

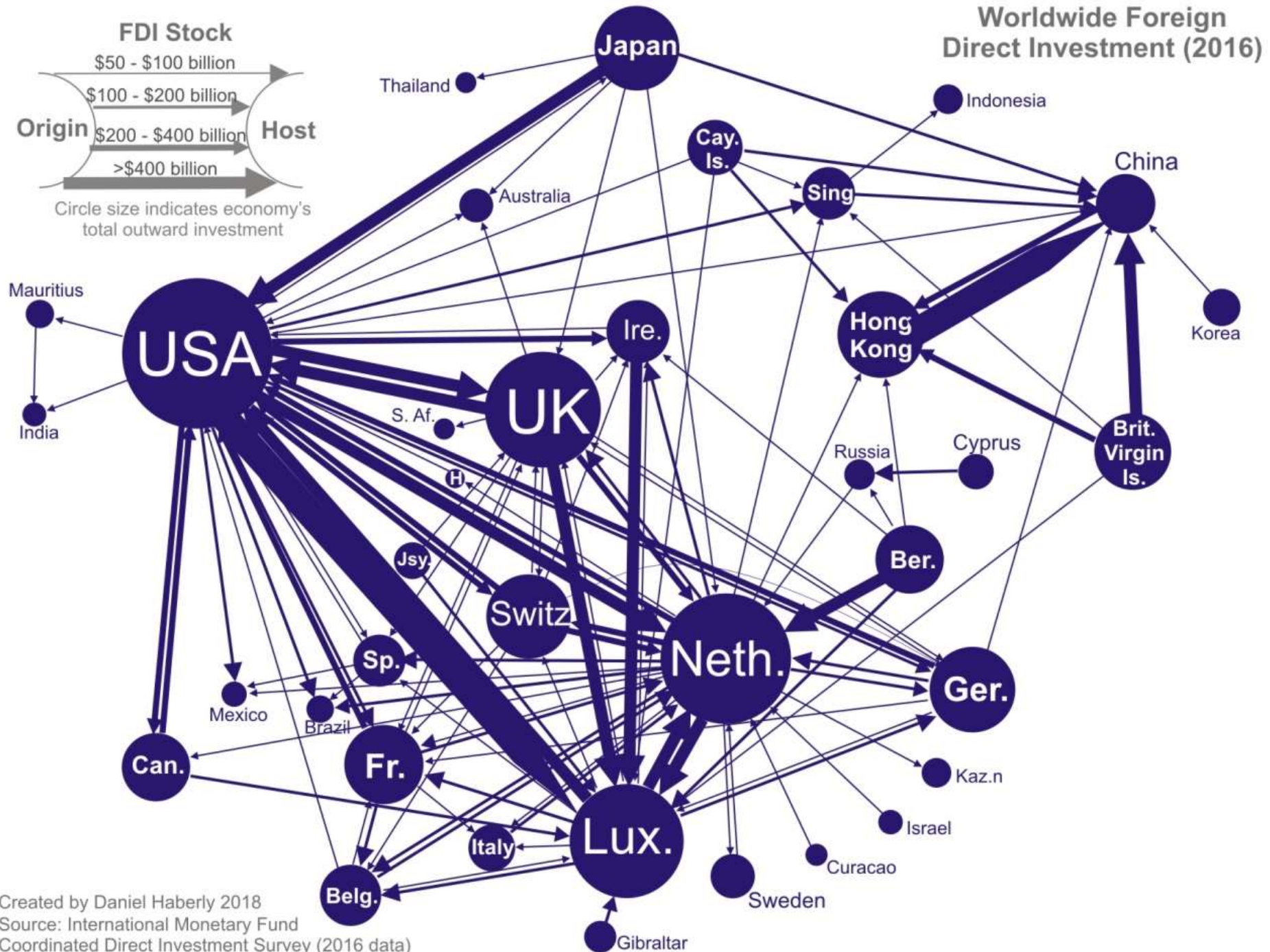
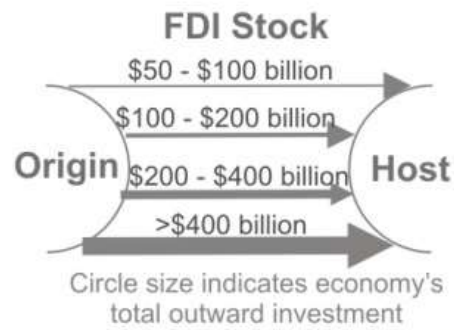
# What drives offshore shell company formation? A time series panel analysis of Panama and Paradise Papers data on developing and transition economy clients, 1991-2015

**Daniel Haberly**  
**Valentina Gullo**

University of Sussex  
Department of Geography and Centre for the Study of Corruption



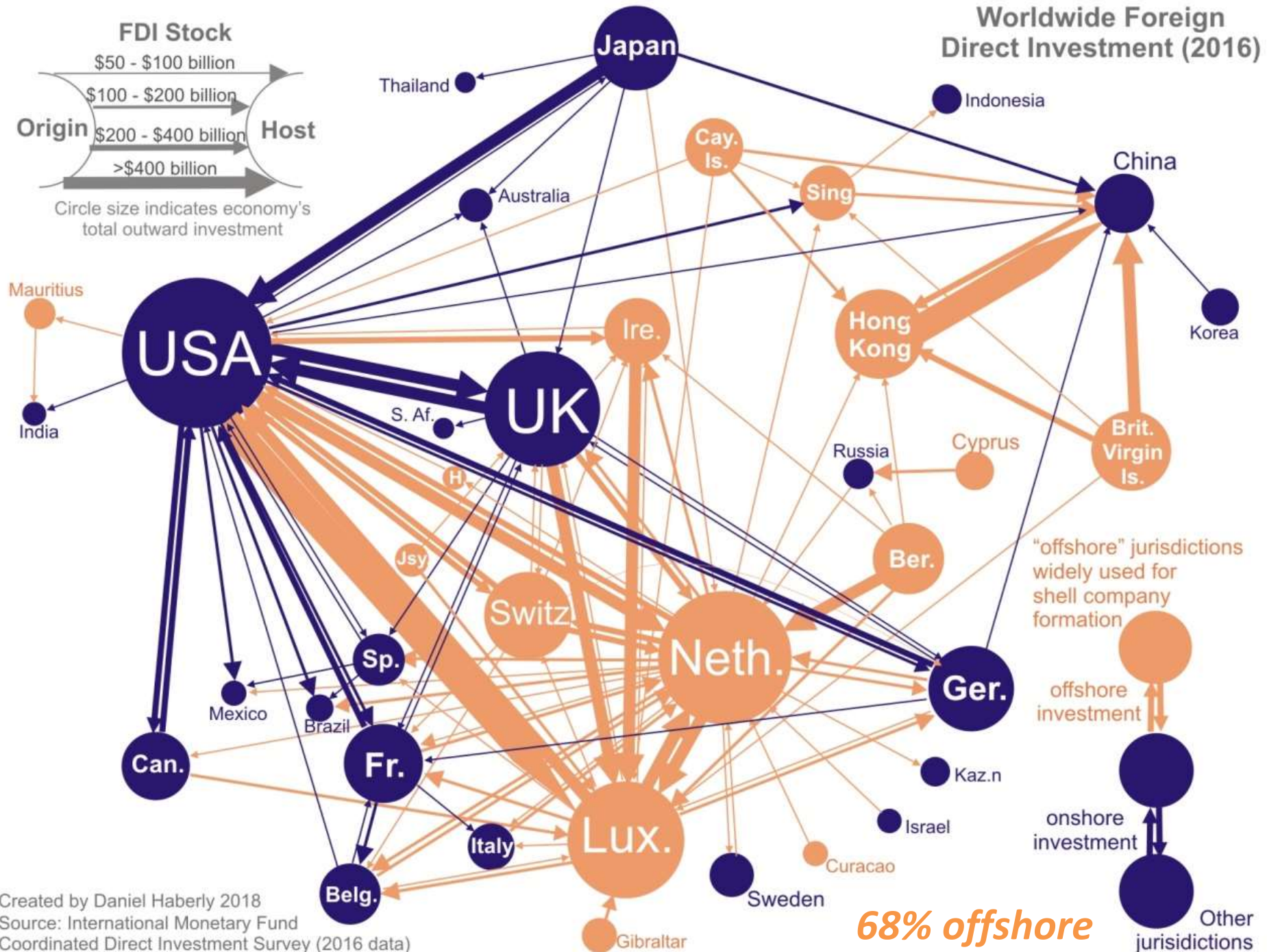
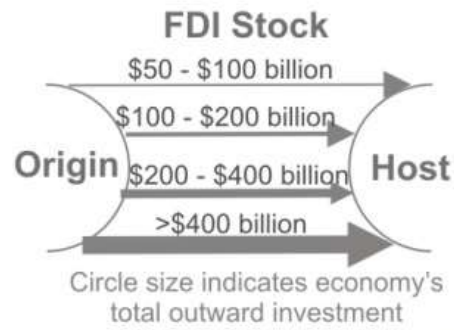
### Worldwide Foreign Direct Investment (2016)



Created by Daniel Haberly 2018  
Source: International Monetary Fund  
Coordinated Direct Investment Survey (2016 data)



# Worldwide Foreign Direct Investment (2016)



***Offshore shell companies make the world  
(economy) go round...***

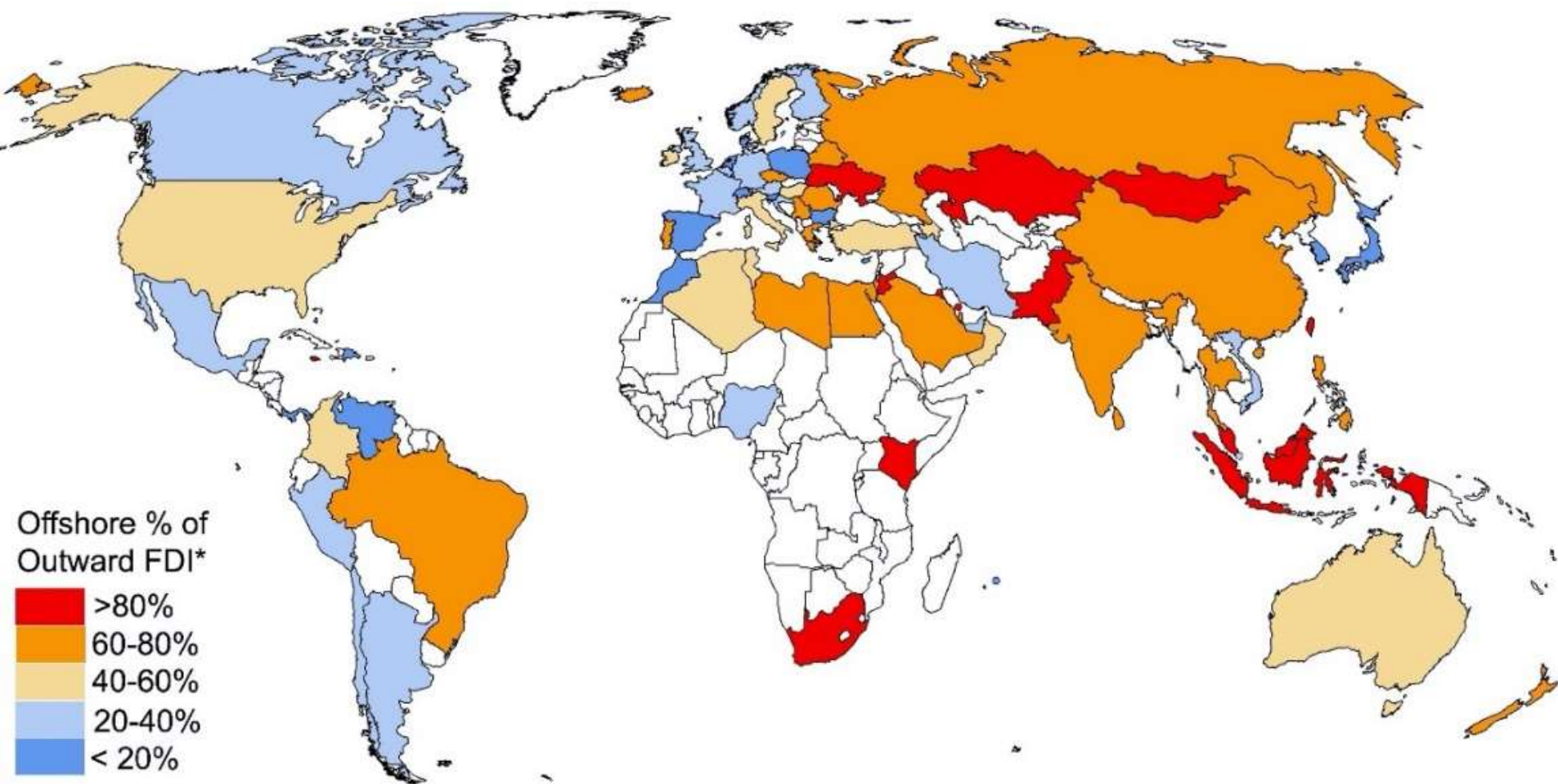
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***But what drives the use of offshore shell companies?  
Particularly important question in relation to developing  
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# Estimated percentage of total outward FDI that passes through offshore jurisdictions, 2015



