

Online Appendix for “Checking Shell Corporations: A Field Experiment in the Experimental Science of Transnational Relations”

13 March 2012

Table A1: Country Groupings

Afghanistan	Low Bus. Friendliness	Cook Islands	Tax Haven
Albania	Med. Bus. Friendliness	Costa Rica	Med. Bus. Friendliness
Alderney	Tax Haven	Cote d'Ivoire	Low Bus. Friendliness
Algeria	Low Bus. Friendliness	Croatia	Med. Bus. Friendliness
Andorra	Tax Haven	Cuba	Low Bus. Friendliness
Angola	Low Bus. Friendliness	Cyprus	Tax Haven
Anguilla	Tax Haven	Czech Republic	OECD
Antigua & Barbuda	Tax Haven	D.R. Congo	Low Bus. Friendliness
Argentina	Med. Bus. Friendliness	Denmark	OECD
Armenia	Low Bus. Friendliness	Djibouti	Low Bus. Friendliness
Aruba	Tax Haven	Dominica	Tax Haven
Australia	OECD	Dominican Republic	Med. Bus. Friendliness
Austria	OECD	Ecuador	Low Bus. Friendliness
Azerbaijan	High Bus. Friendliness	Egypt	Low Bus. Friendliness
Bahamas	Tax Haven	El Salvador	Low Bus. Friendliness
Bahrain	High Bus. Friendliness	Estonia	High Bus. Friendliness
Bangladesh	Low Bus. Friendliness	Faroe Islands	Low Bus. Friendliness
Barbados	Tax Haven	Fiji	High Bus. Friendliness
Belarus	High Bus. Friendliness	Finland	OECD
Belgium	OECD	France	OECD
Belize	Tax Haven	Gambia	Low Bus. Friendliness
Bermuda	Tax Haven	Georgia	Low Bus. Friendliness
Bolivia	Low Bus. Friendliness	Germany	OECD
Bosnia and Herzegovina	Med. Bus. Friendliness	Ghana	High Bus. Friendliness
Botswana	High Bus. Friendliness	Gibraltar	Tax Haven
Brazil	Med. Bus. Friendliness	Greece	OECD
British Virgin Islands	Tax Haven	Grenada	Tax Haven
Brunei Darussalam	Med. Bus. Friendliness	Guam	Low Bus. Friendliness
Bulgaria	High Bus. Friendliness	Guatemala	Med. Bus. Friendliness
Burkina Faso	Low Bus. Friendliness	Guernsey	Tax Haven
Cambodia	Low Bus. Friendliness	Guyana	Med. Bus. Friendliness
Cameroon	Low Bus. Friendliness	Honduras	Low Bus. Friendliness
Canada	OECD	Hong Kong	High Bus. Friendliness
Cayman Islands	Tax Haven	Hungary	OECD
Chile	OECD	Iceland	OECD
China	High Bus. Friendliness	India	Low Bus. Friendliness
Colombia	High Bus. Friendliness	Indonesia	Med. Bus. Friendliness
Cook Island	Tax Haven	Iran	Low Bus. Friendliness
		Iran, Islamic Rep.	Low Bus. Friendliness

