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Panama Papers Leak Proves FTA Has Done Nothing to End Country's Financial Crime, Highlights False Promises Used to Sell Pact

Statement of Lori Wallach, Director, Public Citizen's Global Trade Watch

“Nearly five years after the U.S.-Panama Free Trade Agreement (FTA) vote, the Panama Paper leak proves once again how entirely cynical and meaningless are the American presidents’ and corporate boosters’ lavish promises of economic benefits and policy reforms from trade agreements. The top promise about the benefit of the U.S.-Panama FTA was that it would end Panama’s financial crime secrecy protections and tax haven and money laundering activities, but what this leak shows is that, if anything, Panama’s outrageous financial crime facilitation has intensified while the FTA’s investor protections and official U.S. stamp of approval have increased inflows of dirty money to Panama. Now, the same cast of characters is making equally outlandish promises of the benefits of the TPP, while increasingly past supporters of these pacts are joining long-term critics in saying that not only will the TPP not deliver economic gains for most Americans or improvement in labor, environmental or human rights policy among its signatories, but that, in fact, it will follow the pattern of past pacts and make things worse.”

Background: Panama Tax Haven Status Continues Unabated: The Organization for Economic Cooperation and Development, which tracks countries’ tax haven statuses, reported that Panama remains one of just 11 nations in the world that has not passed a first-stage review of its tax transparency measures, due to nonconformity on basic regulatory checks against tax evasion. Even the Cayman Islands did not earn that dubious distinction. To counter criticism that the Panama FTA would assist corporations seeking to dodge U.S. taxes via secretive Panama-based subsidiaries and bank accounts, in late 2010 the Obama administration announced a new Tax Information Exchange Agreement with Panama. However, a loophole in that agreement allows Panama to sidestep new tax transparency provisions if they are “contrary to the public policy” of Panama, an interesting concept for a country that earns much of its revenue by providing strict banking secrecy and tax-free status for foreign firms incorporated there.

For more information on this topic:

www.citizen.org/panama-fta
www.citizen.org/documents/fta-trifecta-factsheet.pdf

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