\*excluding round-tripping

from Haberly 2024, a New Map of World FDI

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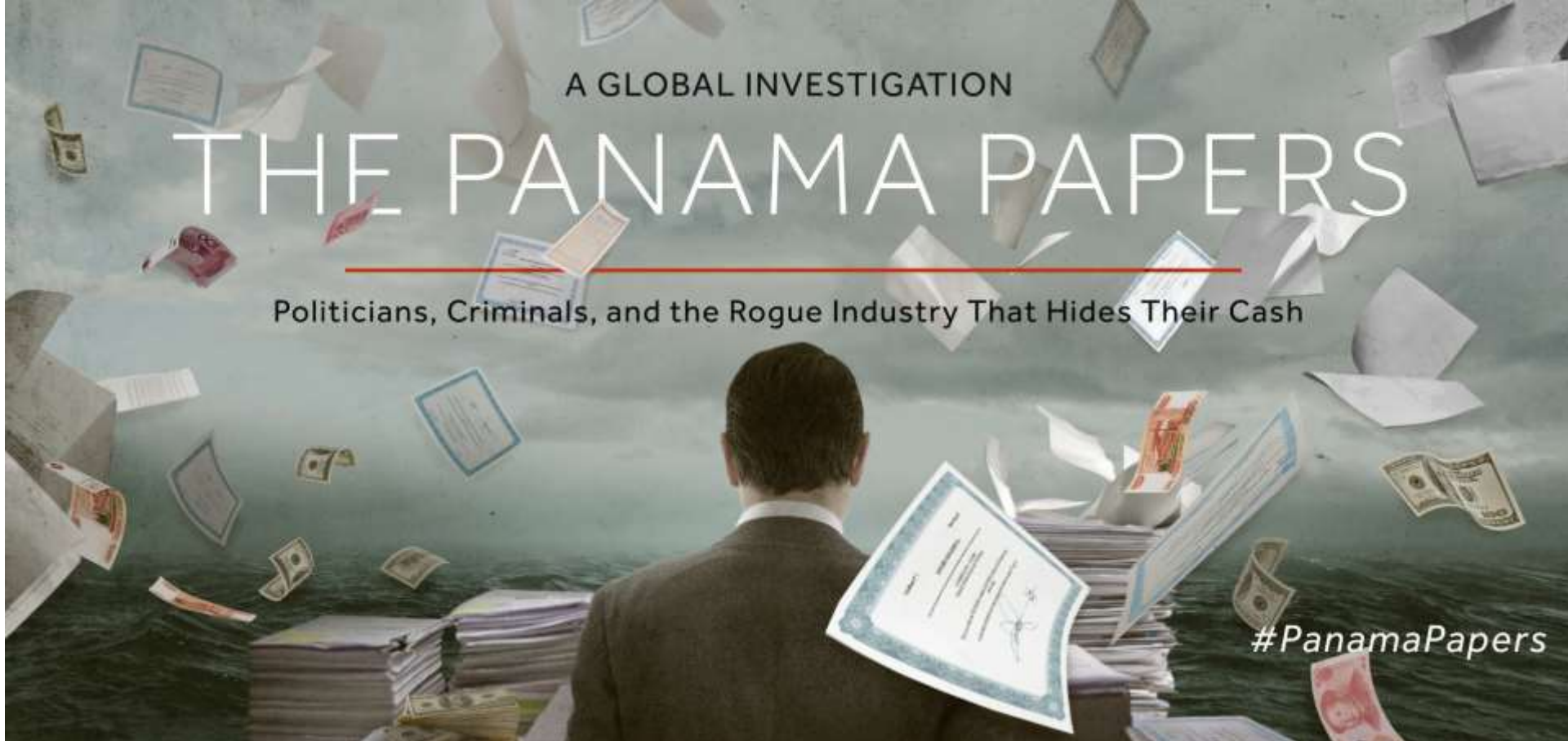
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**How can we shed some empirical light on this conceptual deadlock?**



A GLOBAL INVESTIGATION

# THE PANAMA PAPERS

Politicians, Criminals, and the Rogue Industry That Hides Their Cash

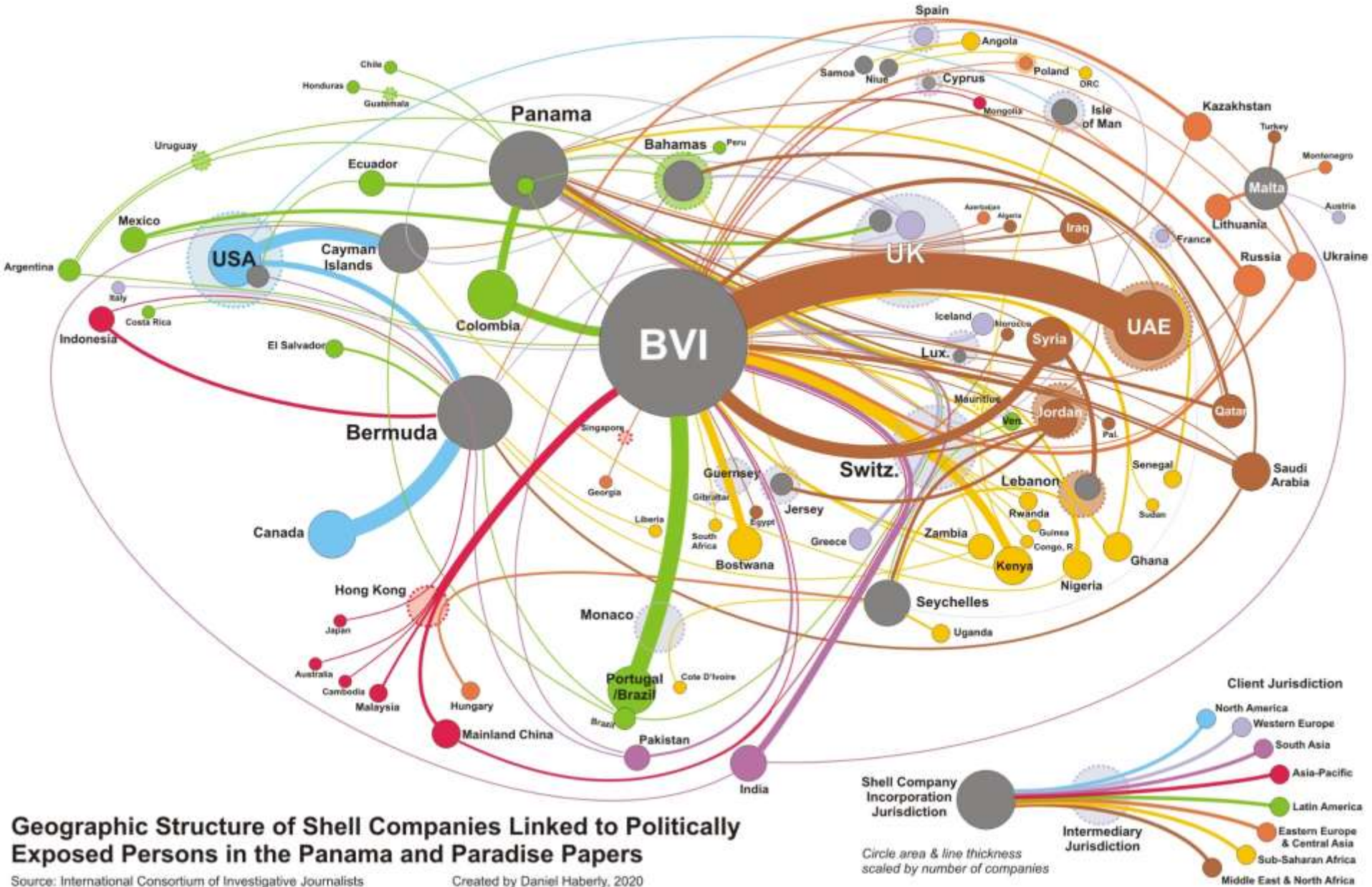
#PanamaPapers

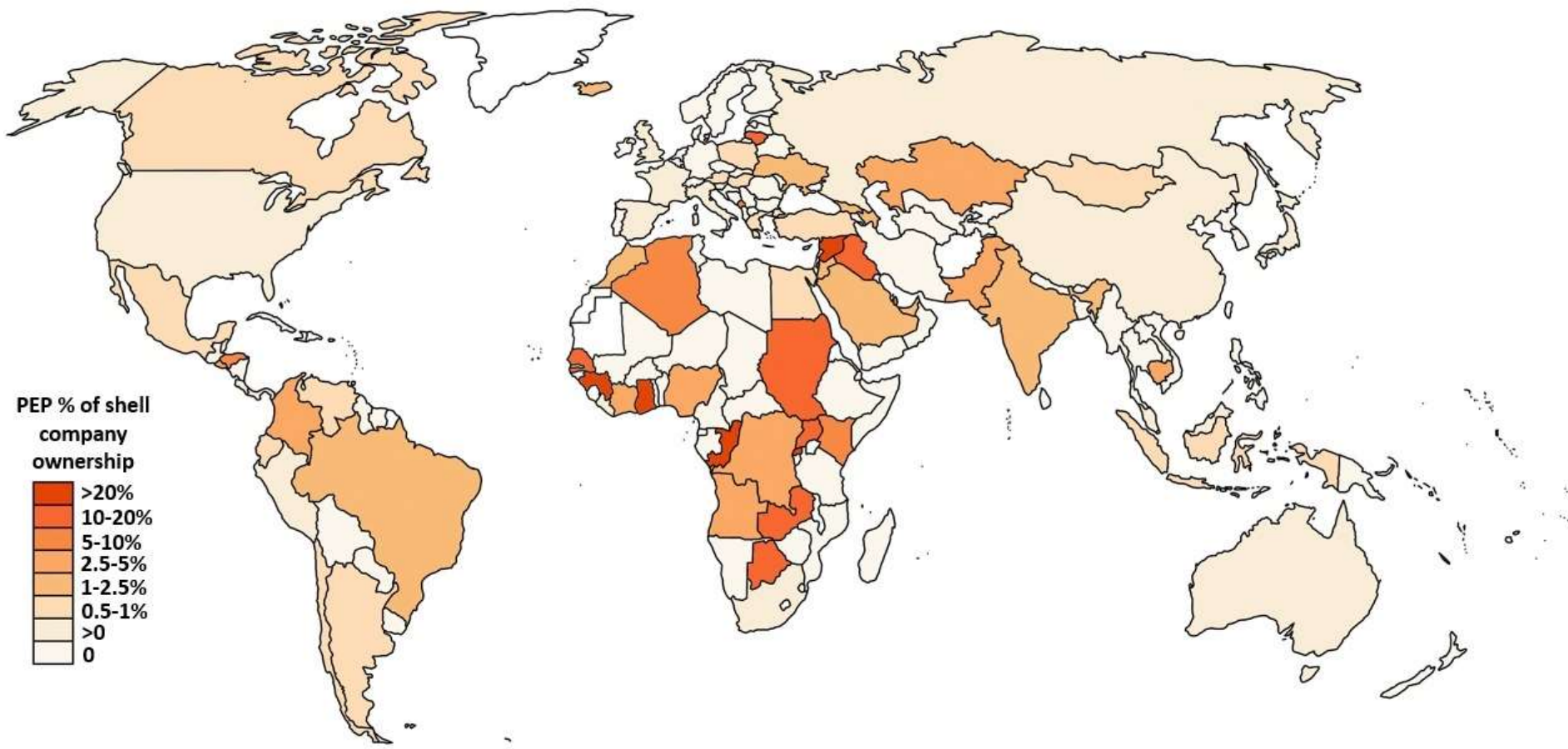
**The ICIJ leaked datasets** of shell company formation (Offshore Leaks, Panama Papers, Paradise Papers, Pandora Papers)  
***100Ks of companies formed by clients in hundreds of countries over several decades***

***Significant advantages over existing data sources to construct a DV in time series panel analysis of offshore shell company formation***



## Geographic Structure of PEP-linked ICIJ Shell Companies



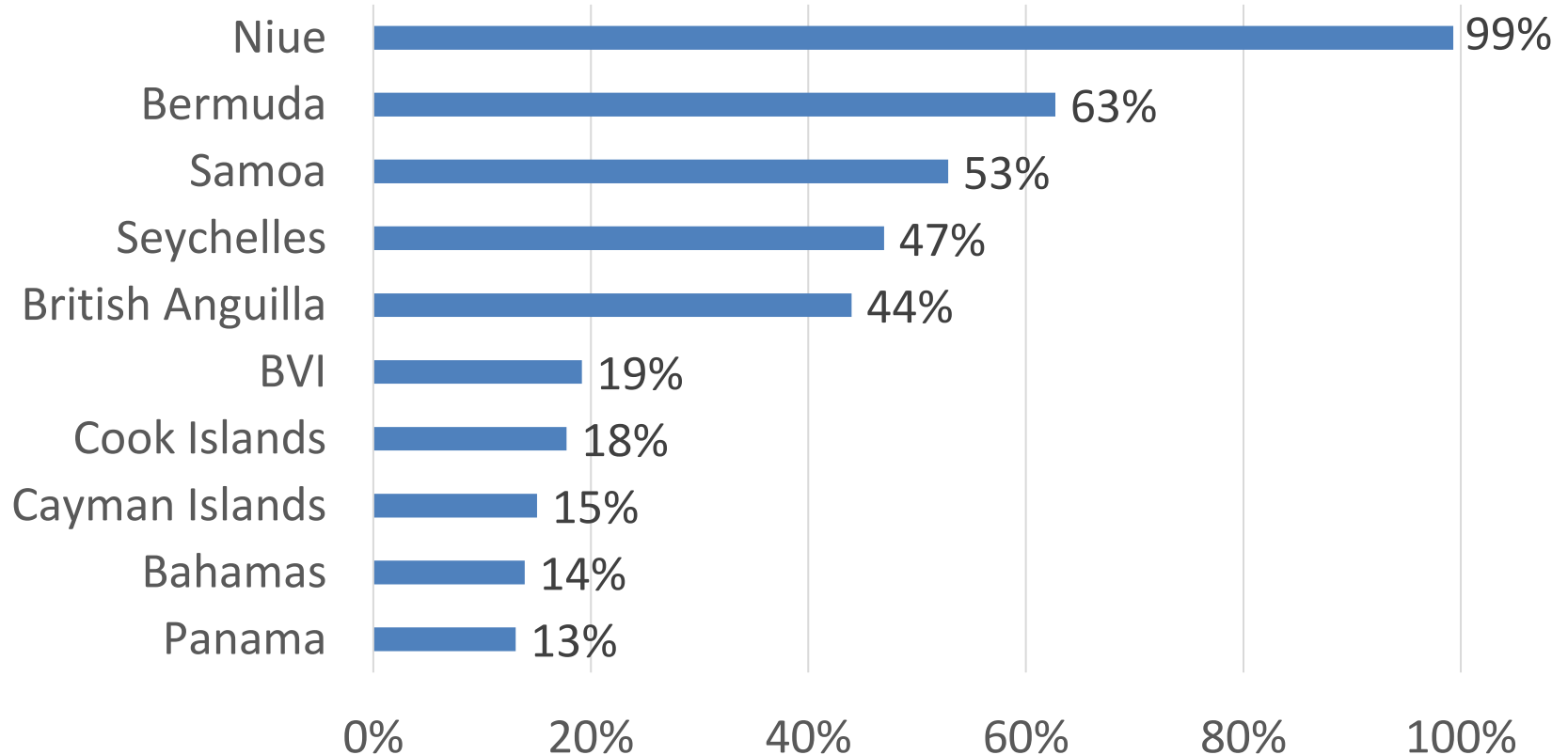


## Percent of all shell companies in Panama and Paradise papers belonging to identified politically exposed persons (PEPs)

Source: International Consortium for Investigative Journalists

**(very rough) estimate % of all offshore companies\* by  
jurisdiction covered in ICIJ leaked datasets**

(ca. 290,000 entities w. useful data)

