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Curtis Bentley, Legislative Analyst  
Linda Nickerson, Administrative Staff

STATE OF MAINE

## Citizen Trade Policy Commission

The Honorable Olympia J. Snowe  
United States Senate  
154 Russell Senate Office Building  
Washington, D.C. 20510

The Honorable Susan M. Collins  
United States Senate  
413 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Michael H. Michaud  
United States House of Representatives  
1724 Longworth House Office Building  
Washington, D.C. 20510

The Honorable Chellie Pingree  
United States House of Representatives  
1037 Longworth House Office Building  
Washington, D.C. 20510

June 3, 2009

Dear Senator Snowe, Senator Collins, Representative Michaud, and Representative Pingree,

The Maine Citizen Trade Policy Commission (commission) voted on May 22, 2009, to oppose the Panama Free Trade Agreement (Panama FTA). In general, the commission supports global trade but it has come to our attention that the proposed Panama FTA would have significant negative impacts on Maine as outlined below.

**1. Panama is a known tax-haven for corporations including national financial institutions that compete directly with Maine's local banks.** Panama's laws create a system of banking secrecy and make it comparatively easy for U.S. companies to create subsidiaries there in order to evade U.S. taxes. According to the U.S. State Department, Panama has more than 350,000 registered corporations, the second most in the world after Hong Kong and it does not have a tax transparency treaty with the U.S. As a result, corporations or their subsidiaries registered in Panama can operate in secrecy and avoid other forms of financial regulations. The

Senate Homeland Security Committee estimated that tax evasion in offshore havens costs U.S. taxpayers \$100 billion a year.

The Panama tax haven creates an uneven playing field for companies in the U.S. that pay taxes and abide by the rules. Maine's local banks are comparatively small and are unlikely to have subsidiaries registered in Panama putting them at a competitive disadvantage with national banking institutions that can avail themselves of Panama's banking laws. We are very concerned that passing a free trade agreement with Panama will make this problem even worse, further weakening our local businesses' and financial institutions' ability to compete locally and nationally.

**2. The Panama FTA provides foreign-investors special privileges and a private enforcement system that promotes offshoring and subjects our environmental, zoning, health and other public interest policies to challenge by foreign investors in foreign tribunals.** The Panama FTA's investment chapters replicate the language in the Central America Free Trade Agreement that allow private investors and corporations to directly enforce FTA foreign-investor rights and privileges by suing governments in foreign tribunals. These FTA investor-rights terms create additional incentives for U.S. firms to locate their U.S. production offshore where they can operate under the foreign-investor status of FTA, rather than dealing with our country's democratically passed federal, state and local laws and our domestic court system. Passing the proposed Panama FTA will further compromise our state's sovereignty and the authority of Maine's Legislature to enact laws in the public interest.

We respectfully encourage you to oppose the proposed Panama Free Trade Agreement.

Sincerely,

Troy Jackson  
Senate Co-Chair

Margaret Rotundo  
House Co-Chair

cc: Members, Citizen Trade Policy Commission  
Governor John E. Baldacci  
Senator Elizabeth Mitchell, President  
Representative Hannah Pingree, Speaker