax Probes Grow; and Australia Looks at Liechtenstein Tax Probe.)

## Switzerland as scapegoat

The IRS won a victory against Swiss banking giant UBS AG when a former UBS employee blew the whistle on possible income withholdings.

In the process, the IRS discovered that UBS bankers stepped over the line when aggressively soliciting clients in the U.S. UBS eventually turned over 250 client names, resulting in a \$780 million fine.

"Swiss banking as we have known it is dead," said Maurice Schweitzer from the University of Pennsylvania, in a recent Knowledge @ Wharton (KW) report.

The Penn professors are concerned that release of further names might result in a "run on the bank" and wipe the bank from the face of this earth. This would be detrimental to the entire global financial system, suggest the professors.

But having money in a Swiss bank account is a murky issue. "For the U.S., it's tax evasion, but for other countries it's more a place to hide money," argued professor Marshall Blume in the KW article.