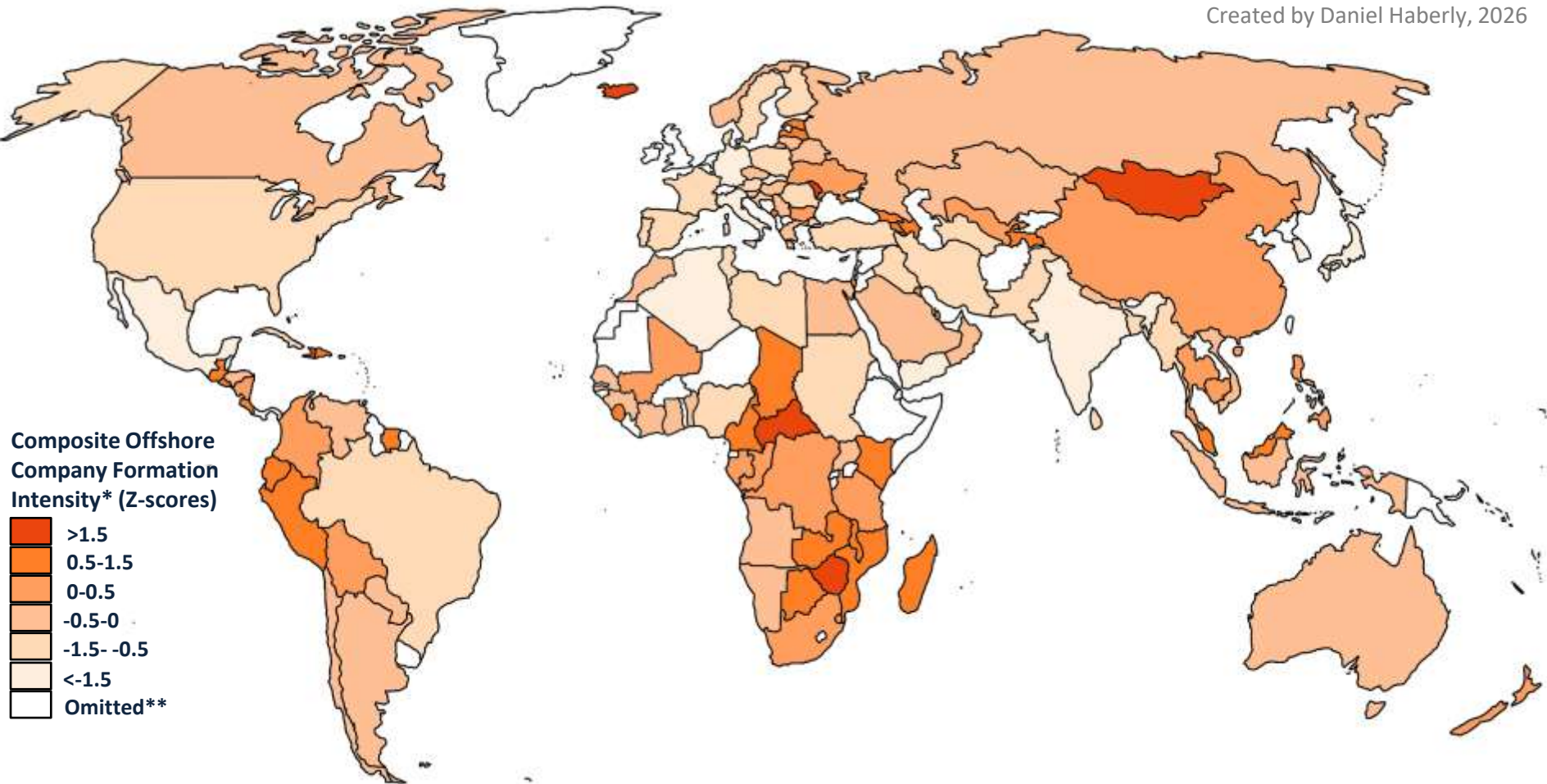


\*totals from Palan, Murphy, & Chavagneux 2010 & Bermuda Company Laws & Regulations Handbook 2012



# Composite Map of Panama and Paradise Papers Offshore Shell Company Formation Intensity, in relation to GDP, 1990-2015

Created by Daniel Haberly, 2026



\*Standardized officer country fixed effects coefficients estimated in fixed effects-terms only (officer-country, service provider-incorporation jurisdiction, service-provider time) panel regression model of annual Appleby & Mossack Fonseca offshore company formation events as a % of officer country GDP

\*\*Country omitted due to insufficient observations or offshore intermediary status

# Goals and methods

**Question:** what are the drivers of offshore shell company use by developing and transition economy actors?

- How is this shaped by interacting institutional, political and economic factors?
- What “high-risk” signals, potentially linked to IFFs, can we pull out statistically?



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  - 13 institutional, political and economic variables tested for change and level effects (current and lagged) in PPML gravity models with four dimensions of fixed effects (year, service provider, company formation jurisdiction, company officer jurisdiction).

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  - 252 models run with varying samples across and within different data leaks and country groups, and alternative institutional variable constructions
    - Given nature of the leaked data, only interested in results that are robust across samples

# Results

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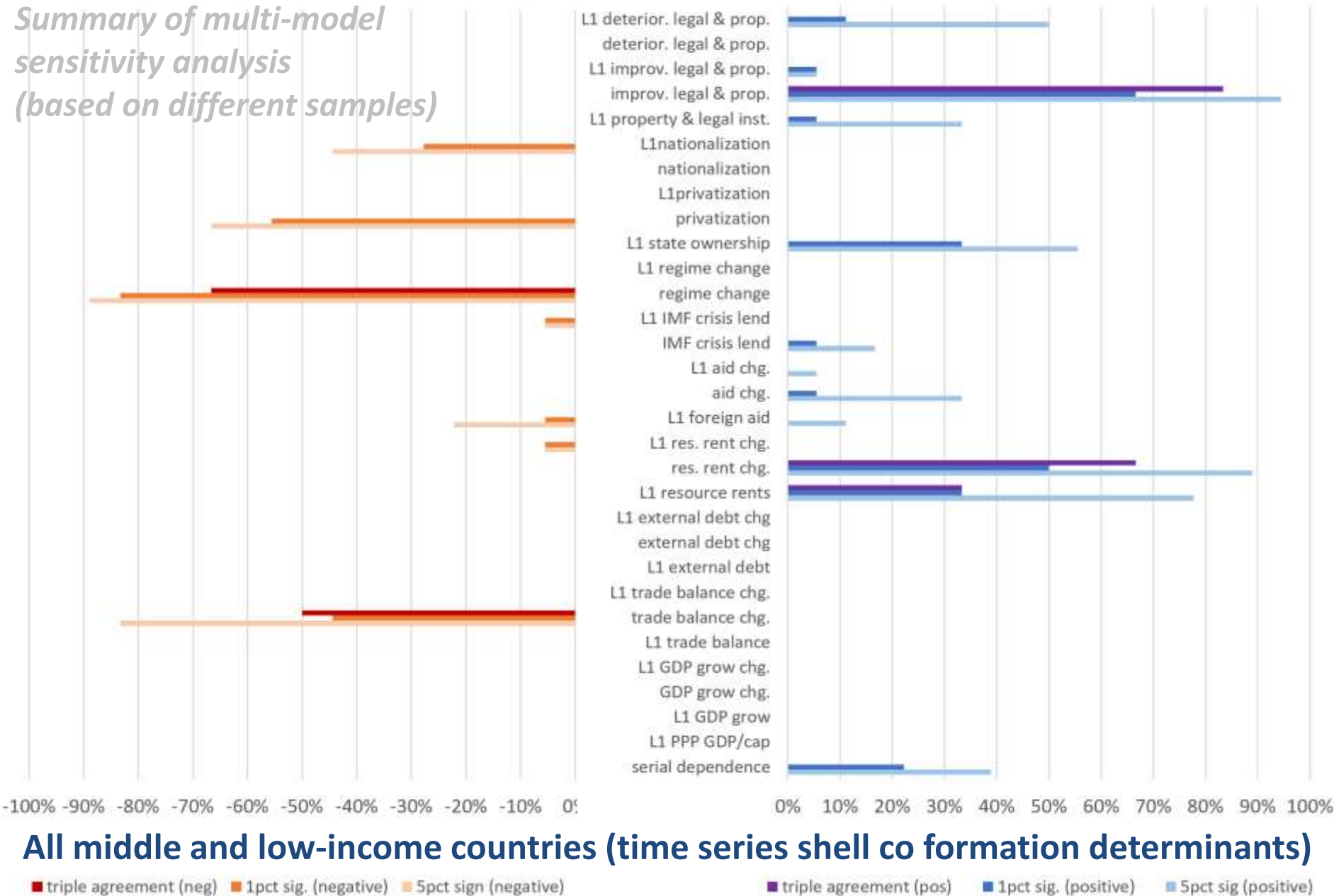
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# Determinants of Shell Company Formation in Panama and Paradise Papers, 1991-2015: All Low and Middle Income Countries

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Summary of multi-model sensitivity analysis (based on different samples)

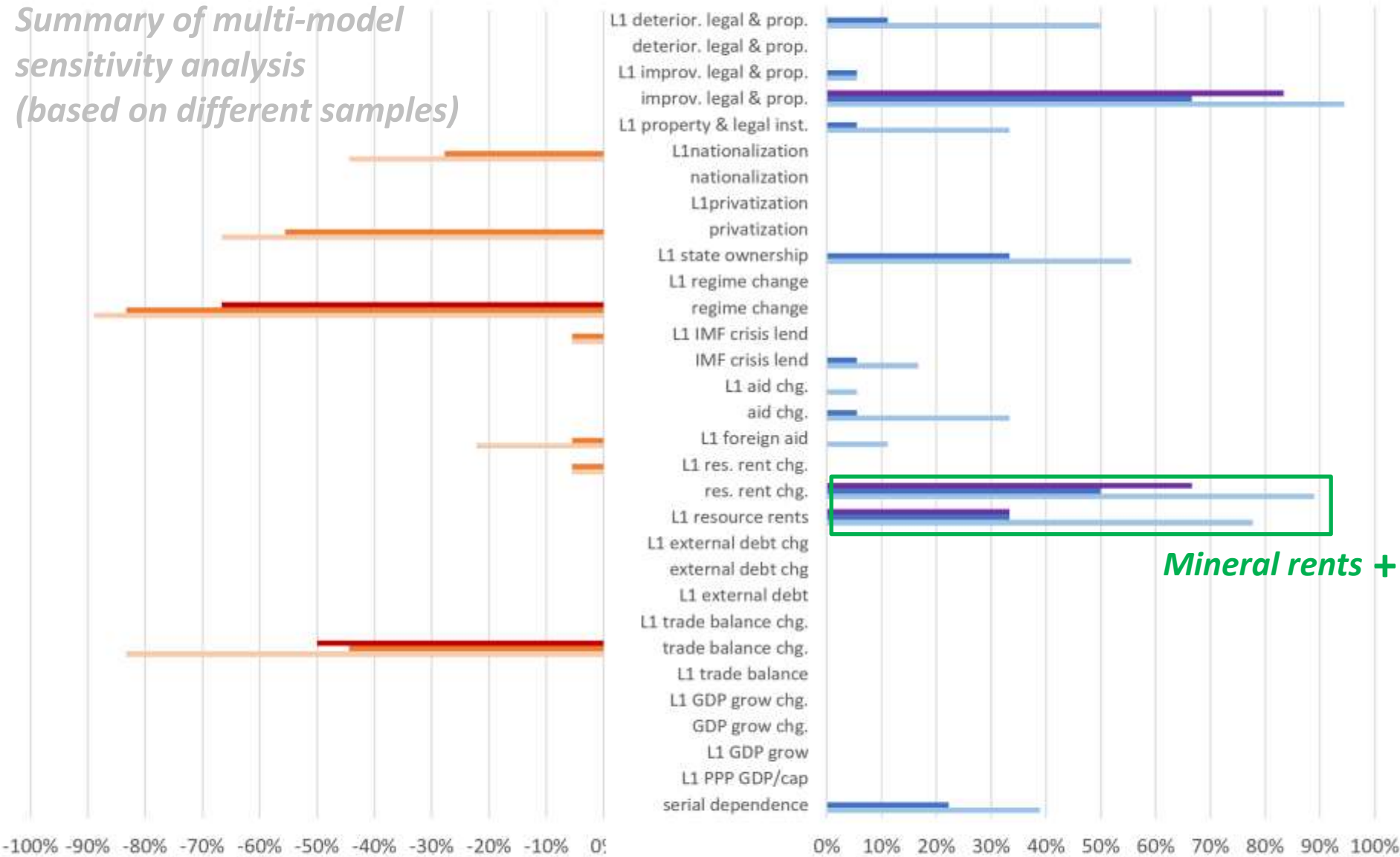


All middle and low-income countries (time series shell co formation determinants)

