

Press Conference
USTR Robert B. Zoellick
and Panamanian President Moscoso and Trade Minister Jácome
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InterContinental Hotel, Miami, Florida

ZOELLICK: I want to thank all of you for being with us this afternoon. I'm very honored to have this opportunity to be here with President Moscoso of the Republic of Panama, and I want to begin by congratulating her and all of you from Panama on your centennial year.

The president and I and the minister just had an excellent meeting. We discussed the United States' and Panama's shared interest on moving forward with the ALCA negotiations to try to achieve a comprehensive and balanced agreement. And I'm absolutely delighted, on behalf of President Bush, to announce today that the United States and Panama will move forward to negotiate a bilateral free trade agreement next year (applause). I explained to the President that in recent weeks I was able to have some very positive consultations with the Congressional Oversight Group, which is a special body in the Congress that was formed by our Trade Promotion Authority Act, and I will be sending forward today on behalf of President Bush the formal notification of our intent to begin these free trade negotiations with Panama.

Panama is already one of the most open economies in the region, and it serves as a very important financial and commercial crossroads, not only for the Western Hemisphere but also for the world.

Panama is a very important link in the United States' efforts to seek to open markets through the process of competitive liberalization.

Now the United States has a very long history of close relations with Panama. Panama is a valued partner of the United States in counternarcotics, antiterrorism, anti-money laundering efforts. As I mentioned to the president, I recall when I worked with Secretary Baker - Secretary of State Baker - from 1989 to '92 - a different era for Panama. And I recall an era that ended the dictatorship, over a decade ago, and now Panama is a peaceful, democratic society with sovereign control over its own path between the two great seas, the Atlantic and Pacific. I had a chance to talk with my colleague Secretary Powell about his visit to Panama celebrating the hundredth anniversary.

So, we believe this is a particularly auspicious moment to give a vote of confidence in Panama, because we believe Panama has already achieved a great deal. We know there are challenges ahead, but this, as a vote of confidence, demonstrates our optimism that working together we can succeed to help Panama overcome those challenges and become an important part, not only in the regional economy but the global economy.

The United States provides nearly half of Panama's total imports, and a strikingly large number, Panama's investment from the United States already totals some \$25 billion, including in the finance, maritime and the energy sectors. Plans for the expansion of the Panama Canal will also create new procurement opportunities for U.S. firms which already play an important role in supporting the Canal.

Through our bilateral consultations over the past year under the Trade and Investment Council Agreement we have with Panama - and, I want to emphasize, under the steady leadership of Trade Minister Jácome -- Panama has already made outstanding progress in overcoming some bilateral investment concerns that we believe will result in even greater investment in Panama. And through his leadership, we have laid a very strong foundation for deepening our trade relationship through a free trade agreement. We believe that this free trade agreement with Panama will complement the agreement we hope to conclude very shortly with the five -- Panama's Central American neighbors -- an agreement that we hope to broaden next year to include the Dominican Republic, as well.

So, the president and I discussed our plans to try to begin negotiations with Panama in the spring of next year, after our ninety-day consultation period has run, and in the meanwhile, we hope to work very closely with the president and the minister to advance our common objectives here in the ALCA discussions - also, Panama's been a good partner in the WTO - and to lay the groundwork for this agreement of a bilateral nature. And I want to close by thanking many of you from the business community that came here. As the president, the minister and I discussed, to be successful with these agreements, we really need your help and assistance and support. To really understand the challenges of the marketplace, we need to draw from all of you in the business sector and to help explain the benefits of trade, how it creates jobs, opportunity, alleviate poverty, we need the help of those of you in the business sector, so I'm absolutely delighted and I'm very proud for the president and her team that many people from the business sector in Panama came to be with us today for what I believe will be a very historic and important event in Panama's centennial year. So I want to thank you.

And now, I know that the president would like to make a statement and then we will take a few questions.

(President Moscoso, as translated): Thank you very much, Ambassador Zoellick. I wanted to come here to Miami today precisely to hear the good news for my country. Just a couple of months ago, when we were in Washington talking with President Bush., precisely we requested from him this free trade treaty. We felt that, with Central America they had begun, and Panama was left out.

I today would like, in the name of the Republic of Panama, to begin with these words by expressing my gratitude to the President of the United States of America, George W. Bush, just as well as the members of the Congress, the Senate, for supporting this initiative of my country to start the process of negotiation for a free trade agreement, but especially I would like to highlight the efforts of the foreign trade representative of the United States, Ambassador Robert Zoellick, and his team, which is reflected in the formal announcement being made here today.

