

# Business



Without food banks like this one in Newcastle, England, “we wouldn’t be able to survive,” a British woman said. The food bank hands out nearly 300 food parcels a week.

## Extreme poverty, in Britain

NEWCASTLE, ENGLAND

### U.N. expert tests effects of self-imposed austerity on a rich Western nation

BY PATRICK KINGSLEY

At a food bank in a rundown part of northeast England, an unemployed mother and her adult son were having an odd morning. Denise and Michael Hunter typically come here for a quiet cuppa with the volunteers, a square meal and sometimes a food parcel or two.

But on this day, the Hunters had a surprising tea date: the United Nations special rapporteur for extreme poverty and human rights, Philip Alston; his four assistants; two television cameras; a dozen journalists; and the local priest. “It’s a bit different to how it usually is,” said Ms. Hunter, 57, her face beaming. “It’s like we’re royalty or something.”

It was Day 3 of Mr. Alston’s two-week tour of the world’s fifth-richest country — a hectic 2,000-mile mission across some of the poorest districts in Britain.

He is visiting food banks, job centers, community charities and government ministries in London, Oxford, Cardiff, Bristol, Edinburgh, Glasgow, Belfast and Essex County — as well as here in Newcastle — to assess why about a fifth of Britons remain in poverty despite rising employment levels, economic growth and pockets of enormous wealth.

Many might be as surprised by his presence as the Hunter family was, or the reporters struggling to keep up with him as he rushed between as many as five meetings a day, often without pausing for lunch or supper.

Special rapporteurs for extreme poverty are mandated to visit and investigate countries with high levels of deprivation and then report their findings to the United Nations. They have historically spent most of their time in the developing world, and Mr. Alston’s trip to Britain is only the second mission to a Western European country by a poverty rapporteur this century, the other being to Ireland in 2011. The rapporteur has also visited the United States twice since 2000.

“There’s an oddity to this, obviously,” said David Gordon, director of the Townsend Center for International Poverty Research at the University of Bristol, who met Mr. Alston on the second day of his tour. “When you think of the special rapporteurs on extreme poverty and human rights, you expect them to be visiting sub-Saharan Africa or Haiti. You don’t expect them to be visiting the U.K.”

Yet for Mr. Alston, Britain in 2018 is an obvious place to focus his energy, and not just because child poverty and food bank use are on the rise here.

Having pioneered the welfare state in the late 1940s and the privatization of the state in the 1980s, Britain in the 2010s has become the world’s main laboratory for the politics of austerity. In response to the 2008 financial crisis, few governing parties have pared back the state for so long, and with such ideological glee, as the ruling Conservative Party in Britain.

“The U.K. was a world leader in social



Pedestrians in Newcastle this month, one of the cities where Philip Alston, the United Nations special rapporteur for extreme poverty, is conducting investigations.

security after World War II, it was a world leader on privatization on a large scale and it is a world leader right now in self-imposed austerity,” Mr. Alston said in an interview during a rare pause in his schedule, aboard a train in northeast England. “And so it is an important case study to better understand the implications of an austerity approach.”

Since 2010, the government has set in motion more than \$39 billion of cuts, freezing or reducing welfare payments and housing subsidies for families and disabled people and cutting back youth and children’s services, as well as funding for local authorities. Bungled technical reforms have also delayed payments to struggling families, forcing thousands into unnecessary debt and rent arrears.

### Since 2010, Britain has enacted cuts of more than \$39 billion, freezing or reducing welfare payments and housing subsidies.

Here at the Newcastle West End food bank, a one-story building where staff members hand out nearly 300 food parcels a week, local residents were queuing up to tell Mr. Alston how the reforms had failed them.

One of them was Ms. Hunter. Until a year ago, she and her husband had been getting by, living off the money her husband made from painting toy figurines. Then he fell seriously ill, forcing the couple to apply for welfare payments.

But because of widely documented problems with the Conservatives’ new welfare system, known as Universal Credit, the Hunters’ predicament has worsened. Almost all new Universal Credit recipients must wait around six weeks to receive their first payment, forcing those without savings into debt. The Hunters were no exception.