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**Mineral rents +**

**All middle and low-income countries (time series shell co formation determinants)**

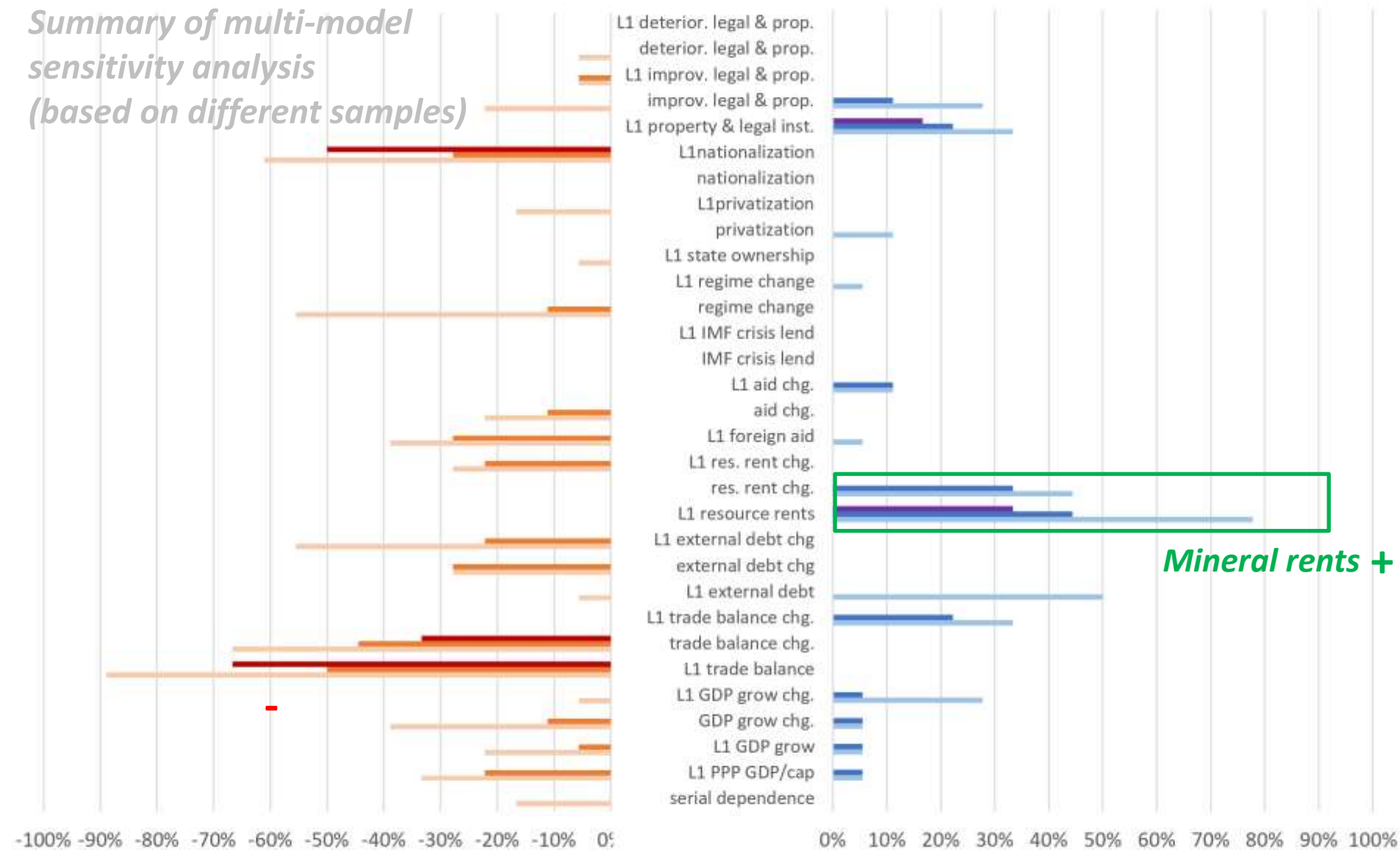
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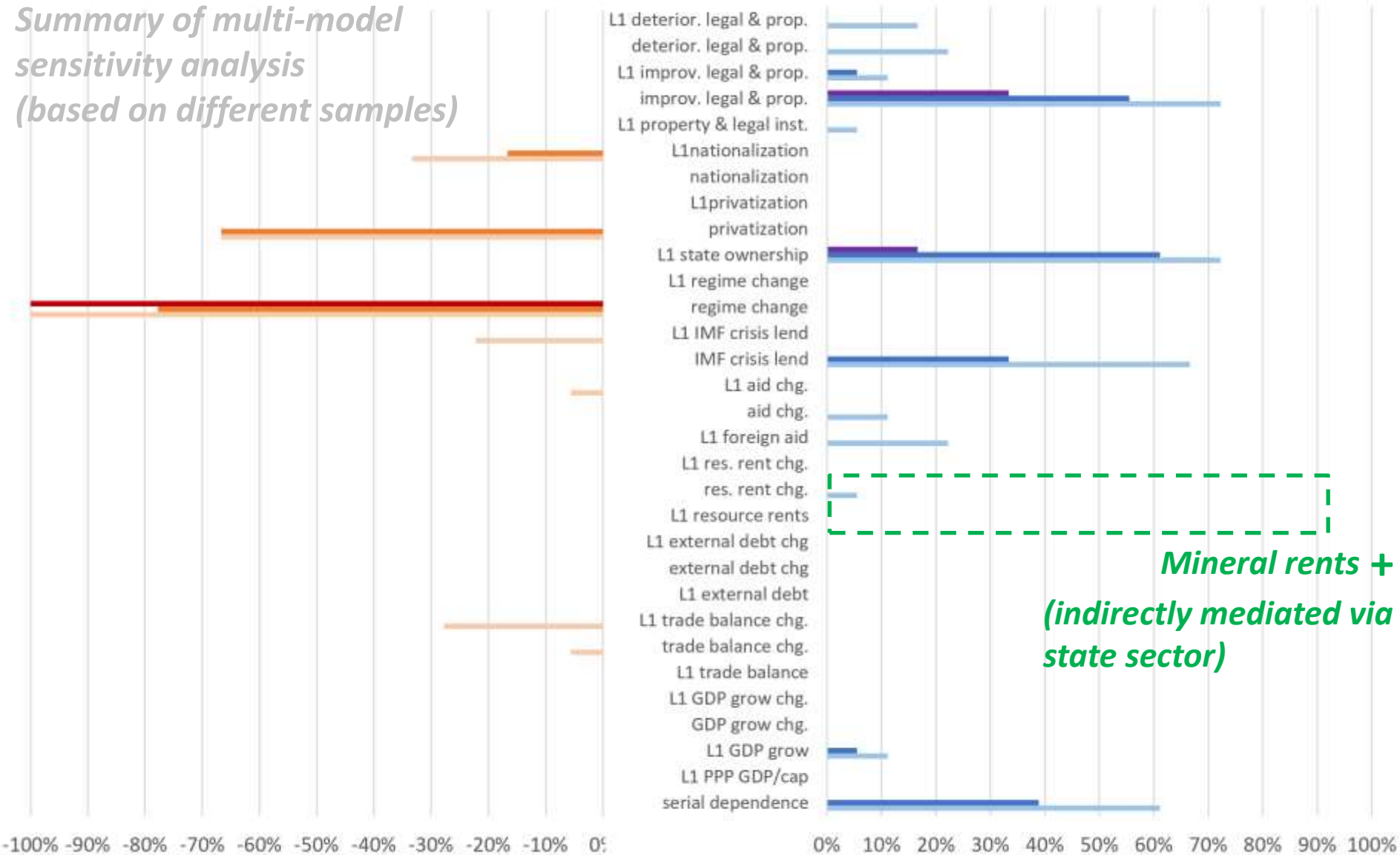
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Countries with no communist history (time series shell co formation determinants)

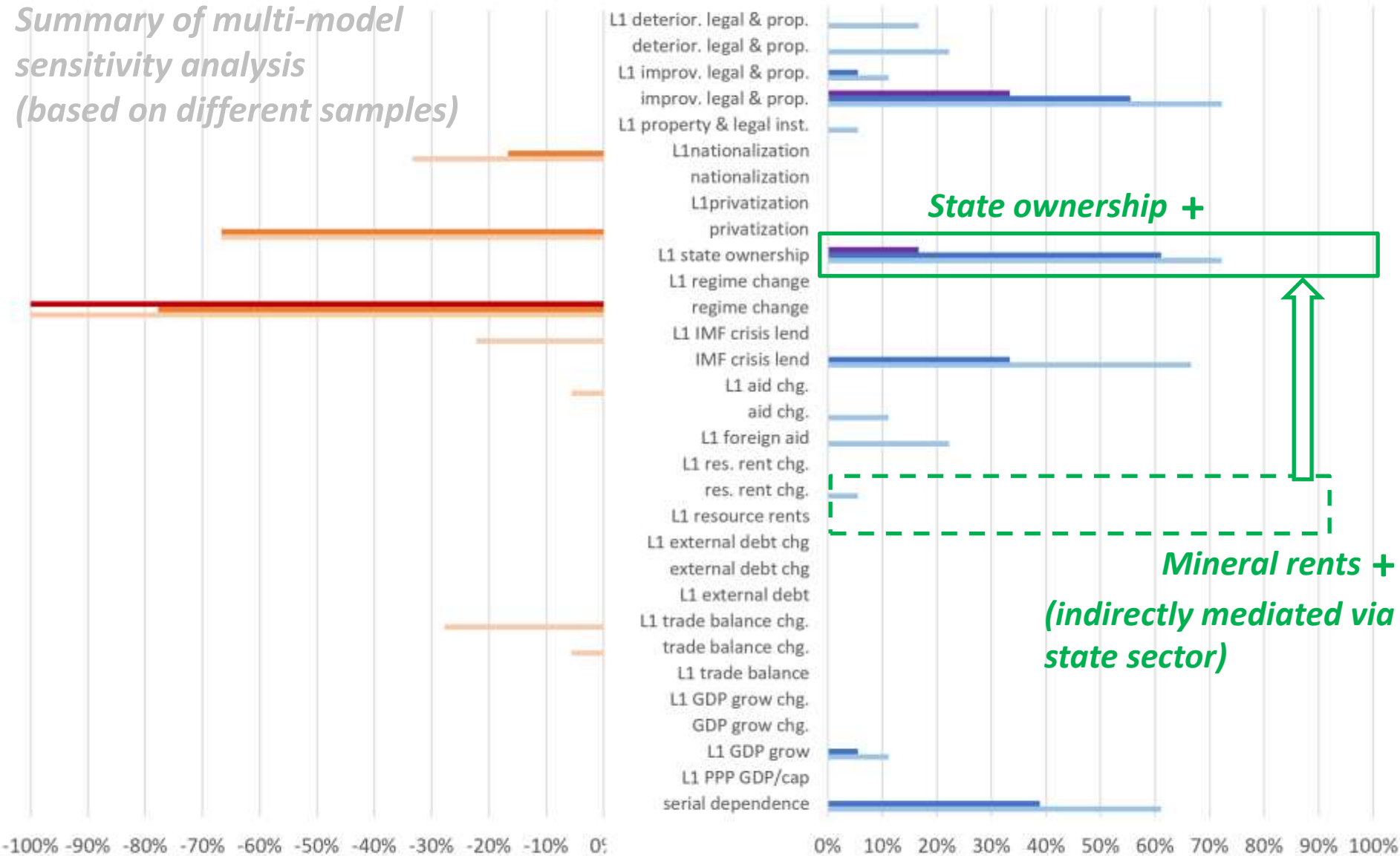
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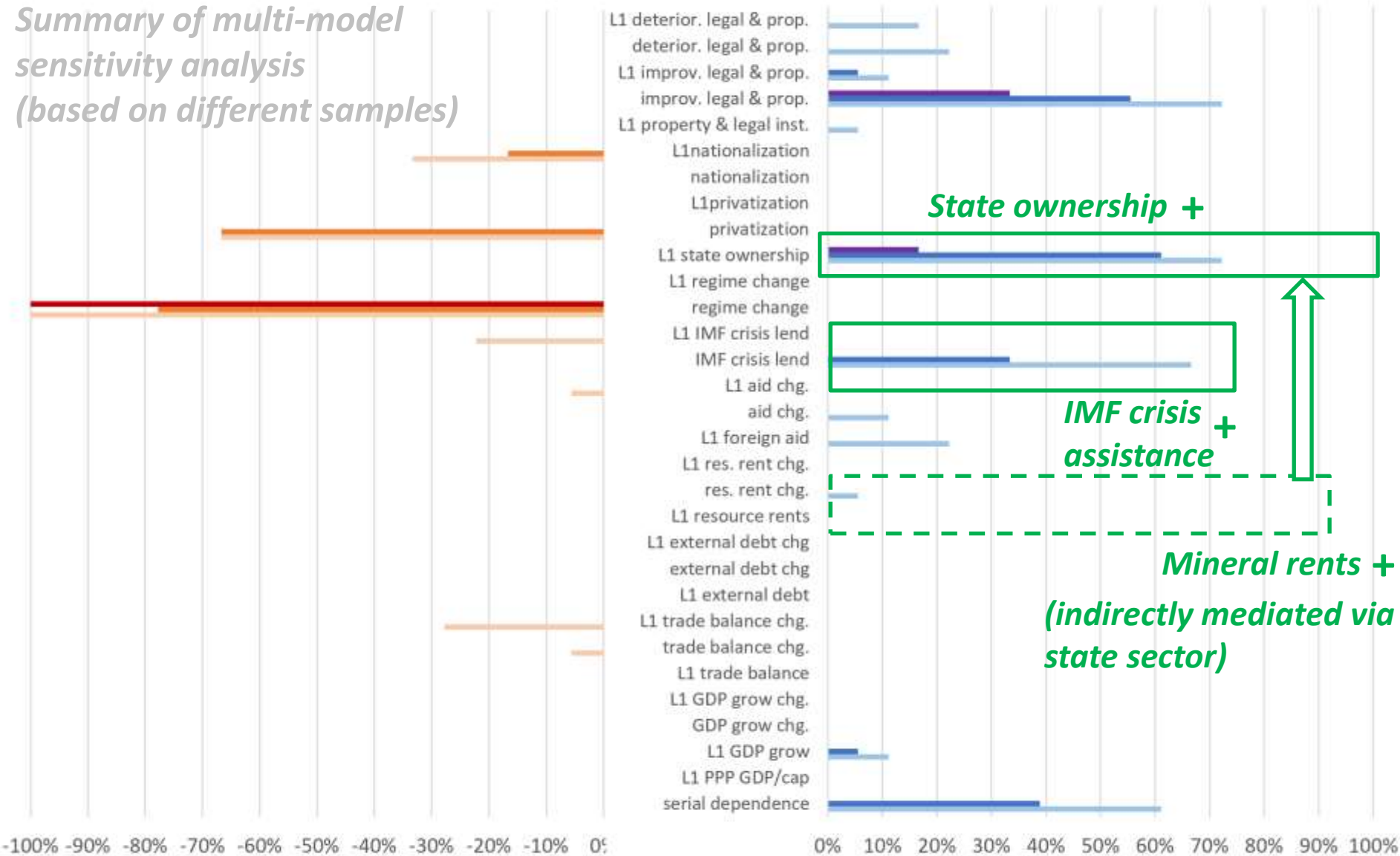
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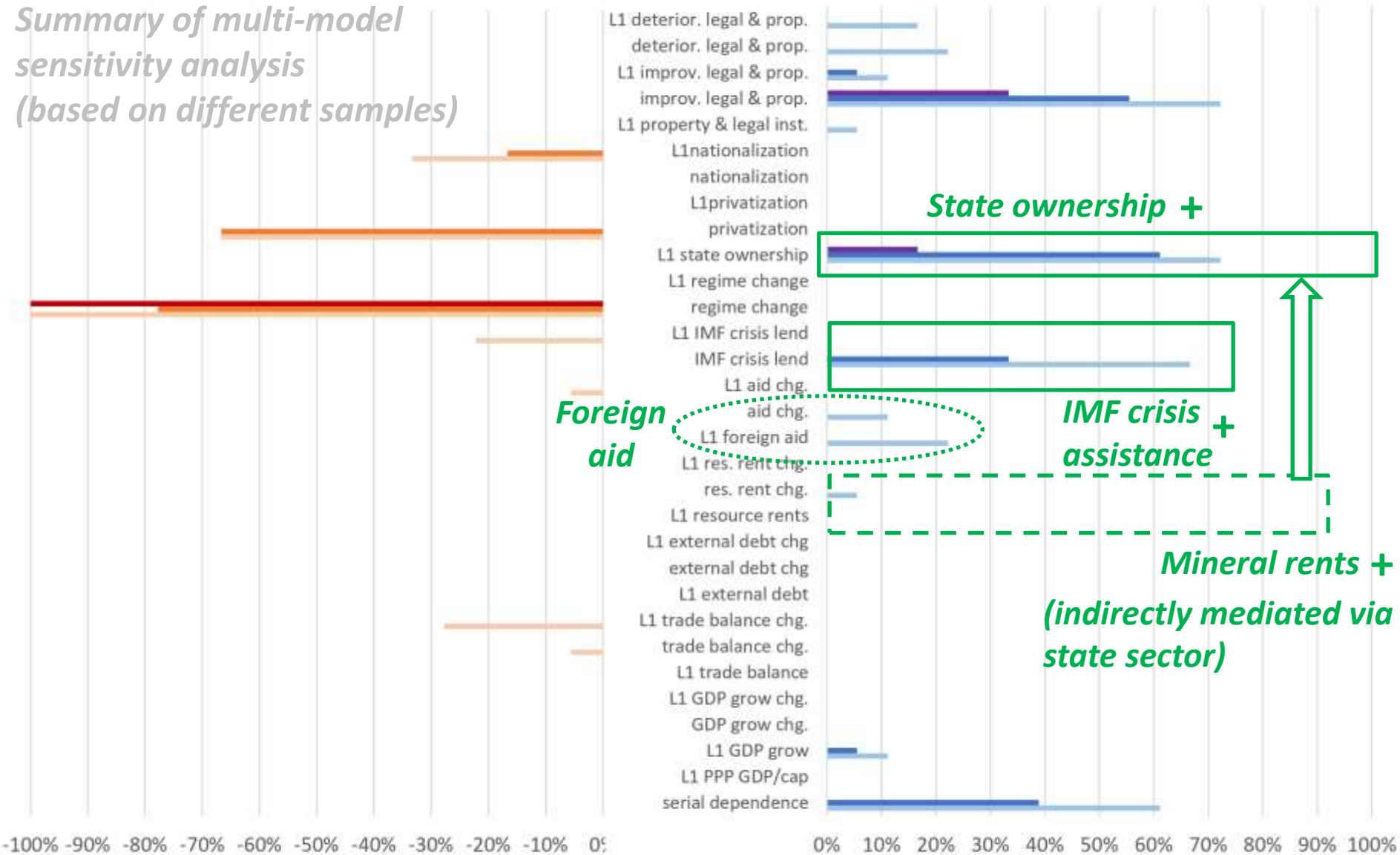
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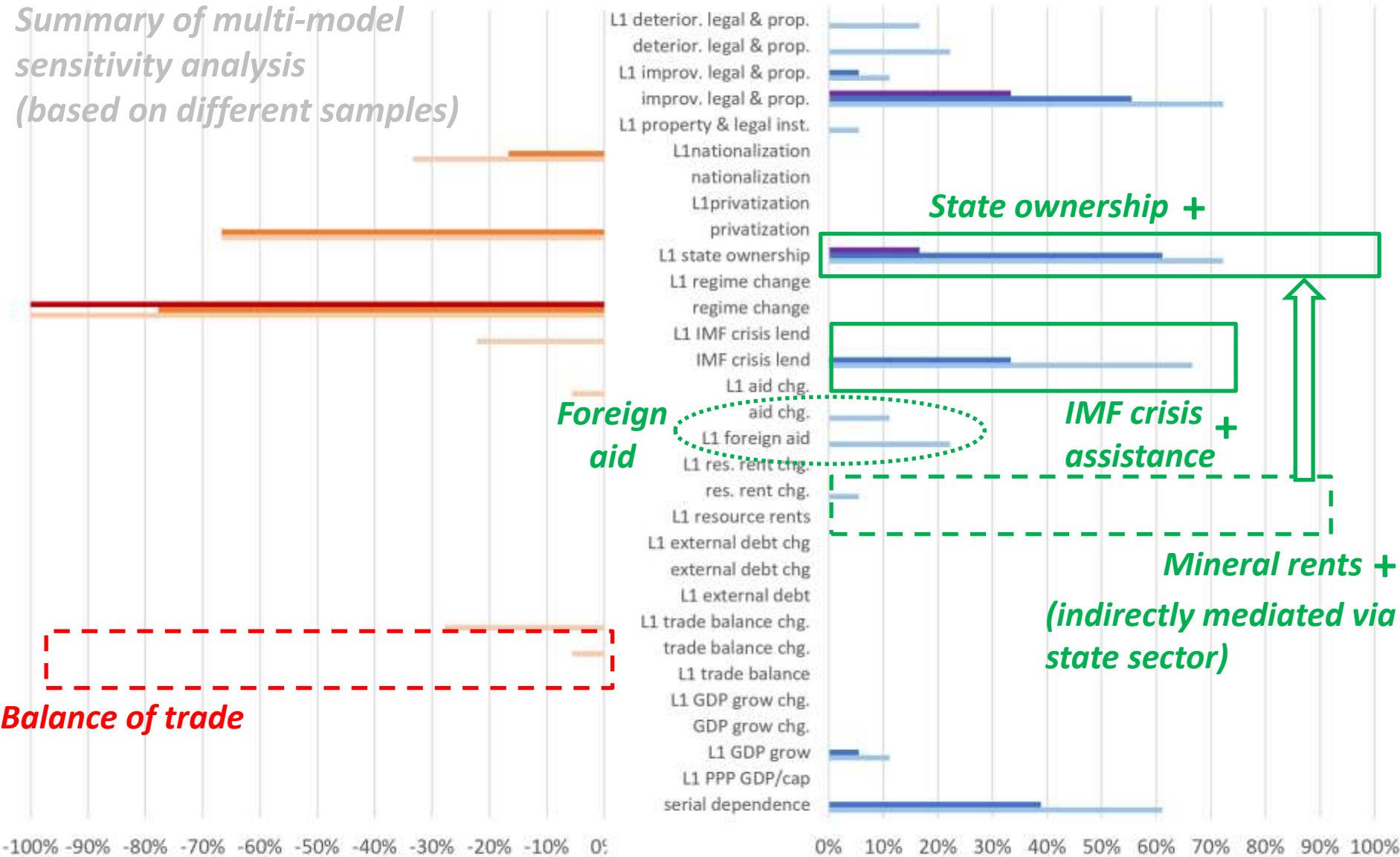
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percent of models in which a variable is statistically significant (sensitivity analysis based on co. formation threshold and data leak)

