

AIG and U.S. Trade Policy

From: The Honorable Michael H. Michaud

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Dear Colleague,

Just when we thought we'd heard almost everything there is to know about the American International Group (AIG)'s bailout and bonuses, many of you may not know AIG is suing U.S. taxpayers claiming it "overpaid" U.S. taxes on activities in Panama, a country which applies low to no regulations and taxes on firms registered there. AIG wants to get back those taxes it dodged with this Panamanian front.

Panama's industrial policy is premised on obtaining a comparative advantage by banning taxation of foreign corporations, hiding tax liabilities and transactions behind banking secrecy rules and the ease with which U.S. and other firms can create unregulated subsidiaries. According to the State Department, Panama has over 350,000 foreign-registered companies. AIG is very keen on tax havens like Panama.

The New York Times just ran an expose about how AIG is currently suing the U.S. government for \$306 million in back taxes it claims it does not owe thanks to its use of one of its Panamanian corporate entities called Starr International Company Inc (SICO). SICO is AIG's largest shareholder. It is also the manager of a compensation fund for AIG employees, who are paid in AIG shares. SICO's chairman is former AIG chairman Maurice "Hank" Greenberg.

The same company that got the government bailout and used taxpayer dollars for the outrageous bonuses is now demanding twice that amount of the bonuses in paid-back taxes. If you aren't already outraged by the greed of AIG executives, the fact that they are using Panama's tax haven status as a way to sue the American taxpayer for back taxes is completely egregious.

The Panama Free Trade Agreement would make matters worse. It allows AIG-tied firms and other front corporations in Panama the right to challenge U.S. regulations in foreign tribunals, including laws designed to crack down on offshore havens. It promotes the offshoring of investment by providing special treatment for firms who decamp.

At a time of severe economic downturn and when the government is asking the U.S. taxpayer to foot the bill for Wall Street's mess, the last thing we need to do is pass a free trade agreement that promotes offshoring, tax dodging, and special privileges for foreign investors. The Panama FTA takes us in the wrong direction at a time when our energies should be devoted to getting our economy moving forward again.

Michael H. Michaud
Member of Congress

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