CLOSE AIG's TAX HAVEN LOOPHOLE! SAY NO TO the US-PANAMA FREE TRADE AGREEMENT

While US taxpayers struggle to make ends meet, some administration officials are pushing to "rapidly" approve a leftover Bush NAFTA deal with Panama - a nation notorious for helping corporations like AIG escape paying their fair share. In fact, Panama was jrencently featured on a key list of countries who have long promised to adopt international tax norms, but have systematically refused to do so.

Here's a story that will make your blood boil. AIG is suing U.S. taxpayers because it failed to evade as high a level of U.S. taxes as it wanted... in its Panama subsidiary. According to Lynnley Browning at the NYT:

While the American International Group comes under fire from Congress over executive bonuses, it is quietly fighting the federal government for the return of $306 million in tax payments, some related to deals that were conducted through offshore tax havens...

A.I.G. is effectively suing its majority owner, the government, which has an 80 percent stake and has poured nearly $200 billion into the insurer in a bid to avert its collapse and avoid troubling the global financial markets. The company is in effect asking for even more money, in the form of tax refunds. The suit also suggests that A.I.G. is spending taxpayer money to pursue its case, something it is legally entitled to do. Its initial claim was denied by the Internal Revenue Service last year.

The lawsuit, filed on Feb. 27 in Federal District Court in Manhattan, details, among other things, certain tax-related dealings of the financial products unit, the once high-flying division that has been singled out for its role in A.I.G.'s financial crisis last fall. Other deals involved A.I.G. offshore entities whose function centers on executive compensation and include C. V. Starr & Company, a closely held concern controlled by Maurice R. Greenberg, A.I.G.'s former chairman, and the Starr International Company, a privately held enterprise incorporated in Panama, and commonly known as SICO.... A.I.G. says in part that it is entitled to a refund of $33 million that SICO paid in 1997 as compensation to employees, which it now says should be characterized as a deductible expense.

When U.S. multinationals operate in countries that actually require them to pay taxes and be regulated, then the U.S. Treasury gives them a "foreign tax credit." When they instead shelter income in tax havens like Panama, they can endlessly defer the repatriation of their income, and thus NEVER pay taxes, either at home or abroad. So an accounting challenge is to re-categorize as much of your Panama-hidden income as "expenses," so that they can be deducted if the mother company does repatriate the money. This appears to be AIG's game at the moment.

Under the Panama Free Trade Agreement, a NAFTA-style free trade deal negotiated by the Bush administration, supported by Democratic Congressional leadership, AIG-Panama would be able to sue the U.S. taxpayer for cash damages by claiming common regulatory actions were "tantamount" to an ("indirect") "expropriation." Do we really want to be giving these scoundrels more tools to evade their social obligations?

Panama was just featured on a key list of countries who have long promised to adopt international tax norms, but have systematically refused to do so.

In April, Obama's lead staffer for Summit of the Americas, Ambassador Jeffrey Davidow, told a corporate audience in Washington that the administration wants to move "rapidly" on the Panama FTA. As if any NAFTA expansion was not already a terrible idea, this particular deal would eviscerate efforts now underway to end Panama's tax-haven, banking secrecy and money laundering outrages. So, we should all be ready for the next foreseeable move by Panama, which is panicked about growing focus on its shady dealings: expect Panama to announce sham tax-haven reforms. Just recently three European tax-haven nations got great press for announcing reforms that amount to nothing.

TAKE ACTION!

Tell your members of Congress that you are outraged that some administration officials would even consider moving Bush's FTA with tax haven Panama. Remind them of President Obama's pledge to renegotiate NAFTA and create a new American trade model that actually benefits us. The easiest way to do it is to use the online form at http://snipurl.com/panamafta. If you don't have internet access, call (718) 880-7979, and we'll give you your elected officials' addresses so you can write a letter using the sample text below:

SAMPLE LETTER

I am writing to you to express my strong opposition to the leftover Bush NAFTA expansion agreement with Panama. I was shocked to learn that the Obama U.S. Trade Representative told Congress that the administration intends to try to implement the three Bush leftover NAFTA expansion deals with Panama, Colombia and Korea. President Obama's lead staffer for this week's Summit of the America's, Ambassador Jeffrey Davidow, told a corporate audience in Washington on April 7th that the administration wants to move "rapidly" on the Panama FTA.

President Obama pledged during his campaign to renegotiate NAFTA and create a new American trade model that actually benefits us. Congress and President Obama should work together to implement his commitments and the promises by so many members of Congress to stop the job-killing Bush trade model once and for all.

And, if this situation could be any worse, an FTA with Panama would limit efforts to crack down on financial service companies that take advantage of Panama's tax haven, banking secrecy and money laundering scams. Panama is a notorious tax-haven country. Thanks to the New York Times, we all learned of Panama's latest: its lead role in AIG's effort to sue U.S. taxpayers for $306 million of taxes paid on an AIG-linked Panamanian firm called SICO that AIG claims should have been sheltered from U.S. taxes! And, then earlier this month, Panama was featured on a key list of countries who have long promised to adopt international tax norms, but systematically refused to do so.

I assume at some point Panama will make an announcement that it is now going to really 'reform.' In early April, just before the G-20 London Summit, three European tax haven nations, Andorra, Liechtenstein and Switzerland (ALS) announced a new agreement on banking secrecy so laden with loopholes that it can only be compared to Swiss cheese.

I'm concerned Panama might try to issue similar policies as some in Congress push for consideration of the Panama FTA. I urge you to see through any attempts by Panama to offer policies that would fail to remedy their tax haven and banking secrecy policies
Consider what the ALS countries did in their attempt to distract from their tax haven and banking secrecy problems. First, they did not commit to automatic exchange of tax information – which is the practice necessary to combat tax evasion because it ensures all transactions are transparent. Rather, they only agreed to consider exchanging tax information when U.S. authorities already have substantial evidence that a specific individual likely evaded taxes, and to have bilateral treaties reflect this.

Second, the ALS countries did not agree to require that the beneficial ownership of bank accounts, foundations, and other entities be disclosed in accessible, public records. Watchdogs have identified Panama's unwillingness to disclose the beneficial ownership of foundations, corporations, shipping vessels, and banking accounts as a major incentive to illicit money laundering and tax evasion.

Third, the ALS countries have agreed to take steps to be removed from the OECD and G-7's worst tax-haven blacklists. But since these lists don't carry sanctions for lack of follow through, major tax-haven and money-laundering nations like Panama agree to certain unenforceable principles to stay off of these "worst actor" lists.

Under even the most ambitious version of the ALS plan, Panama and other tax havens would maintain the awful status quo – a world full of countries that only cooperate with the U.S. authorities under the most restrictive of situations, tons of dirty money remaining in the financial system, and a continuing race to the bottom in taxation.

Besides concerns with Panama's tax haven and banking secrecy policies, the Panama FTA is another Bush NAFTA-style deal that contains hundreds of pages of rules that promotes offshoring, undermines our food safety, jacks up medicine prices, and guts our local development, labor and environmental procurement rules. Please write me to let me know that you will oppose NAFTA's expansion to Panama.

Please send me a letter or email confirming that you will oppose the Panama NAFTA expansion if it comes to Congress for a vote.

Sincerely,

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