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*Lagged IMF*

*Lagged foreign aid change*

**High Corruption Countries**

L1 deterior. legal & prop.  
deterior. legal & prop.  
L1 improv. legal & prop.  
improv. legal & prop.  
L1 property & legal inst.  
L1nationalization  
nationalization  
L1privatization  
privatization  
L1 state ownership  
L1 regime change  
regime change  
L1 IMF crisis lend  
IMF crisis lend  
L1 aid chg.  
aid chg.  
L1 foreign aid  
L1 res. rent chg.  
res. rent chg.  
L1 resource rents  
L1 external debt chg  
external debt chg  
L1 external debt  
L1 trade balance chg.  
trade balance chg.  
L1 trade balance  
L1 GDP grow chg.  
GDP grow chg.  
L1 GDP grow  
L1 PPP GDP/cap  
serial dependence

**State ownership (mineral rent recycling)**

+

**IMF crisis lending**

+

**Foreign aid**

+

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

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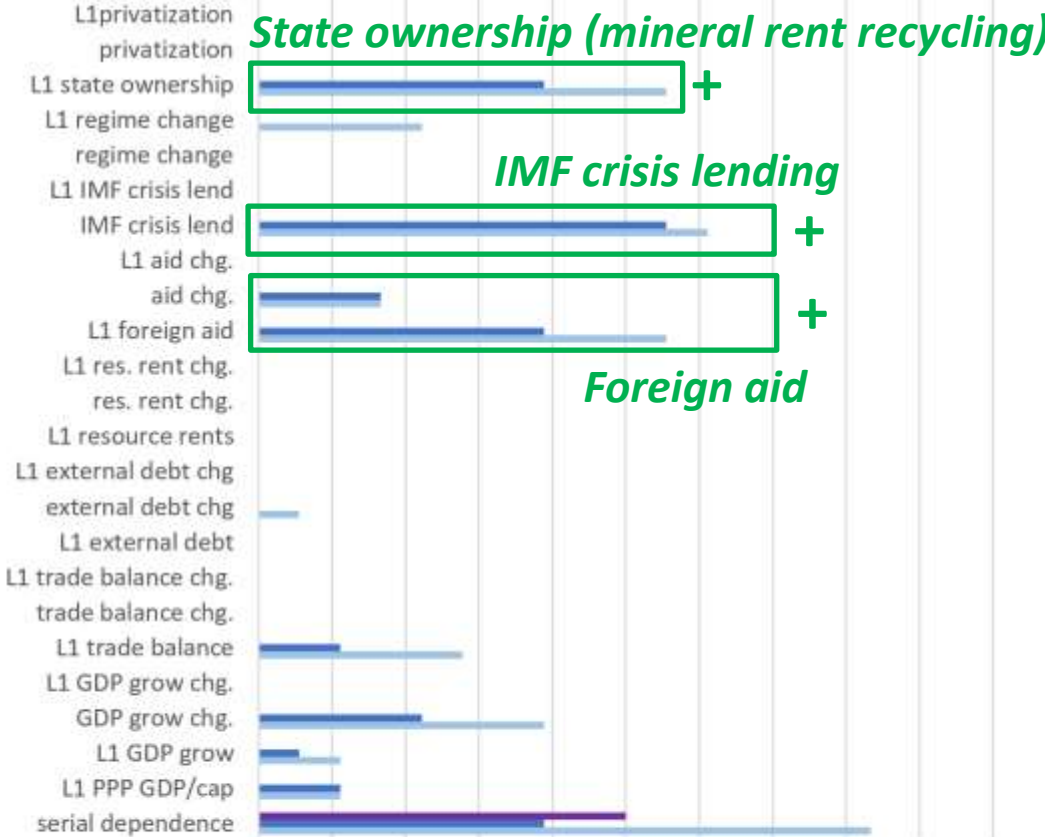
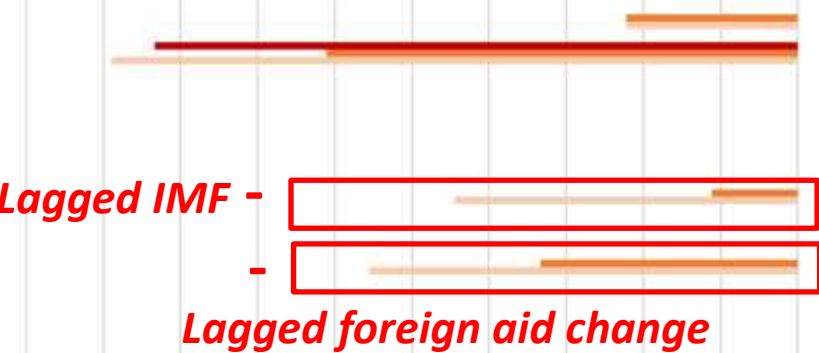
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# Determinants of Shell Company Formation in Panama and Paradise Papers, 1991-2015: Low Corruption No Communist History

percent of models in which a variable is statistically significant (sensitivity analysis based on co. formation threshold and data leak)

Summary of multi-model sensitivity analysis (based on different samples)



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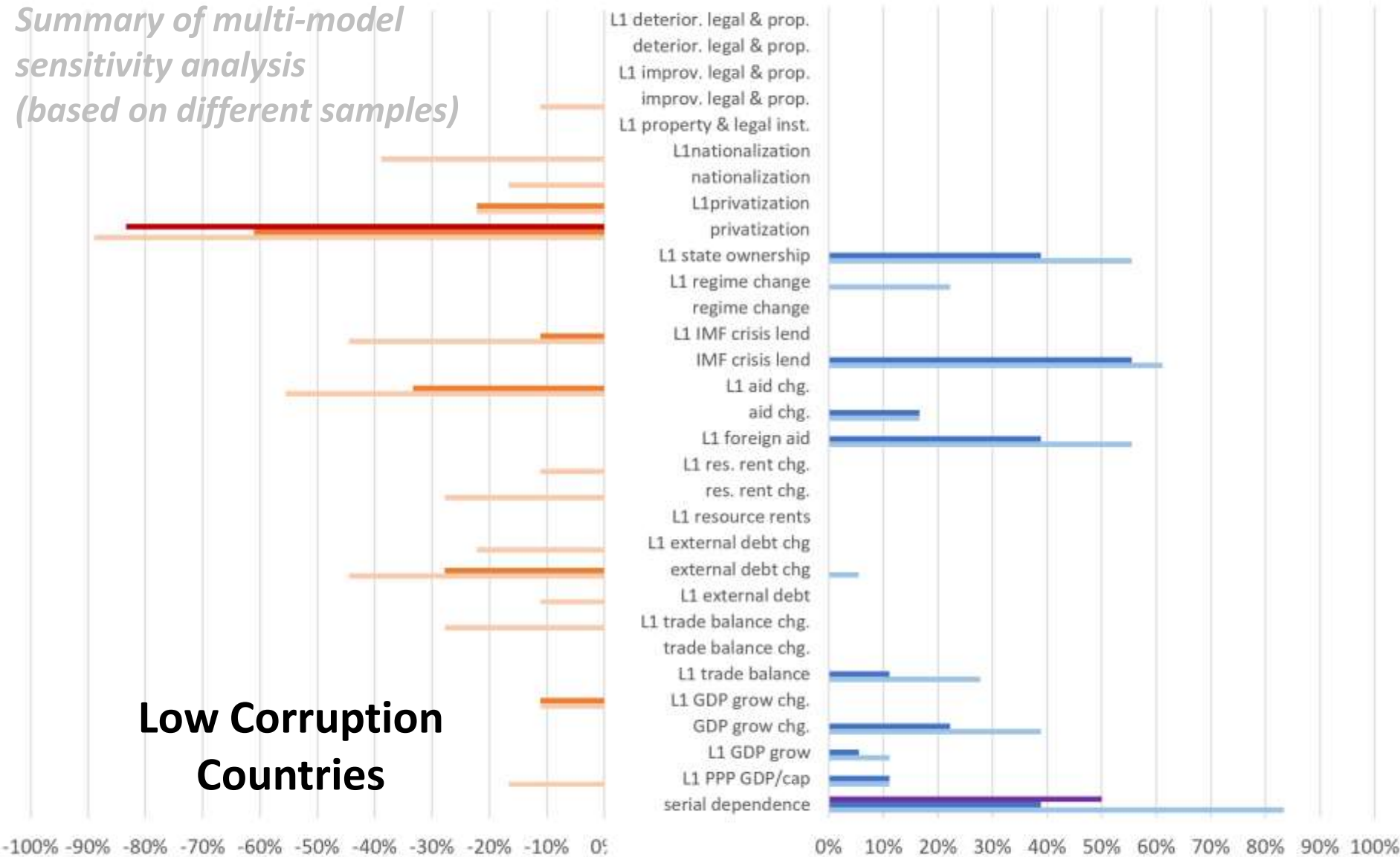
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Summary of multi-model sensitivity analysis (based on different samples)



