

OREGON FAIR TRADE CAMPAIGN

OR-FTC

Offshore Corporate Tax Havens and the Bush Administration's **Panama Free Trade Agreement**

The U.S. Trade Representative has expressed interest in trying to revive the Panama Free Trade Agreement—a hangover trade deal negotiated by the Bush administration, but never approved by Congress. The Panama FTA is a NAFTA-style pact that represents business-as-usual on trade, rather than the change that was promised to voters by President Obama and others.



The Panama FTA presents additional cause for concern because Panama's economy thrives on banking secrecy. Its "comparative advantage" rests on the ease with which U.S. companies can create subsidiaries there to evade U.S. taxes.

- In April 2009, the G-20 listed Panama on its "greylist" of tax havens, along with countries like the Cayman Islands and Monaco. An earlier Government Accountability Office study identified Panama as one of just eight countries—and the only current or prospective FTA partner—that is listed on all of the major tax-haven watchdog lists.
- Bailed-out insurance giant AIG's largest private shareholder is a Panamanian-charter corporation called the Starr International Company. Affectionately known as SICO, the company is chaired by AIG's former chairman, Maurice Greenberg, and reportedly runs a compensation pool for AIG's top executives. AIG is now suing the U.S. government for \$306 million—twice the amount of the infamous executive bonuses—saying that it was overcharged in taxes for SICO-related activities.
- AIG and other bailed-out financial institutions with subsidiaries in tax haven nations support the Panama FTA. The Panama FTA would lock-in many of Panama's weak bank secrecy rules. It would also grant thousands of Panamanian-chartered subsidiaries NAFTA-style investor rights enabling them to challenge U.S. public interest laws, financial regulations and other policies in international tribunals that circumvent the U.S. judicial system.
- On the campaign trail, then-candidate Obama argued, "It's time to close corporate loopholes, shut offshore tax havens, and restore fairness to the tax code." That Panama FTA would make those efforts much more difficult.

The Panama FTA should be opposed for many reasons. For more info, call (503) 736-9777 or visit www.oregonfairtrade.org.

Labor donated.

The Annual Tax Burden Shifted to Oregonians as a Result of Offshore Corporate Tax Havens

\$959,800,617

Source: U.S. PIRG Ed Fund

Oregon's Estimated Budget Gap for 2009

\$800,000,000+

Source: Oregon State Legislature

Financial Corporations with Subsidiaries in the Tax Haven Panama



(\$50 billion in bailouts)



(\$40 billion in bailouts)



(\$10 billion in bailouts)



(\$3.3 billion in bailouts)

Sources: GAO and WSJ