6-28-2001

Panama Off International Blacklist, Guatemala On

LADB Staff

LADB Article Id: 53415
ISSN: 1089-1560

Panama Off International Blacklist, Guatemala On

by LADB Staff
Category/Department: Panama Guatemala
Published: 2001-06-28

The Financial Action Task Force on Money Laundering (FATF) took Panama off the international blacklist of nations that have not fully cooperated to control drug-money laundering, after a year on the list, but put Guatemala on. The Paris-based FATF is a dependency of the Organization for Economic Cooperation and Development (OECD) and was established by the Group of Seven industrialized nations (G-7) in 1989. The FATF placed Panama on its Non-Cooperating Countries and Territories (NCCT) list in June 2000. Almost simultaneously, the US Customs Service and the Treasury Department reported that Panama had not taken effective steps against drug trafficking and money laundering (see NotiCen, 2000-08-03).

In October 2000, the Legislative Assembly approved several measures strengthening financial laws to control money laundering and stiffen criminal penalties. Banks must now make regular reports on their financial transactions. The government has also instituted procedures to exchange financial information with other countries. The new laws apply to banks, the national lottery, casinos, real-estate brokers, and insurance companies in any financial transaction of more than US$10,000. Violators of the new laws face fines of up to US$1 million and prison terms of up to 12 years. B

esides drug-money laundering, the laws also apply to other illegal sources of money such as arms trafficking, extortion, embezzlement, official corruption, and traffic in stolen cars. The FATF removed Panama from its NCCT list on June 22. Its report said that Panama had still not effectively criminalized all forms of money laundering and that the organization would continue monitoring Panama's progress.

President Mireya Moscoso welcomed the FATF's action as an acknowledgment of Panama's efforts to tighten controls on banks and other measures taken over the past year to get off the list. She also said the FATF decision had removed an obstacle to foreign aid and foreign investment in Panama. The government also announced it had signed a memorandum of understanding with Belgium, Colombia, England, France, El Salvador, Spain, and the US to combat money laundering. The blacklisting was a severe threat to the Panamanian international banking system, which accounts for 80% of the country's GDP.

Bank superintendent Delia Cardenas said a significant number of banks left Panama because the blacklist made it difficult for them to make international transactions. Underlining the seriousness of the blacklist's impact, Cardenas said, "Believe me, no investor was going to invest their resources in the face of the very serious threat that, once they were here, their transactions would be nullified."

Foreign Minister Jose Miguel Aleman said he was still working through diplomatic channels to eliminate the remaining "blockade" of discrimination against Panama by investors in Argentina, Brazil, Mexico, Peru, and Venezuela. Although Panama is off the NCCT list, the US State

LADB Article Id: 53415
ISSN: 1089-1560

Department released a report June 11 listing Panama as a country of "primary interest" to the US because of the probability that the volume of laundered money there is "substantial."

Aleman said the State Department report was not a threat to Panama's relations with the US and that he was surprised at the media for giving the report so much attention. Although the administration is taking credit for all the new legislation and other efforts to get off the list, some believe Panama should not have been on the list in the first place. Luis Navarro, president of the Asociacion Bancaria de Panama, said the FATF had unjustly placed Panama and its financial system in jeopardy. He said the banking system had taken steps against money laundering long before the blacklisting and that some of those measures had hurt the system. Despite the blacklist, he said, deposits and loan statistics showed the level of confidence in the system had remained high during the year of the blacklisting.

US actions raise suspicion in Europe

In the months leading up to the June FATF meeting, the US had praised Panama's efforts to strengthen its financial controls, but France and Spain were reluctant to take Panama off the NCCT list. Some financial experts said the European resistance was caused by signals from President George W. Bush that he favored relaxing the pressure on Central American and Caribbean nations on the money-laundering issue. Agence France-Presse quoted one source saying that "some European countries are furious with Washington" for what looked like a policy shift. The Bush administration, said the source, decided to talk about flexibility toward the "fiscal paradises just when these countries...were becoming integrity hawks."

Miami Herald columnist Andres Oppenheimer suggested that the US might be moving away from the international campaign against tax havens and money laundering. He said US Treasury Secretary Paul O'Neill recently said the Bush administration was reviewing some aspects of OECD-FATF operations. The same day Panama left the blacklist, the FATF put Guatemala on it. The organization reported that Guatemala had failed to criminalize money laundering and that secrecy provisions in Guatemalan banking law presented obstacles to "counter-money laundering activities." The report also noted that Guatemala's "suspicious transaction-reporting system" has no safeguards against "tipping off" money launderers. Nor did Guatemalan law provide for effective collaboration with other countries against money laundering, said the report.

Congressional Deputy Leonel Soto of the governing Frente Republicano Guatemalteco (FRG) said the situation could be corrected with a bill pending in the legislature that would be debated in July. He said Guatemala would escape FATF sanctions because it would have until the FATF's September meeting to beef up its laws. However, Edgar Barquin, head of the Superintendencia de Bancos, said Guatemala's presence on the list would drive up the cost of international borrowing and reduce the flow of foreign investment.

-- End --