Low Corruption Countries

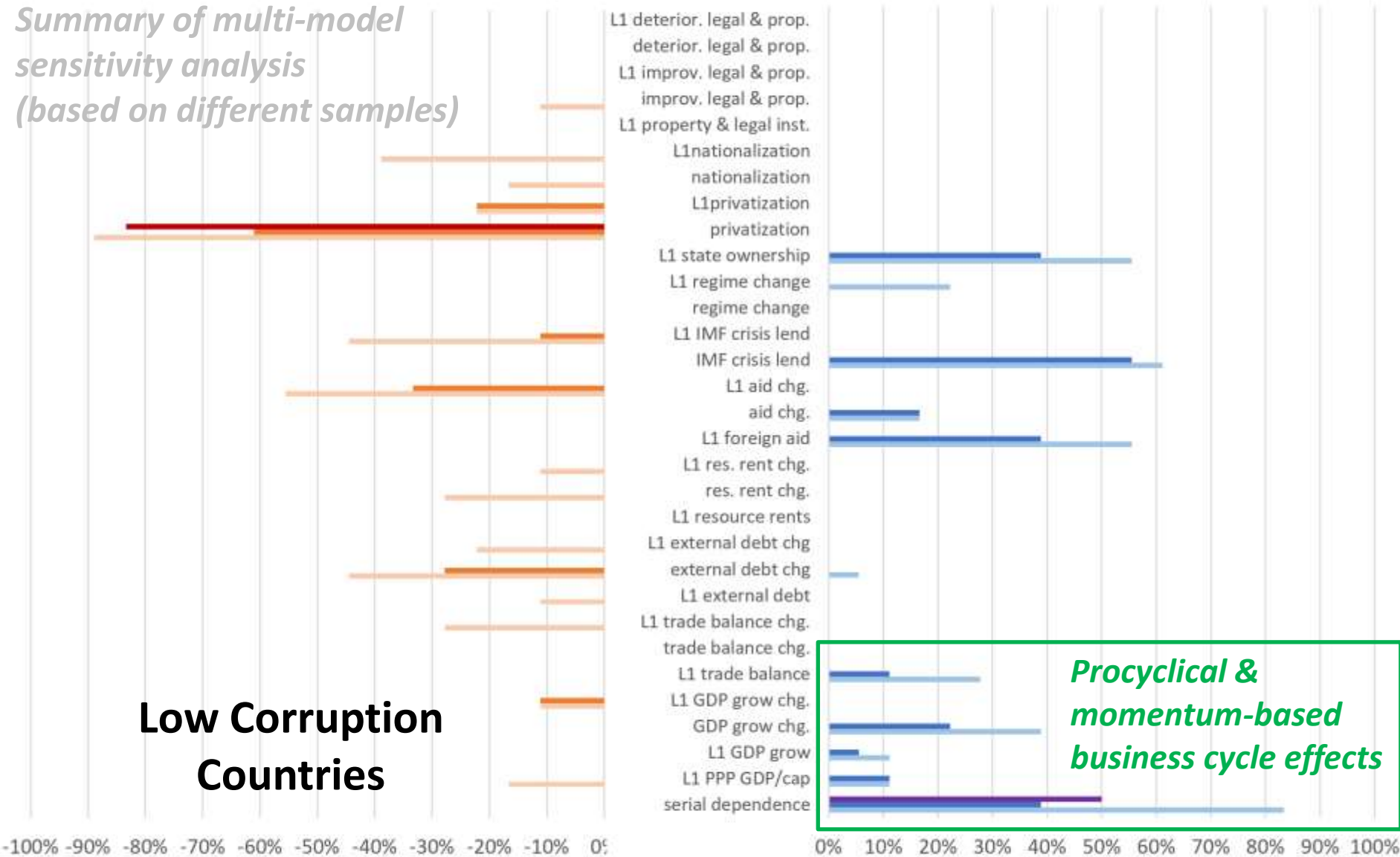
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Summary of multi-model sensitivity analysis (based on different samples)



Procyclical & momentum-based business cycle effects



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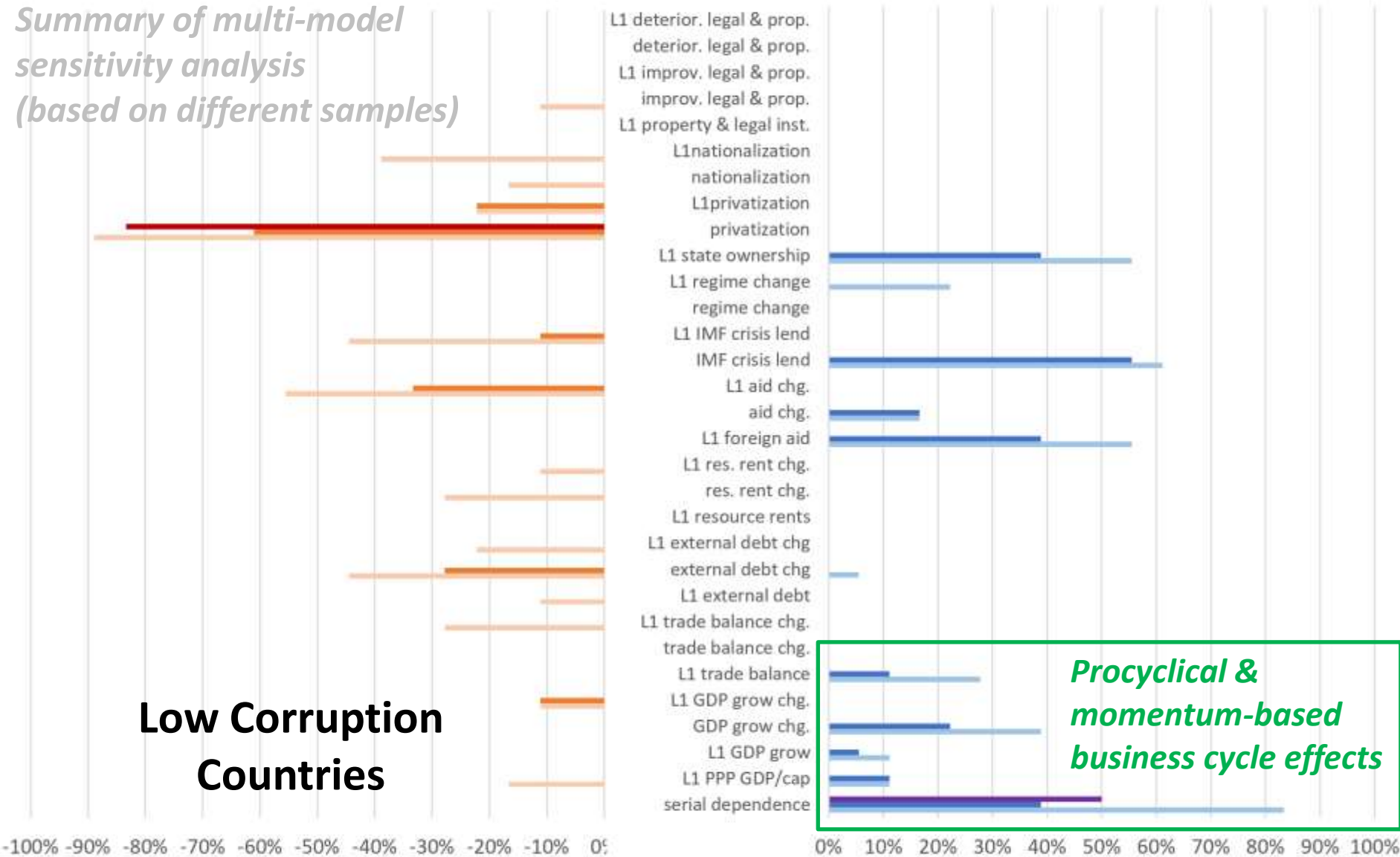
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Low Corruption Countries

Procyclical & momentum-based business cycle effects

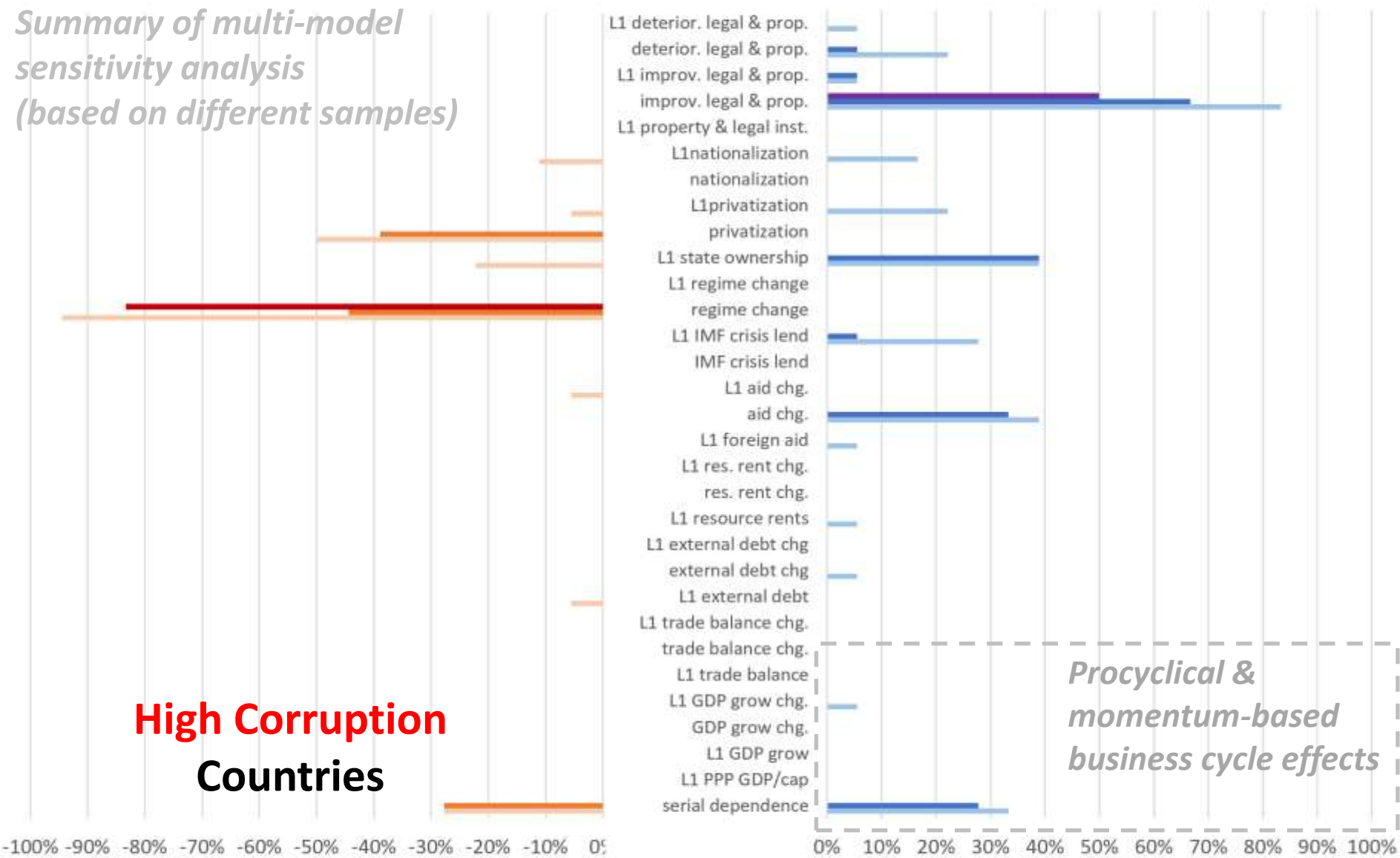
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**Regime change event**



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- res. rent chg.
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- L1 trade balance chg.
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- L1 trade balance
- L1 GDP grow chg.
- GDP grow chg.
- L1 GDP grow
- L1 PPP GDP/cap
- serial dependence

*Procyclical & momentum-based business cycle effects*

-100% -90% -80% -70% -60% -50% -40% -30% -20% -10% 0% 0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

