

**Economic and Social Council Forum
on Financing for Development Follow-up
Monday, 18 April
Trusteeship Council Chamber**

H.E. Ivan Zarak, Viceminister of Economy, Republic of Panama

Thank you Mr. President
Excellencies
Colleagues
Distinguished delegates

Panama aligns with the statement to be delivered by Thailand on behalf of the Group of 77 and China. In our national capacity, we would like to comment on Panama's recent progress on one of the seven action areas of the Addis Agenda: the area of Domestic Public Resources.

In the past decade, Panama has been one of the fastest growing economies in Latin America, with GDP growth averaging 7.6%. Two-thirds of our well-diversified economy is based on services. Contrary to general belief, legal services related to incorporations actually represent less than 1% of our Gross Domestic Product.

Recently, Panama made global headlines regarding the Financing for Development Agenda's cornerstone issues of global governance and financial transparency. Both issues are crucial to tackling poverty and inequality and therefore critical to fulfilling the development agenda. However they usually fail to receive adequate attention in international deliberations.

The unjustly called “Panama Papers” are not about a Panamanian problem, but a global one. More dangerously, this inappropriate name fails to convey that financial misconduct is not the result of a single nation’s policies, but rather the consequence of an immoral global economy that is affecting the most vulnerable peoples of the world.

Panama has shown great resolve on the issue of combating money laundering and terrorist financing. Truth be told, Panama is ahead of many developed countries in terms of financial transparency according to the Tax Justice Network.

Indeed, we must continue strengthening financial transparency, but of the global financial system. To illustrate the systemic nature of the problem, let me give you an example: A Panamanian firm opens an off-shore company in a UK territory for a German Resident who, in turn, uses the company to open a Bank Account in a French Bank headquartered in Asia. None of these individual actions is illegal. In fact, in this example, there were four different compliance officers from different jurisdictions that found no wrongdoing. However, each of them was looking at their own piece of the puzzle and not at the bigger picture. This is a vulnerability that some people and corporations have used to skirt national regulations. Not paying taxes is only one example.

Allow me to share a few of Panama’s recent accomplishments that have led to increased financial transparency in a way that is consistent with the Addis Agenda:

1. Since 2009, Panama has signed more than 30 Double Taxation Agreements.
2. “Know Your Client” legislation was enhanced to require not only financial and legal service providers to follow due diligence procedures; over 20 other non-financial service sectors are now obligated to report suspicious activities.
3. In October 2015, Panama advanced to Phase 2 of the peer review by the OECD’s Global Forum.
4. In February 2016 the Financial Action Task Force on Money Laundering removed Panama from their “gray list” in record time.
5. By the end of this month, Panama will sign an Inter-Governmental Agreement with the United States to implement the Foreign Account Tax Compliance Act.
6. **Panama has reiterated on multiple occasions, including by President Varela last September here at the United Nations General Assembly, that we are fully committed to the bilateral Automatic Exchange of Information, following the OECD’s Common Reporting Standards.**

But even with our recent progress, more work needs to be done to eliminate tax evasion and money laundering as it is a threat to international stability and development, and risks impairing cooperation among countries.

It is our strong belief that the only effective way to address the true vulnerabilities that are hindering the global financial system is through collective and coordinated action by all jurisdictions. No country is immune to this problem, just as no country can solve the problem on its own. We need enhanced and coherent

cooperation to achieve a moral, fair and equitable financial governance structure.

Panama is committed to being a good Global Citizen, and as such will continue to lead the way on these reforms. We are doing this because we believe it is the right thing to do.

We established an independent, blue-ribbon commission of international experts led by Nobel Laureate economist Joseph Stiglitz to evaluate our internal processes, determine best practices, and propose the adoption of specific measures which will be shared with other countries.

The recent leaks give us the opportunity to finally elevate this critical discussion and address it from its rightful global scope to attain the reforms that are truly necessary to strengthen our financial security. A global problem requires global action.

Greater global financial transparency will help us recover the \$100 billion plus that is lost annually in funds which could be used for important investments in infrastructure, health and education; investments in our youth and children that are required for this next phase of sustainable development where we have committed to “leaving no one behind.”

I thank you for your attention.