Panama has had a long political, economic and cultural relationship with the people and the government of the United States, stemming mostly from the building of the Panama Canal and its security, elements which were proper for the arrival of much U.S. investment in our country.

Historically, the United States has been the first trading partner of Panama, with exports in the year 2000 toward our country of \$1.4 billion. Likewise, it represents the main destination with 47% of our total exports.

Panama of today is not only characterized by the free trade area of Colon and a banking center adapted to the highest standards of transparency and international regulation. We have formed the main air traffic center and telecommunication center in this region, and we will very soon be the most important transshipment center for Latin America for goods with our logistic and port transshipment center which is growing. These elements have made Panama one of the main centers for the reception of investment from the United States with figures that are around \$25 billion.

Our nation, over the next few months, will go into one of the most important decisions in our entire history. Not only will this have repercussions on world trade, but especially in the hemisphere. I'm referring to the plan for the expansion of the Panama Canal, whose cost is about \$8 billion; and in this relationship, undoubtedly, our trading partners will have a major participation here.

All of these factors make the negotiations of a free trade treaty with the United States of America a vital element for the interests of both countries. This legal instrument will be the legal framework to regulate the exchange of goods, services, and investment which will produce the economic development allowing our country to continue to be a privileged trading partner of the United States

in trade and hemispheric security.

But there's no better time to announce this decision than during this month, when our country is celebrating its first one hundred years of republican life - a hundred years which we have lived next to our American brothers, with mutual advantages. Today, I would like to highlight the role, the preponderant role played by the Panamanian private sector and that of the United States. They're with us here to make possible this moment in history. I'm sure that this process will be beneficial for all of your investments. This important announcement made by Ambassador Robert B. Zoellick represents political backing of the United States for our nation and for the efforts we've made to consolidate our democracy and good government and rule of law.

This process which starts here today marks a historic landmark which will establish the bases for the relationships of both countries over the next one hundred years. Thank you. (Applause)

ZOELLICK: The president has agreed with me to take a few questions, if you would like. Yes, sir.

Q: Mike Esterl of Dow Jones News. There's been a flurry of announcements today on the bilateral front. Are there any other countries in the Americas that the U.S. is considering initiating bilateral free trade talks with in the coming days or weeks?

ZOELLICK: I think we've covered a pretty good set. I think at this point what we wanted to try to highlight today - it's a good question - is the importance of these bilateral and subregional agreements in trying to deepen our trade ties in a way that will build free trade throughout the hemisphere. And, at the same time, a point that I have sought to make -- and the president made very well -- is that each country is obviously very different, has different experiences, has a different economy, and one of the benefits of these agreements is that we can try to customize the agreement to their special needs.

So, for example, we talked with the president and Minister Jácome about looking at the Singapore agreement, because Singapore is also a major port and transshipment point, and lessons we can learn to try to help what is primarily a service economy that plays a critical transshipment role; and the minister may want to comment on this himself, but he emphasized how Panama has already reached out to Singapore, and Singapore was already impressed with some of the information that Panama gave them, and is now interested in the infrastructure development.

So it shows how these agreements can build on one another. I just met recently with the Dominican Republic where, again, our challenge is how to integrate them, already a major trading partner under the Caribbean Basin Trade Partnership Act.

But I want to emphasize that, while that is our focus today, tomorrow we will be meeting with business groups that emphasize bilateral as well as hemispheric relationships; civil society; an important focus on trade capacity building which, with each of these agreements, we try to work with our AID people, the private sector, the Inter-American Development Bank.

But the grand goal is the goal that brings us all to Miami, which is to try to create hemispheric free trade, and these building blocs can help create momentum. They can help create models. They can help generate interest in the business communities, but we want to work with all thirty-four partners to try to achieve something that's truly an amazing goal, to take a whole hemisphere and move it towards free trade. So, I think this is the last announcement for today, and then tomorrow we hope to build some of the outreach support and then my fellow ministers will be coming in town and I'll be meeting with those that I haven't met with today to try to move forward the overall ALCA process.

Yes, I'm sorry.

Before I do, Minister Jácome, do you want to make -- the account of the Singapore work was very interesting to me, so I thought you may want...

MINISTER JÁCOME (as translated): Yes, to complement what Ambassador Zoellick was saying and also to report on the bilateral we just held, in the last meeting we held with the USTR, we expressed the summary that our technical team did for the Chile and Singapore studies. The Singapore economy in some specific areas is very similar to the Panamanian economy, and regarding this we'd like to say that in our Cancún meeting, we were able to meet with the Singapore minister, who was highly impressed by the degree of development and potential held by our country, and next week, a mission, an official mission will be arriving in Panama to further the work they have done after the bilateral treaty with the U.S., and also, in order to explore investment possibilities in very specific areas, such as ports, telecommunications, electronic trade and others.