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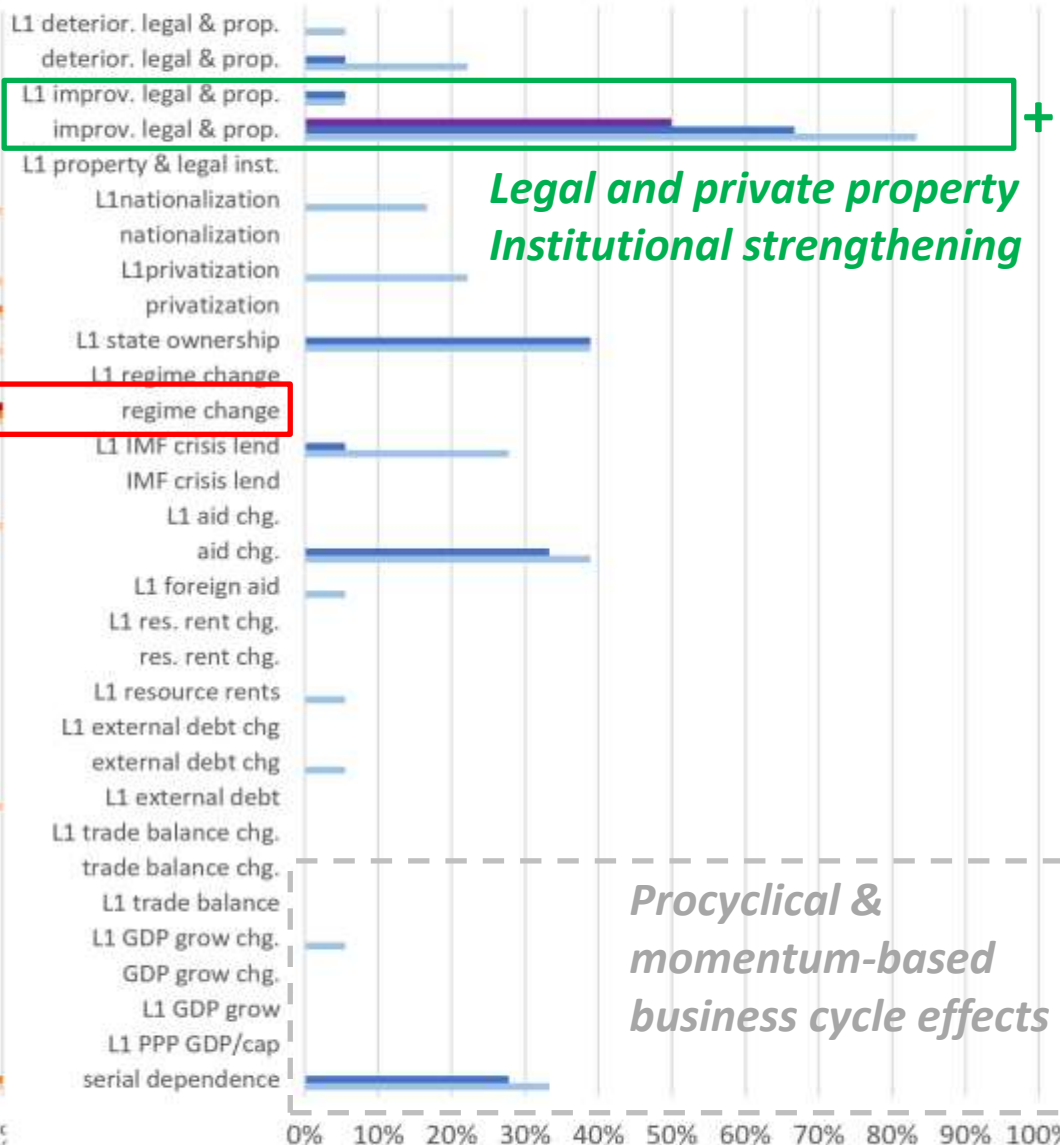
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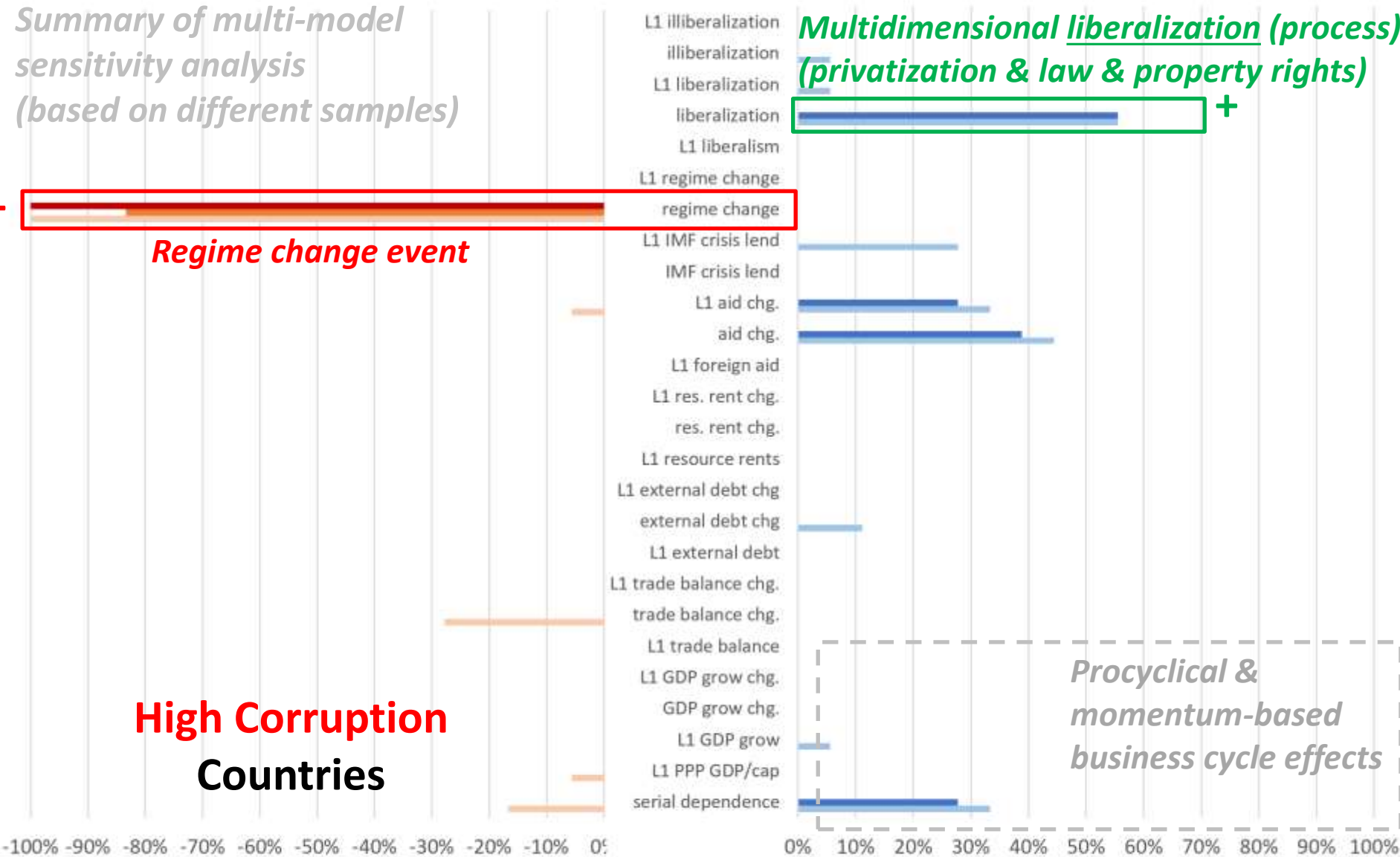
*Multidimensional liberalization (process) (privatization & law & property rights)*

*Regime change event*

**High Corruption Countries**

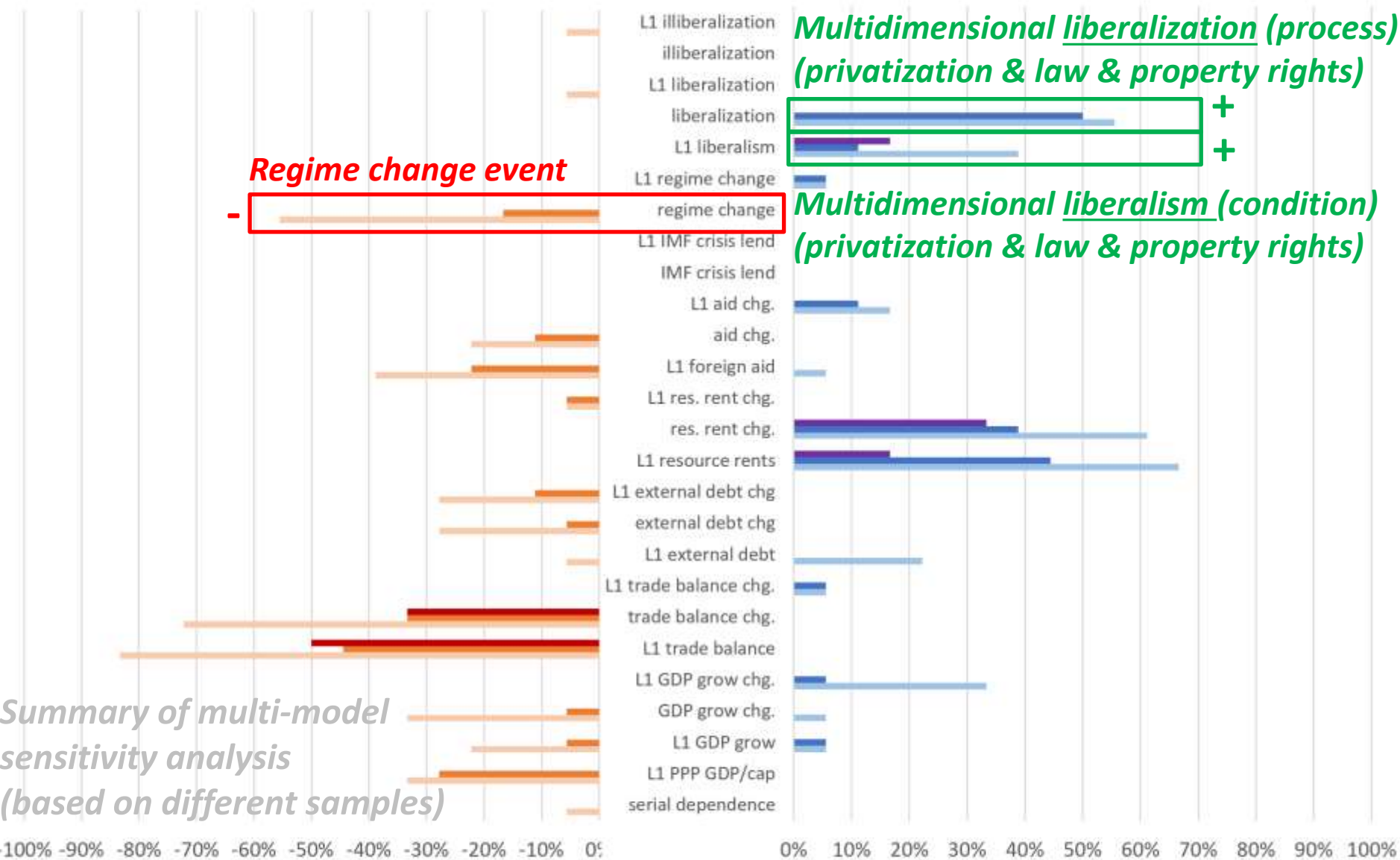
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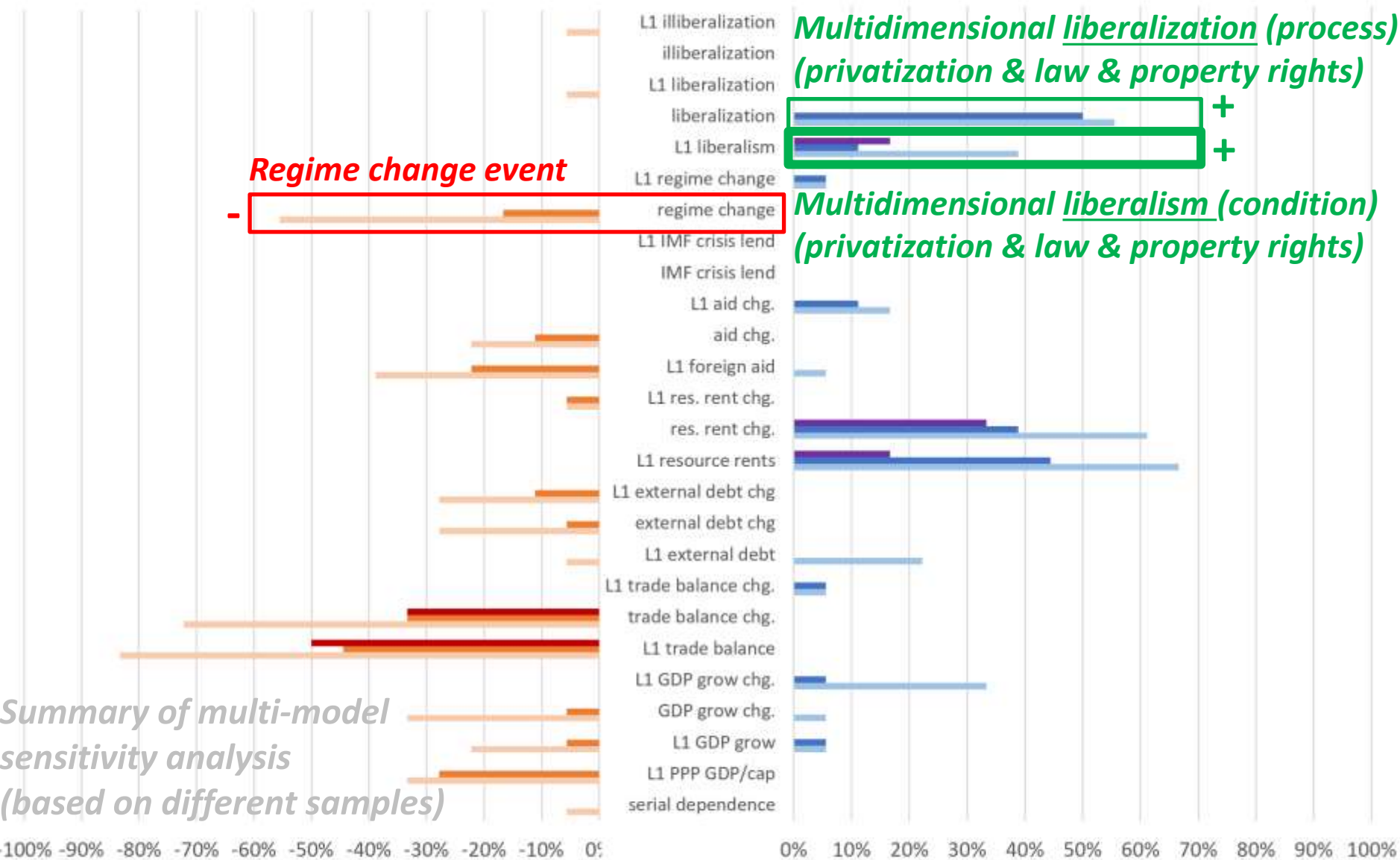
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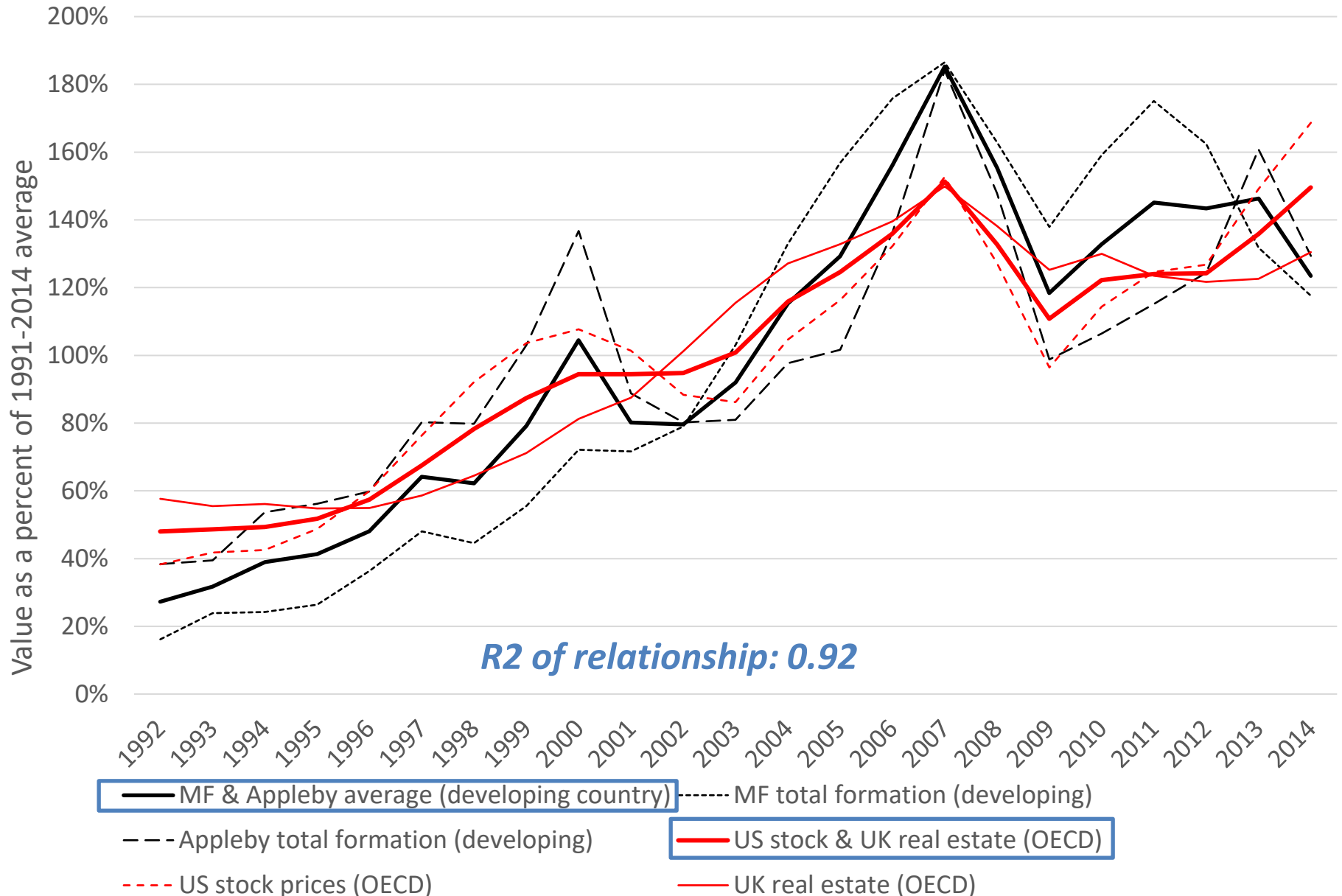
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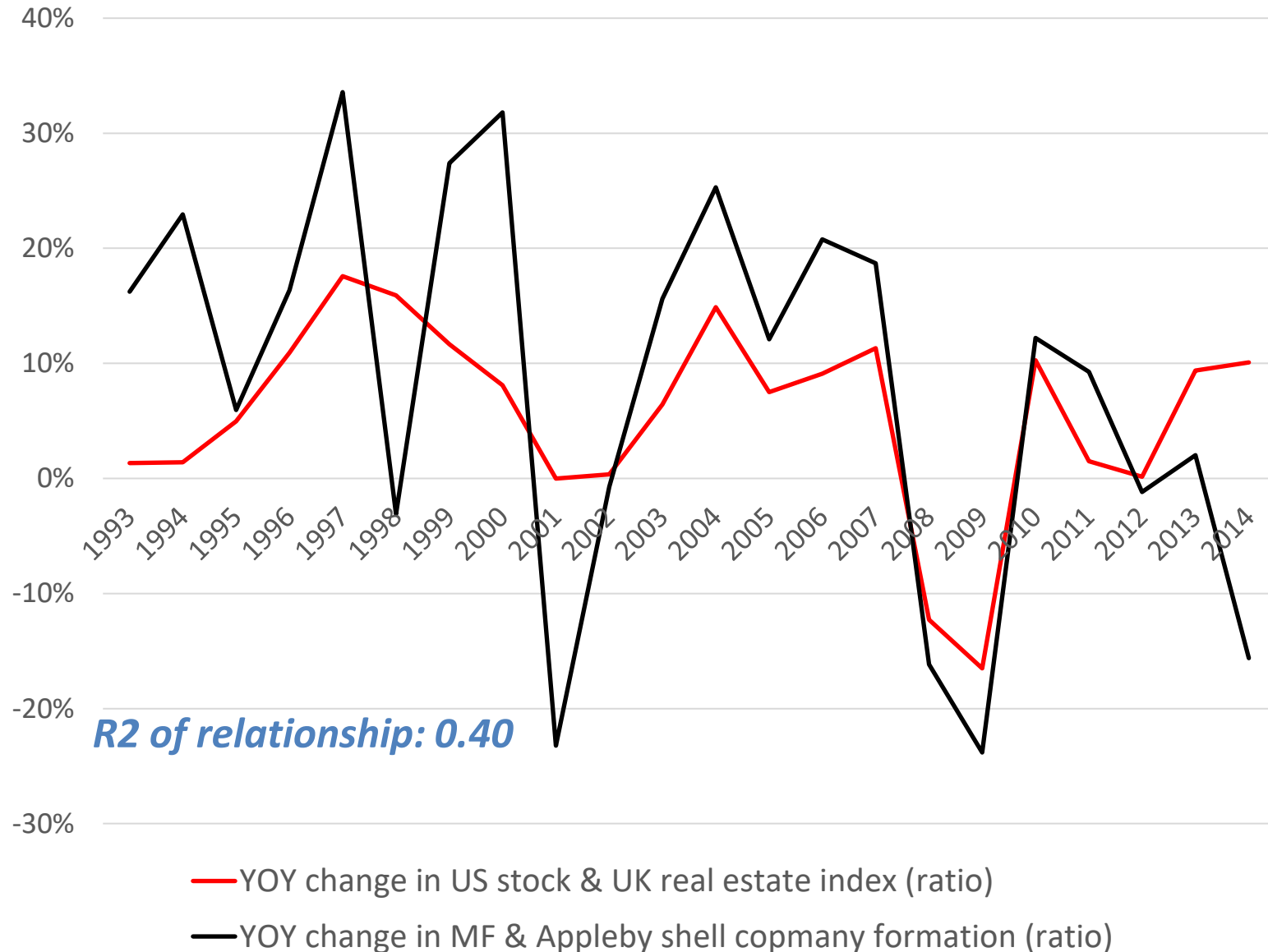
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- 3) Offshore company formation by developing country actors seems to be more strongly linked to financial cycles in developed countries, than anything occurring at actor home country-level