With no income, the Hunters immediately went into arrears on their rent and were unable to pay for electricity, food and heating. Only the generosity of their landlord prevents their eviction now, and only the existence of the food bank keeps them fed.

“We wouldn’t be able to survive without the food bank,” Ms. Hunter said.

To avoid further cuts to their payments, Ms. Hunter must regularly provide the government with online up-

dates about what she is doing to find work.

But because she cannot afford a mobile phone or regular home internet, she can sometimes only do this at the city’s main library. And since she cannot afford the bus fare, she must walk three miles to get there — a lengthy round trip that hinders her search for work. Libraries closer to home have either closed or had their hours and services scaled back, because of government cuts.

Hospitalized with a heart condition in March and unable to update her online account, Ms. Hunter had her payments suspended for three additional months, forcing her further into debt, she said.

“It’s terrible,” Ms. Hunter said. “You don’t know which way to turn.”

Ms. Hunter’s situation is far from unique, staff members at the food bank said. The demand for their food parcels has increased by a fifth in the past six months.

Nationally, the number of food parcels distributed by the Trussell Trust, Britain’s largest food bank network, grew to more than 650,000 during the summer of 2018, nearly double the 350,000 distributed during the summer of 2013.

An hour later, across town at the central library, Mr. Alston hurried into another round-table discussion about the reasons for this rise.

At the discussion was Thushara Chandrasiri, 35, who started receiving benefits in 2011 because of a disabled right arm. But this year, the government reassessed Mr. Chandrasiri and said his disability was not as serious as they had previously judged, cutting his monthly welfare payments by just over \$500.

A case worker said he “should be used to it by now,” Mr. Chandrasiri remembered being told. “You’ve got a left hand as well.”

Next to him sat Tracey Whitenstall, 41, a single parent of three, whose life was upended when her family was transferred to the new welfare system. Because of an administrative error, the family’s payments were delayed by 10 weeks, shoving them into debt.

For several weeks, Ms. Whitenstall’s teenage son had to stop attending school because she could no longer afford his bus fare.

He is among 600,000 children who have fallen into poverty since the start of the Conservatives’ reforms, a trend that is projected to continue by the Insti-

tute for Fiscal Studies, an independent analysis firm.

The looming impact of Britain’s departure from the European Union, scheduled for next March, is also likely to worsen the situation, according to an alliance of children’s rights groups.

On Tuesday, British and European Union officials reached a long-awaited draft agreement on Britain’s troubled withdrawal from the bloc. The deal opened the way for a high-stakes meeting on Wednesday of Prime Minister Theresa May’s senior ministers to consider the plan, and then later, a meeting of the full cabinet.

If Mrs. May’s cabinet signs off on the draft agreement, the next step is for the European Union leaders to give it their blessing at a meeting at the end of the month.

Details of the agreement were not immediately available.

With the current welfare changes, families on benefits are an average of \$2,700 worse off, according to calculations by the Child Poverty Action Group, an independent watchdog.

And while unemployment has more than halved under the Conservatives, wages have stagnated and the number of working families in poverty has risen. Yet, poverty is a complex and contested subject in Britain, where there are several contrasting measures of deprivation, and some observers were skeptical about the necessity of Mr. Alston’s visit.

While child poverty has risen markedly in recent years, overall poverty levels have remained fairly steady or even dropped slightly — partly because of sharp falls in pensioner poverty since the 1980s. Though 1,550,000 were classed in 2017 as destitute, or experiencing extreme poverty, by the Joseph Rowntree Foundation, a poverty research group, that figure was a quarter less than in 2015.

If Mr. Alston ends up linking poverty to the government’s benefit policies, “he would just be adding more noise,” said Edward Davies, director of policy at the Center for Social Justice, a think tank founded by Iain Duncan Smith, the Conservative minister who spearheaded the reforms. “My fear is that we have a debate about welfare reform in this country, and he could get embroiled in that.”

Commenting on Mr. Alston’s visit in a written statement, a government spokesman said that child and overall poverty rates had fallen since the Conservatives entered office — using a different measure from the one preferred by poverty researchers at the Rowntree Foundation and the Child Poverty Action Group.

