Panama’s Ratification of a Loophole-Ridden Tax Agreement Does Not Make U.S.-Panama Trade Deal Acceptable

Statement of Todd Tucker, Research Director, Public Citizen’s Global Trade Watch

Americans are crying out for fair trade policies and a real crackdown on tax dodging. The Obama administration’s trade and tax agreements with Panama represent neither.

The tax agreement ratified yesterday by Panama’s legislature allows the country’s government to refuse a tax information request “where the disclosure of the information requested would be contrary to the public policy” of Panama. Given Panama’s longstanding public policy of encouraging tax-haven activities, this loophole is big enough to keep its offshore economy alive and kicking.

We simply have no idea how and if Panama will cooperate with its tax commitments and other longstanding congressional demands for tax haven reform. In fact, politicians in Panama are already discussing a constitutional challenge to the tax agreement in the country’s Supreme Court.

What we do know for certain is that the NAFTA-style trade deal with Panama will allow investors registered there to attack future U.S. anti-tax haven initiatives for cash compensation, in tribunals outside of the U.S. judicial system. Such so-called investor-state challenges are far from hypothetical; there are nearly $9.1 billion in outstanding claims under NAFTA-style deals.

President Obama has now adopted a Colombia-Korea-Panama trade package that puts corporate interests above those of American workers and taxpayers. The package represents an extension of the failed Bush-Clinton-Bush trade policies that President Obama was elected to replace.


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