# Worldwide developing & transition economy client offshore company formation & performance of key asset markets

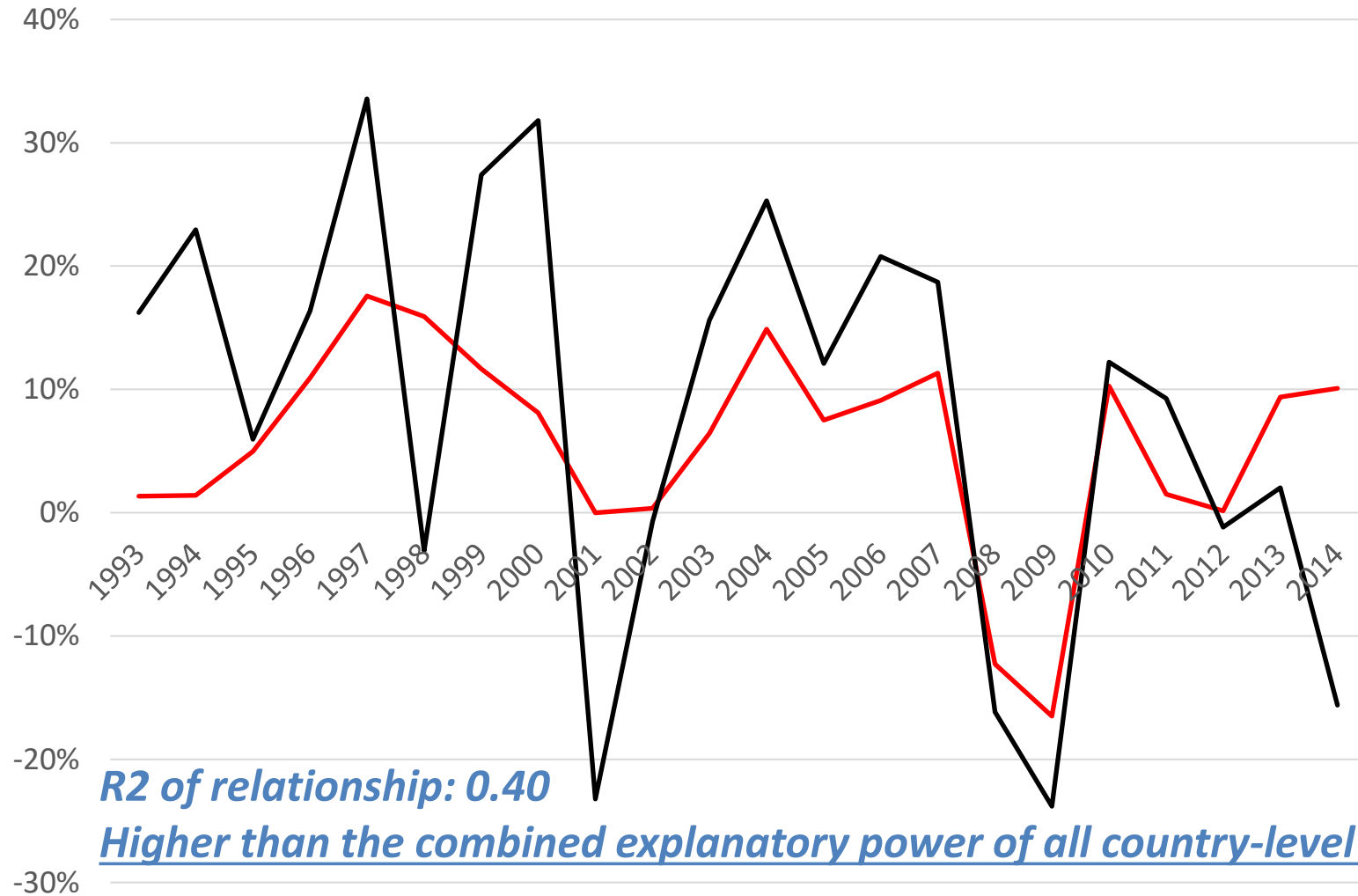




# Year-on-year ratio change in worldwide developing and transition economy client formation & performance of key asset markets



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- YOY change in US stock & UK real estate index (ratio)
- YOY change in MF & Appleby shell company formation (ratio)

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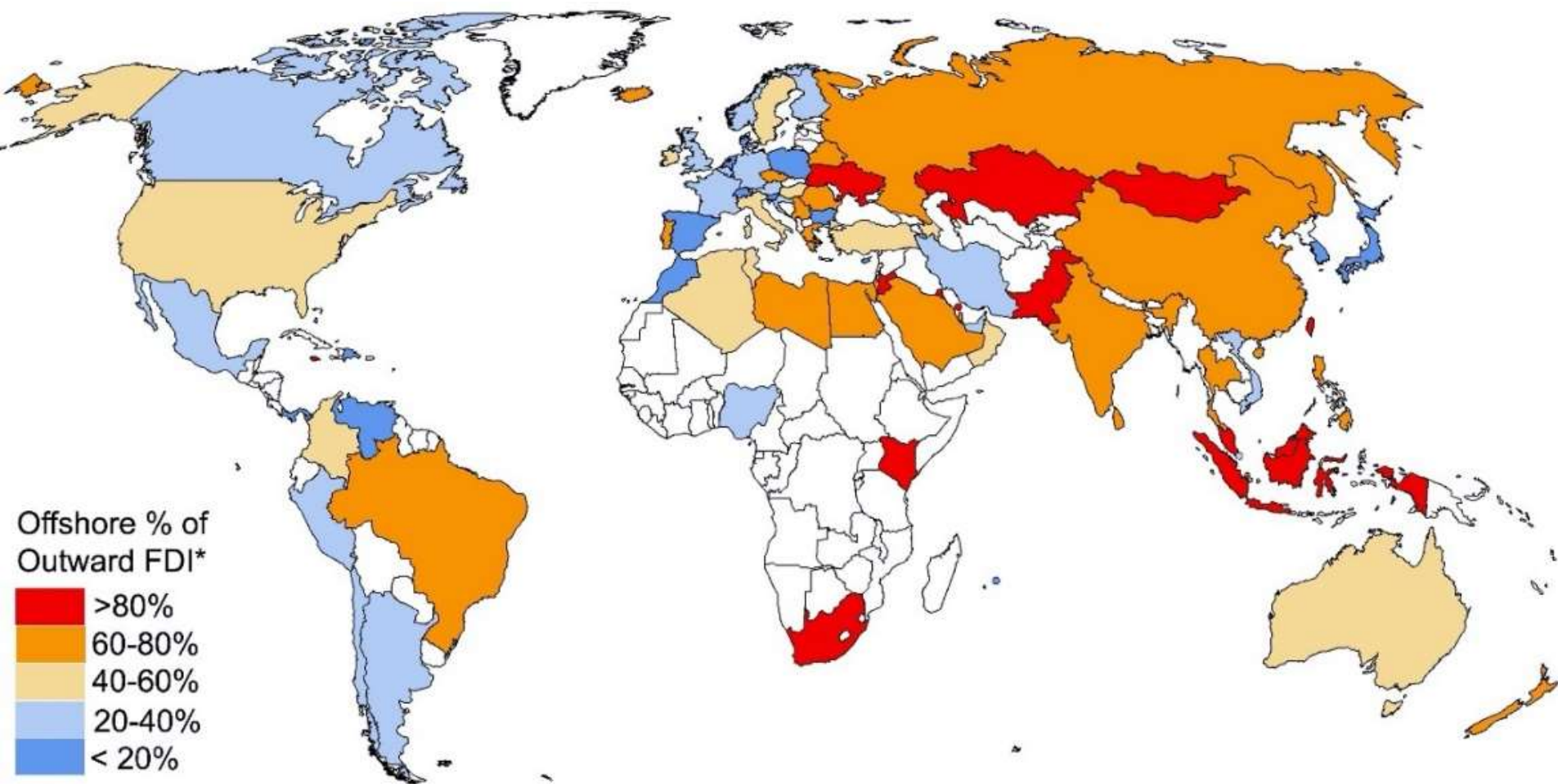
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    - **Need for caution in assuming that offshore recycling of aid, mineral rents, etc. represents IFFs—recycling will tend to happen by default at macroeconomic level**

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# Estimated percentage of total outward FDI that passes through offshore jurisdictions, 2015



\*excluding round-tripping

from Haberly 2024, a New Map of World FDI

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  - **Financial systems of developing and transition economies are largely located outside of their own borders in global financial centers (onshore and offshore)**
    - No evidence found to support the idea that strengthening economic institutional frameworks encourages financial deoffshorization
  - **Conceptually and empirically important in relation to developing and transition economy IFFs**—to what extent are they actually “flowing” from South to North vs circulating within global financial centers and networks?



# Thank You!

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