Mr. Alston said he was keeping an open mind. In several meetings in Newcastle, he avoided asking leading questions and frequently played devil’s advocate to people seeking to blame the government.

As his train thundered north into Scotland that night, Mr. Alston said he would draw no conclusions until releasing his preliminary findings on Friday.

“It’s been said to me, ‘Come on, you must have had a draft before you came here,’” Mr. Alston said. “But on every mission I’ve always found myself asking after a few days, ‘What the hell am I going to say?’”

Stephen Castle contributed reporting from London.

## A charm offensive proceeds cautiously

### Push to lift reputation of Malaysian financier comes amid extra scrutiny

BY MATTHEW GOLDSTEIN AND KENNETH P. VOGEL

A flamboyant Malaysian financier who once hosted Hollywood parties and lavished gifts on models is on a new kind of charm offensive.

The financier, Jho Low, is facing charges in a multibillion-dollar scandal that has rocked politics in Asia and has shaken a premier Wall Street bank. And the legal team supporting him has spent more than \$1.1 million over the past seven months to help improve his reputation, according to government filings. These sophisticated services include a round-the-clock crisis public relations response, efforts to shape internet search results and a website with international reports and legal filings intended to bolster his side of the story.

The filings provide a glimpse inside a growing industry called litigation communications, which caters to wealthy people and corporations ensnared in international legal fights. The filings themselves are something of a rarity — and a suggestion that such crisis managers are growing cautious as federal prosecutors cast a critical eye on foreign lobbying and influence campaigns.

The campaign on behalf of Mr. Low, carried out by two high-powered law firms, is described in filings submitted last month to the United States Justice Department under the Foreign Agents Registration Act, or FARA. Legal work done on behalf of foreign clients is exempted from the act’s requirements, but increased scrutiny resulting from the investigation into Russian meddling in the 2016 presidential election helped prompt those representing Mr. Low to disclose their work under FARA.

The owner of one public relations firm hired by Mr. Low’s legal team, James Haggerty, said in one filing that he believed all of his work fell within the litigation exemption to FARA. But Mr. Haggerty, who is also a lawyer, wrote that he registered anyway, “given the ambiguity in the law and differing interpretations.”

Mr. Haggerty and others have increased their efforts to burnish Mr. Low’s image as prosecutors have ramped up an investigation into the disappearance of more than \$2.7 billion from a Malaysian state investment fund called 1Malaysia Development Berhad, or 1MDB.

In court filings over the past two years, the federal authorities have portrayed Mr. Low as the mastermind of a scheme to loot the fund, which was meant to finance business ventures and other projects to benefit the country’s 32 million people.

Instead, the federal authorities have said, the missing money financed the lavish lifestyles of people close to Najib Razak, the prime minister of Malaysia at the time, who was later ousted. Investigators said the money was used to buy luxury apartments in New York City, to help finance the movie “The Wolf of Wall Street” and to buy a pink diamond necklace for the wife of Mr. Najib.

On Nov. 1, federal prosecutors in New York City announced the filing of an indictment charging Mr. Low, 36, with conspiracy to commit money laundering and to pay bribes to foreign officials. Prosecutors also charged two former Goldman Sachs bankers, one of whom has pleaded guilty.

Mr. Low’s location is unknown, but he has maintained his innocence — including on the website established on his behalf last month. The site describes him as a “global philanthropist, investor, and entrepreneur” who “believes he will be vindicated once all the relevant evidence has been presented in a fair and legitimate court of law.”

Putting up a website to declare one’s innocence and hiring public relations firms has become a common strategy by criminal defendants in recent years. But it is unusual for a legal team to disclose details of related payments.

The payments, made to three public relations firms and a digital search firm, were disclosed in FARA filings by the two law firms involved in Mr. Low’s defense, Kobre & Kim and Schillings International. The lawyers said the money did not come directly from Mr. Low, though they did not provide specifics about its source.

FARA requires most consultants who lobby or assist with public relations in the United States for foreign individuals, companies, governments and political parties to reveal detailed information about their work and payments for it. It is intended to prevent foreign actors from surreptitiously influencing American politics and public policy, and has been employed as part of the investigation by the special counsel, Robert S. Mueller III, as he examines Russian efforts to interfere in American politics, and ties between President Trump’s team and Russia.

