Panama rejects money-launder label following documents leak

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Panama: Panamanians have long shrugged off their countryâ€™s checkered reputation as a financial haven for drug lords, tax dodgers and corrupt oligarchs. If theyâ€™re crooks, theyâ€™ve learned from the worldâ€™s wealthy nations, they like to joke.

That same efensiveness has re-emerged amid the fallout from the leak of 11.5 million confidential documents from the Panama-based law firm Mossack Fonseca revealing details of how some of the globeâ€™s richest people funnel their assets into secretive shell companies set up here and in other lightly regulated jurisdictions.

Ramon Fonseca, a co-founder of the firm, said that his countryâ€™s success in establishing itself as an offshore banking giant has bred jealousy from first-world rivals at a time of increasing competition and scrutiny of the industry in the aftermath of the global financial crisis.

Â Â Â **â€œItâ€™s very unfair whatâ€™s happening because thereâ€™s not a level playing field,â€• Fonseca told. â€œWithout a doubt if this happened to a company in Delaware nothing would happen, but because itâ€™s Panama itâ€™s the front page of the worldâ€™s newspapers.â€• Panama cemented its status as a money laundering center in the 1980s, when dictator Gen. Manuel Noriega rolled out the red carpet to Colombian drug cartels.**

It has remained a magnet for illicit money, as well as for legitimate funds, because its dollarized economy sits at the crossroad of the Americas. Breakneck economic growth averaging 8.5 per cent a year for a decade has been fed by the flood of cash, transforming the capitalâ€™s skyline into Latin Americaâ€™s Dubai.

But Panama isnâ€™t alone in its permissive attitude toward shell companies, which the British-based Tax Justice Network estimates hide USD 21 trillion to USD 32 trillion in untaxed or lightly taxed financial wealth around the globe. Panama ranks 13th on the watchdog groupâ€™s financial secrecy index better than the U.S., which is at No. 3. In 2014, a group of academics wrote a book, â€œGlobal Shell Games,â€• that looks at tax havens.

They used emails to set up shell companies with 3,700 corporate service providers in 182 jurisdictions, posing as a range of low- to high-risk customers, including drug traffickers and terrorist groups.

The findings were startling: All countries scored poorly. Service firms in Panama complied 29 percent of the time with minimum standards like requesting photo IDs and other documents establishing the identity of the company owners. US firms complied on average 25 percent of the time, while Delaware, at 6 percent, was even more lax.

- AP