Q: (inaudible), Congress Daily. A lot of these announcements today are being interpreted as putting pressure on Brazil to reach agreement in the FTAA. How would you describe the relations and the negotiations with Brazil at this point? Are you in agreement on what the FTAA should be about? There's some talk of a vision statement which you share or do not share. Could you just give us an update on where the U.S. stands with Brazil at this point?

ZOELLICK: First, let me again make the point as I've made in a couple of other sessions. The United States is not the only country that is having bilateral or regional trade agreements with the region. Mexico has some thirty free trade agreements -- I think nine in the region. Canada has a number, and Brazil and its Mercosul partners have others. We're not in a world of preserved markets. The more, in my view, the better off it is if we break down barriers. So, we welcome more trade ties among all the partners.

As for the relation with Brazil -- as I mentioned, I was very appreciative that Minister Amorim came back early from a trip he was making with President Lula to come see me personally for a good long session in the afternoon last Friday, and then we had a very useful dinner and session out in Lansdowne, Virginia, an informal session, and Minister Jácome was part of that, as well. And I think that we bridged a number of differences that I hope, over the next couple of days, will enable us to move forward constructively. But as I've also said, there are a number of difficulties to overcome. There are different views reflecting their different economics and politics about where people would like to move most aggressively. I do have a sense that people are favoring a comprehensive agreement but also one that has flexibility for different circumstances, trying to achieve an overall balance.

So, I have not yet had a chance to meet with Minister Amorim. I will, I believe, tomorrow, when he comes into town to talk about this. Our vice-ministers have been working on issues, and of course, we're not the only two countries. Not only Panama, but Canada, Chile, Costa Rica, others bring different views to this process, and so, I've always felt that there was an opportunity, with Brazil and the United States as co-chairs, to help move and shape this process because, at the end of the day, while we're only two economies, we're two very big economies, and if we can work together, we can help move this another successful step or two forward; and I've always felt that has a number of benefits for Brazil. It has a benefit in terms of - President Lula's run a very difficult fiscal policy which is - at the same time he's undertaken reforms in tax and pension systems, because of that fiscal policy, he's needing to run a rather large budget surplus. So Brazil will benefit from trade to grow. So, this agreement and others can help create that opportunity, that interest, that investment in Brazil that helps create jobs and increase income.

We all benefit because, as a number of our partners in Central and South America have emphasized, they not only want the advantage to trade with the United States, they want to trade with their fellow countries. And so that's again one of the benefits of breaking down barriers within

Central and South America. And the United States benefits in that some of our rough numbers showed, when the benefit for an average family of four in the United States from NAFTA and the Uruguay Round together was about thirteen hundred to two thousand dollars a year, each and every year, and our rough numbers --and these are probably conservative for an ALCA agreement -- would be about nine hundred dollars a year.

And so there's a benefit for the American people, but another benefit that we've stressed - and President Bush has from the start -- is that it is very important to us to try to secure democracy, security, some of the elements we've talked about Panama, and reduction of poverty, and development in this hemisphere. And this is one way in which we can gain if our partners gain.

So I am cautiously positive about the discussions with our partners, but putting thirty-four countries together from St. Kitts and Nevis to the United States is no small challenge.

Yes, ma'am.

Q: My name is Glenna Milberg and I'm with Channel 10, South Florida's ABC affiliate. I wanted to take this opportunity to ask President Moscoso, looking long term a little bit, if you would comment ma'am why you think Panama City would or might not be a better location for the FTAA headquarters.

ZOELLICK: I'm glad that the president got that question.

[Laughter.]

PRESIDENT MOSCOSO: Thank you. I think that the ideal headquarters for the FTAA is not Mexico, it's Panama.

[Applause.]

Even though I was with President Vicente Fox a few days ago in Bolivia and precisely we talked about the headquarters of FTAA and he told me, he said "Look Mireyra, I know you want the headquarters but you know that we and Puebla also are going to struggle to get the headquarters." And my answer was that that is an aspiration of Panama but that this will be decided by 2005.

Panama was the headquarters temporarily for two years and I told him those who were there felt so happy at that time they told me that we want to stay in Panama so I hope that in the year 2005 Panama will be considered as the headquarters.

[Applause]

ZOELLICK: You have heard why Madame President is the president and why I'm the minister. But I think we should probably close on that high note. Thank you all. Thank you.

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