

2-28-2002

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Recommended Citation

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Opposition Assails Administration After Agreements with U.S.

by LADB Staff

Category/Department: Panama

Published: 2002-02-28

The major opposition party is criticizing the administration of President Mireya Moscoso for negotiating two agreements with the US. One opens the nation's banking system to US inspection and the other extends US rights to engage in anti-narcotics activities in Panamanian waters and airspace.

In 2000, the G-8's Financial Action Task Force on Money Laundering (FATF) put Panama on its blacklist of countries not cooperating in the war on drugs (see NotiCen, 2000-08-03). The blacklist and US pressure forced Moscoso to show more interest in combating money laundering and to work to erase Panama's reputation as a tax-evaders' paradise. Since the attacks of Sept. 11, 2001, the US government has been especially interested in tracking terrorist funds that might go through Panamanian banks.

In April 2001, Moscoso appointed a presidential commission to look into money laundering and recommend measures to get Panama off the blacklist. After the Legislative Assembly passed laws clamping down on money laundering, FATF removed Panama from the blacklist in June 2001 (see NotiCen, 2001-06-28).

In January of this year, the president appointed a team to negotiate a new treaty with the US partly aimed at combatting money laundering. The Acuerdo de Intercambio de Informacion Tributaria requires both countries to share tax and financial information to prevent tax fraud, tax evasion, and money laundering. The treaty would cover income, inheritance, gift, business, and other taxes collected by the national governments. Panamanian authorities said they expected the treaty to end the practice of some countries such as Brazil, France, and Mexico of slapping tax sanctions on financial transactions originating in Panama.

Negotiations began Jan. 7 in Miami amid criticism that the proceedings were being conducted in secret with little information made public. Vice Minister of Economy and Finance Domingo Latorraca had gone to Miami but ministry officials said they had no idea where in Miami the talks were taking place or what the agenda was. Critics say pact could kill banking system The secrecy surrounding the negotiations added to the conviction among critics that an accord requiring Panama to release confidential information about bank accounts would be inimical to Panamanian interests.

Former Panamanian ambassador to the US Eduardo Morgan said such a treaty would be a "death sentence" to the Panamanian banking system. For one thing, he said, enforcement and reporting requirements in the treaty would mean Panama would have to upgrade its legal and information systems at great expense to comply. Banking and other officials complained that the treaty would

subject account holders to scrutiny as tax offenders and chase clients and their money out of the banking system.

The daily El Panama America said in an editorial that the US attempt to extract a tax treaty from Panama was hypocritical since the US "is the principal refuge for private capital belonging to citizens of the entire world." The editorial complained that the US did not cooperate with other countries in releasing information on its account holders but expected Panama to do so under the treaty. When a draft of the proposed treaty reached the public, there was renewed criticism of some specifics, especially the lack of reciprocity.

The maritime law association (Asociacion Panamena de Derecho Maritimo, APDM) said it rejected the draft treaty because it did not treat tax and financial records equally in both countries and because it permitted the US to demand that Panamanian authorities take actions in Panama regarding financial disclosure that would be illegal in the US. APDM president Juan Felipe Pitty called the draft treaty "a form of exporting a constitutional infraction."

Eloy Alfaro, another former ambassador to the US, also complained about the lack of reciprocity but admitted that the accord would at least help give Panama the image of a place that did not welcome profits from criminal activities. In defense of the accord, former foreign minister Jose Raul Mulino warned that, if Panama did not sign the treaty, the US might apply political and economic sanctions. Because of the larger political implications of the treaty, he suggested that the Foreign Relations Ministry instead of the Ministry of Economy and Finance handle the negotiations. He asked what good it would do not to sign the treaty if the alternative was to become an isolated country with a dubious financial and banking system.

Anti-narcotics pact signed

Meanwhile, a Legislative Assembly committee wants to hold hearings on a recently signed anti-narcotics agreement (Arreglo Complementario 2002) with the US, but the administration insists the pact does not need legislative approval and has already gone into effect. Representatives of the two countries signed the pact Feb. 5, as an addendum to a 1991 anti-narcotics agreement. The new agreement increases the ability of the US to interdict drug trafficking in joint efforts with Panama. Hector Aleman, chair of the Assembly's International Relations Committee and a deputy for the opposition Partido Revolucionario Democratico (PRD), attacked the Moscoso administration for negotiating the pact without consulting the legislature. The main objection to the agreement is that it appears to allow US troops on Panamanian soil.

Nils Castro, secretary for international affairs for the PRD, said the administration had refused to publicize the details of the accord. The Interior and Justice Ministry told Castro he could read about it in the official government gazette. But as of mid-February, it had not appeared in the gazette even though the administration says the accord has been in effect since Feb. 5, the day it was signed. Castro and Aleman argue that the accord is an international treaty and must be ratified by the Assembly. In support of the administration's claim that the accord is an executive order not subject to ratification, Marcel Salamin, a former foreign minister and a member of the negotiating team, said the pact only clarified some "gray areas" in the 1991 agreement, which, among other things, allows

for cooperation in drug interdiction between the US Coast Guard and its Panamanian counterpart the Servicio Maritimo Nacional (SMN). Salamin said US interdiction aircraft could not land in Panama, all interdiction activities would be police, not military actions, and they would be under the control of SMN officers.

Furthermore, Panama would have the benefit of all information on drug trafficking the US collects, he said. But critics like former President Jorge Illueca (1984) say the new accord allows for hot pursuit by the Coast Guard into Panamanian waters and gives the Coast Guard the right to stop any of the 10,000 ships sailing under Panamanian registry throughout the world. Former Vice President Ricardo Arias Calderon, who signed the 1991 accord, said the new agreement is "a death blow to the merchant marine."

Legislator says agreement is a joke PRD Deputy Miguel Bush, chair of the legislature's Narcotics Committee, called the accord "a joke" and the work of an incompetent administration. He reminded the administration that in 2000, all political parties agreed on a national security pact in which the executive pledged to consult on any new relevant legislation. That pact, in the form of an executive decree, did not envision US presence in the country (see NotiCen, 2000-06-29). Instead, it called for Moscoso to propose legislation to modernize the SMN and the Servicio Aereo Nacional (SAN) and provide the necessary funds so that these services could adequately patrol and protect national territory. Because none of this was done, Bush said, Moscoso has allowed the US to take charge of anti-narcotics efforts.

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