Iraq	Low Bus. Friendliness	Netherlands	Tax Haven
Ireland	OECD	Antilles	
Isle of Man	Tax Haven	New Zealand	OECD
Israel	High Bus. Friendliness	Nicaragua	Low Bus. Friendliness
Italy	OECD	Nigeria	Low Bus. Friendliness
Jamaica	Med. Bus. Friendliness	Norway	OECD
Japan	OECD	Oman	High Bus. Friendliness
Jersey	Tax Haven	Pakistan	Low Bus. Friendliness
Jordan	Low Bus. Friendliness	Panama	Tax Haven
Kazakhstan	High Bus. Friendliness	Papua New Guinea	Med. Bus. Friendliness
Kenya	Med. Bus. Friendliness	Paraguay	Med. Bus. Friendliness
Korea	OECD	Peru	High Bus. Friendliness
Kosovo	Med. Bus. Friendliness	Philippines	Low Bus. Friendliness
Kuwait	High Bus. Friendliness	Poland	OECD
Kyrgyzstan	High Bus. Friendliness	Portugal	OECD
Latvia	High Bus. Friendliness	Puerto Rico	High Bus. Friendliness
Lebanon	Med. Bus. Friendliness	Qatar	High Bus. Friendliness
Libya	Low Bus. Friendliness	Romania	High Bus. Friendliness
Liechtenstein	Tax Haven	Russia	Med. Bus. Friendliness
Lithuania	High Bus. Friendliness	Rwanda	High Bus. Friendliness
Luxembourg	OECD	Samoa	Tax Haven
Macau	Low Bus. Friendliness	San Marino	Tax Haven
Macedonia	High Bus. Friendliness	Sao Tome and Principe	Low Bus. Friendliness
Madagascar	Low Bus. Friendliness	Saudi Arabia	High Bus. Friendliness
Malawi	Low Bus. Friendliness	Senegal	Low Bus. Friendliness
Malaysia	High Bus. Friendliness	Serbia	Med. Bus. Friendliness
Maldives	Med. Bus. Friendliness	Seychelles	Tax Haven
Mali	Low Bus. Friendliness	Sierra Leone	Low Bus. Friendliness
Malta	Tax Haven	Singapore	High Bus. Friendliness
Marshall Islands	Tax Haven	Slovak Republic	OECD
Mauritius	Tax Haven	Slovenia	OECD
Mexico	High Bus. Friendliness	Solomon Islands	Med. Bus. Friendliness
Moldova	Med. Bus. Friendliness	South Africa	High Bus. Friendliness
Monaco	Tax Haven	Spain	OECD
Mongolia	High Bus. Friendliness	Spain (Canary Islands)	OECD
Montenegro	High Bus. Friendliness	Sri Lanka	Med. Bus. Friendliness
Morocco	Med. Bus. Friendliness	St. Kitts and Nevis	Tax Haven
Mozambique	Med. Bus. Friendliness	St. Lucia	Tax Haven
Namibia	High Bus. Friendliness	St. Vincent & Grenadines	Tax Haven
Nauru	Tax Haven	Sudan	Low Bus. Friendliness
Netherlands	OECD		

Suriname	Low Bus. Friendliness	Uganda	Med. Bus. Friendliness
Swaziland	Med. Bus. Friendliness	UK	OECD
Sweden	OECD	Ukraine	Low Bus. Friendliness
Switzerland	OECD	United Arab Emirates	High Bus. Friendliness
Syrian Arab Republic	Low Bus. Friendliness	Uruguay	Med. Bus. Friendliness
Taiwan	High Bus. Friendliness	US	OECD
Tajikistan	Low Bus. Friendliness	US Virgin Islands	Tax Haven
Tanzania	Low Bus. Friendliness	Uzbekistan	Low Bus. Friendliness
Thailand	High Bus. Friendliness	Vanuatu	High Bus. Friendliness
Togo	Low Bus. Friendliness	Venezuela	Low Bus. Friendliness
Trinidad and Tobago	Med. Bus. Friendliness	Vietnam	High Bus. Friendliness
Tunisia	High Bus. Friendliness	West Bank and Gaza	Low Bus. Friendliness
Turkey	OECD	Yemen	Med. Bus. Friendliness
Turks and Caicos	Tax Haven	Zimbabwe	Low Bus. Friendliness

Examples of Letters Across Experimental Conditions

Placebo

Dear [name/company]

I am contacting you as I would like to form an international corporation for my consulting firm. I am a resident of **[Norstralia]** and have been doing some international consulting for various companies. We are now growing to a size that makes incorporation seem like a wise option. A lot of our newer business is in your region.

My two associates and I are accustomed to paying **[Norstralia]** income tax, but the rising tax rates make incorporation in another country a more economic alternative. Also, our contracts grow larger and more complicated, so reducing personal liability through incorporation seems more attractive.

As I am sure you understand, business confidentiality is very important to me and my associates. We desire to incorporate as confidentially as we can. Please inform us what documentation and paperwork is required and how much these services will cost.

I would like to start the process of incorporation as soon as possible. Also, how much can we expect your fees to be?

Due to numerous professional commitments, I would prefer to communicate through email. I hope to hear from you soon.

Thank you very much,
[alias]

International Law/FATF Treatment

Dear **[name/company]**

I am contacting you regarding a business I am trying to set up. I am a consultant and my colleagues and I are seeking to establish an international corporation. I am a **[Norstralia]** resident, but I do business both locally and with some international client, including some in your region. Our business has been growing substantially, and our goal is to limit tax obligations and business liability.

We would like as much business confidentiality as possible in these early stages of formation. **My Internet searches show that the international Financial Action Task Force requires disclosure of identifying information. But I would rather not provide any detailed personal information if possible.**

So, we would like to know what identifying documents will be required to establish this company. We would also like to know what start-up costs will be.