Mr. Mueller’s team has charged several people with violating the act, including Mr. Trump’s former campaign chairman, Paul Manafort, who was convicted on one set of charges and pleaded guilty

to other charges related to his unregistered lobbying work on behalf of Viktor F. Yanukovich, the former president of Ukraine. The special counsel has also referred other cases related to the act to prosecutors in Washington and New York.

Kobre & Kim, in its filing, indicated that it had disbursed more than \$818,000 to four firms for work on Mr. Low’s behalf. The majority of that — roughly \$544,000 — went to Mr. Haggerty’s public relations firm, PRCG Haggerty.

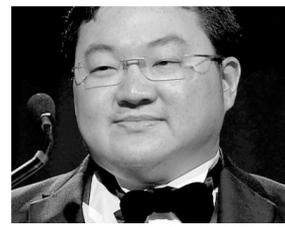
Mr. Haggerty indicated in a FARA filing that his firm was providing “litigation communications” to Kobre & Kim “in order to ensure the client is not prejudged in public in a manner that affects his legal rights in jurisdictions across the globe.” That included engaging “Australian partners” to provide outreach as needed to Asian and Australian news organizations covering the international scandal, he wrote.

Kobre & Kim has also paid two other public relations companies, the PHA Group in London, and in New York, Marathon Strategies, which was founded by Phil Singer, the longtime Democratic campaign operative, after he helped run the communications team for Hillary Clinton’s 2008 presidential primary campaign.

A digital search and analytics firm called Five Blocks, based in New York City, has so far been paid \$210,000 to provide “digital reputation management” for Mr. Low, one filing said. On its site, Five Blocks describes itself as serving “high-profile individuals who want to build, promote, and defend their reputations.”

Schillings said in its filing that it had received \$349,000 as part of its work on the public relations effort for Mr. Low. The law firm said its decision to provide “FARA-registrable activities” was made “as a result of privileged and confidential email and oral communications.”

Neither law firm disclosed how much it has earned from providing traditional legal services to Mr. Low since the investigation began roughly three years ago. The act does not require the disclosure of payments for legal fees. But the FARA filings by Mr. Low’s team reveal the multiple hats that big law firms sometimes wear when they are representing prominent clients.



The financier Jho Low is facing charges in a multibillion-dollar scandal tied to a Malaysian state investment fund.

“Lawyers can and should do what they can on behalf of their clients including managing public relations,” said Rebecca Roiphe, a professor at New York Law School and a former prosecutor who specializes in legal ethics. “But lawyers do have certain ethical obligations that may not be the same as lobbyists,” such as honesty about the identities and intentions of their clients.

Mr. Haggerty, who is serving as the main spokesman for the legal team, said there was nothing wrong with a person under investigation taking aggressive steps to clear his name. “I reject the notion that only large, multinational banks and sovereign wealth funds are allowed a defense, either in court or in the public arena,” Mr. Haggerty said in an emailed statement.

Messages seeking comment from the law firms or the other companies they have hired were not returned.

Mr. Low was charged along with a former Goldman Sachs banker, Roger Ng, whom the federal authorities are trying to extradite from Malaysia. Prosecutors also unsealed a guilty plea from another former Goldman banker, Tim Leissner, who was Mr. Ng’s supervisor and had forged a close relationship with Mr. Low over the past decade. The authorities said another top banker at Goldman was an uncharged co-conspirator in the scheme.

Goldman helped 1MDB sell more than \$6 billion in bonds, generating over \$600 million in fees for the bank during a time that it was still recovering from the financial crisis. The bank has said it was cooperating with the investigation and acknowledged this month that it could pay “significant fines” in any settlement related to the fund. Malaysia’s finance minister said on Monday that the country was seeking a full refund of what it paid the bank — a statement that helped send Goldman shares down 7.5 percent on Monday.

The FARA filings list Mr. Low as living in Malaysia. But he has not been seen in that country for many months and is believed to be living in China, according to three people with knowledge of the investigation but not authorized to speak publicly. Earlier this year, the Malaysian authorities charged him with multiple counts of money laundering.