

8-11-1989

Panama: G.a.o. Report On Impact Of U.S. Economic Embargo, Use Of Escrow Accounts By "government-in-exile"

Deborah Tyroler

Follow this and additional works at: <https://digitalrepository.unm.edu/noticen>

Recommended Citation

Tyroler, Deborah. "Panama: G.a.o. Report On Impact Of U.S. Economic Embargo, Use Of Escrow Accounts By "government-in-exile"." (1989). <https://digitalrepository.unm.edu/noticen/3259>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiCen by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Panama: G.a.o. Report On Impact Of U.S. Economic Embargo, Use Of Escrow Accounts By "government-in-exile"

by Deborah Tyroler

Category/Department: General

Published: Friday, August 11, 1989

In March 1988, the Reagan administration prohibited US government agencies and US firms from making payments to the Panamanian government headed by de facto leader Gen. Manuel Antonio Noriega. Most of the money has been deposited in escrow accounts at the Federal Reserve Bank in New York City. Last month, the escrow deposits totaled \$105.7 million. US economic sanctions also included the suspension of Panama's status as beneficiary of the Caribbean Basin Initiative (CBI). Under the CBI, many Panamanian products had been permitted entry to the US duty-free. On Aug. 8, the San Diego Union obtained a report by the General Accounting Office (GAO) detailing the use of escrow accounts, and 46 "waivers" permitting US companies doing business in Panama to make certain payments to the Panamanian government. The GAO report said that since the escrow accounts were set up, said the report, \$9.8 million have been withdrawn from one of those accounts "for operating expenses incurred" by the government-in-exile of deposed President Eric Arturo Delvalle. The Delvalle government is recognized only by the United States. The report said initial disbursements to the Delvalle government were \$750,000 a month, mostly for salaries, rent, utilities and legal fees, with the outlay declining recently to around \$333,000 per month. The GAO said that neither the Treasury Department nor the State Department oversees how the government-in-exile spends money received from the escrow account. The report added that an accounting firm retained by the Delvalle government has never performed an audit of those funds, nor has it been requested to do so by the US government. "Although a representative of the State Department occasionally reviews the records maintained by the accounting firm, the official US government position on monitoring how (the) money is used is that it is the Devalle government's money and not subject to US government scrutiny," the report said. The disbursements may be halted on Sept. 1, when Delvalle's term is legally scheduled to end. The report said the total funds held in the escrow accounts would have been greater had it not been for exceptions granted after "hundreds of telephone calls and letters" from US businesspersons who argued that their firms would be forced to pull out of Panama unless they could make certain types of payments to the government in Panama City. The GAO provided a list of exceptions authorized, including payments for utilities, social security and import duty fees, court pleadings, plant inspections, quarantine fees and parking meters, among others. The report said the US government has limited capabilities of enforcing the economic sanctions against Panama, mainly because one Treasury official assigned to the task is also in charge of compliance with the trade embargo against Nicaragua. Nevertheless, the GAO said, the Treasury Department is investigating at least 16 complaints involving US companies that have made payments to the Panamanian government that reportedly were not covered by the exceptions. The report said, "They are open cases and have the potential to result in criminal charges," the report said. According to the GAO report, in 1988 \$3 million in Panamanian merchandise, mostly bananas, entered the US, apparently in violation of the economic sanctions imposed by the Reagan administration. The GAO said that the "Noriega regime's" revenues dropped from \$1 billion in 1987 to about \$600 million in 1988. The report said, "We estimate that about 26%, or \$125 million, of this

\$480 million reduction was directly due to the sanctions." (Basic data from Copley News Service, 08/09/89)

-- End --