Due to my travel schedule, email will be the best way to reach me. I look forward to hearing from you soon.

Regards,
[alias]

U.S. Power Treatment

Dear [name/company]

I am an international consultant living in **the United States**. My associates and I have been based in **the U.S.** for some time and we have done extensive international work, especially in your area. After looking at the specific needs of our growing company, we were feeling that it would make sense for us to expand and to set up an international company.

We especially hope to limit taxes and reduce liability. We were wondering what you require us to give in order to do this.

We would like to form this corporation as privately as possible. What identifying documents will you need from us? We would also like to know what your usual prices are. We appreciate the help.

I travel a lot for my work, so I communicate best via email.

I hope to hear from you soon.

Yours,
[alias]

Rationalism Treatment

Dear **[name/company]**

I am seeking information on how to incorporate an international company. I hope that you might be able to offer what I need.

I am a consultant, and my business associates and I live in **[Norstralia]**. Much of our business originates here, where we operate, but our company also grows quickly among international clients. Many of them are in your area. So, we feel that incorporation is a necessary option for us. We hope to limit taxes obligations and business liability.

We would like to know if you feel that you will be able to service us with a corporation. What identifying documents will you request for this transaction? We would prefer to limit disclosure as much as possible.

My Internet searches show that the international Financial Action Task Force sets standards for disclosure of identifying information when forming a company. I also understand that legal penalties may follow violation of these standards. But I would like to avoid providing any detailed personal information if possible.

If you could answer these questions and also let us know about your prices, we very much appreciate it. Thank you for the time to address our query. Business obligations make communication difficult, so we would prefer to correspond with email.

Until we speak again,
[alias]

Constructivism Treatment

Dear [name/company]

I am a resident of **[Norstralia]** and would like to inquire about your process to form international corporations. With several associates, I operate consulting firm in **[Norstralia]**. We deal with a growing number of international clients, many that come from your area, and would like to pursue incorporation options for liability and taxes purposes.

We are particularly concerned with keeping business interactions private; thus, we are eager to limit information disclosure as much as possible.

My Internet searches show that the international Financial Action Task Force sets standards for disclosure of identifying information when forming a company and most countries have signed on to these standards. As reputable businessmen, I am sure we both want to do the right thing by the international rules. But I would like to avoid providing any detailed personal information if possible.

Can you please inform me what your start-up costs are and what kind of identification or documents we will need to provide? We are all fairly burdened with commitments, so email communication is preferable.

Thank you in advance,
[alias]

Appendix 2 - Example Replies

Compliant

In reply to your email requesting our price to form a Corporation, basically the cost of establishing (or acquiring a shelf) IBC is US\$ 1,500 and the annual running costs (excluding time charges) are US\$ 3,850 (being \$ 350 Government Licence fee + \$ 500 Registered Office / Registered Agents fee + \$ 3,000 Directors Responsibility fee). It is also important to note that, apart from needing to understand the exact nature and purpose of the proposed structure (e.g. Business, Investment or Inheritance Plan), our current due diligence / client acceptance procedures generally involve :- (a) Signed Client Service Agreement (copy attached) (b) Proof of Identity (usually a certified copy passport). (c) Proof of Residential Address (usually an original utility bill, unless the bank reference includes an address confirmation). (d) Curriculum Vitae. (e) Bank and Professional References. (f) Source of funds. See our Due Diligence Requirements attached for further reference.

Partially Compliant

I deeply apologise for the delay in our response. This is a very abnormal situation and I thank you for your perseverance. I am not typically the person who would be dealing with your enquiry but am very happy to work with you to make this happen. My first question is could you please confirm if you would also be looking for an offshore bank account to accompany the company? In regards to the best tax haven we are currently recommending the jurisdiction of Belize. This is due to three reasons: 1/ Confidentiality, the registry in Belize is known as a closed registry therefore the shareholders & directors names are not disclosed 2/ Time Frame, it takes only one working day to form a company 3/ Documentation - the supporting documents required from you would be minimal, a clear scanned copy of your passport is enough to proceed Please let me know if you would like me to call and discuss anything with you.

Noncompliant

Dear Sir,

In order to prepare power of attorney and setting up the company I need full shareholders and director details as:

full name

Nationality Status

Address

Occupation

I look forward to hearing from you. We are at your disposal to clarify any questions that are made necessary. With our best personal regards,

Refusal

Thank you for your email and your kind enquiry. Unfortunately, it is likely that your business will be outside our area of business but I wish you all the best with your business ventures. Kind regards.