

**Statement by Ambassador Miriam Sapiro  
Deputy United States Trade Representative**

**Before the House Committee on Ways and Means  
Subcommittee on Trade**

**Washington, DC  
March 30, 2011**

Chairman Brady, Ranking Member McDermott, Members of the Committee, I am pleased to have the opportunity to appear before you to discuss the United States-Panama Trade Promotion Agreement.

When I testified before this Committee a few weeks ago on the United States-Colombia Trade Promotion Agreement, I described the Obama Administration's commitment to a robust trade policy that reduces barriers, boosts exports and creates jobs for America's workers and their families. Today I want to reinforce this commitment, as well as report on our progress toward achieving these goals.

As set forth in President Obama's 2011 Trade Policy Agenda, the Office of the United States Trade Representative is moving forward with a comprehensive strategy to open markets, eliminate barriers to U.S. exports, and vigorously enforce our rights under existing trade agreements. We are forging ahead on a variety of important trade initiatives. A team is in Singapore this week to continue negotiations on the Trans-Pacific Partnership Agreement. We are also continuing our efforts to secure an ambitious and balanced outcome in the Doha Round. And, as the President underscored when he spoke to President Medvedev last week, we continue to support Russia's accession to the World Trade Organization (WTO), including by working with you on legislation to end application of Jackson-Vanik to Russia and grant it Permanent Normal Trade Relations this year. All of these efforts have buttressed the Administration's

National Export Initiative. From January 2010-January 2011, exports of goods and services totaled \$1.86 trillion, an 18 percent increase over the level of exports in 2009. We remain on pace to meet the Administration's goal of doubling U.S. exports by 2015.

As I testified earlier, the three pending free trade agreements (FTAs) are central to these efforts. Our goal remains to have all three agreements, with their outstanding issues addressed, approved by Congress as early as possible this year. Earlier this month, we notified the full Committee that we are ready to begin collaborative work on the text of the implementing bill for the Korea FTA as soon as you are able to schedule those sessions.

We have also shared publicly information about our ongoing work on issues related to the Panama and Colombia agreements. With the Korea agreement as a model, we are seeking to advance the Panama and Colombia agreements with the broadest possible bipartisan and stakeholder support once the outstanding issues are resolved.

The Panama FTA is important to the United States. Panama is one of the fastest growing economies in Latin America, expanding by 3 percent in 2009 despite the global recession and by over 6 percent in 2010. In 2010, Panama purchased \$6.1 billion of U.S. goods, up \$1.8 billion, a 40 percent increase from 2009. Panama's strategic location as a major shipping route also enhances the importance of the Agreement. Approximately two-thirds of 14,000 annual Panama Canal transits are bound to or from U.S. ports, and about 10 percent of U.S. international trade passes through the Canal. Currently Panama is in the midst of a \$5.25 billion expansion of the Canal, and has identified almost \$10 billion in additional infrastructure projects in coming years.

The Agreement, if approved by Congress, will level the playing field by giving American workers, farmers, ranchers, and businesses greater access to Panama's growing market.

Currently the U. S. market is already largely open to imports from Panama, with 98 percent entering duty-free under our normal trade relations tariff rates, as well as under the Caribbean Basin Initiative (CBI) trade preference program.

The current average trade-weighted tariff faced by U.S. exporters of consumer and industrial goods to Panama, however, is 7 percent. In some cases, tariffs are as high as 81 percent. The Agreement will eliminate over 88 percent of those tariffs upon entry into force. A majority of all products in key industrial sectors will gain immediate duty free access to the Panamanian market. These include, for example, information technology products, agricultural and construction equipment, infrastructure and machinery products, transportation equipment, autos and auto parts, chemicals (including pharmaceuticals, fertilizers, agro-chemicals, and plastics), environmental products, and medical and scientific equipment. In addition, trade in all textile and apparel goods meeting the Agreement's origin requirements will become duty free immediately, providing new opportunities for U.S. fiber, yarn, fabric and apparel exporters.

U.S. agricultural goods exported to Panama currently face an average tariff of 15 percent, with tariffs on some products as high as 260 percent. More than half of current U.S. farm exports to Panama will become duty-free immediately, while other products will gain duty-free access through tariff rate quotas, with out-of-quota tariffs reduced over time. Commodities that will be duty-free immediately include, for example, high-quality beef, frozen turkeys, sorghum, soybeans and soybean products, wheat, peanuts, whey, cotton, table wine, most fruit and fruit products, most frozen and processed vegetables, most tree nuts, and many processed products.

Products such as standard beef cuts, chicken leg quarters, pork, corn, rice and dairy products will receive duty-free access for specific volumes of product immediately while the out-of-quota tariffs are reduced over time. Duties on most other agricultural goods will be phased out within 5 to 12 years and, for a few of the most sensitive products, within 15 to 20 years.

The Agreement also provides for improved standards for the protection and enforcement of a broad range of intellectual property rights, and will provide greater access to Panama's roughly \$18 billion services market. In addition, the Agreement includes provisions that will ensure that Panama observes fundamental transparency principles, including in relation to customs administration, technical barriers to trade, government procurement, investment, cross-border trade in services, financial services, telecommunications and dispute settlement.

As important as these benefits are, the President has made it clear that our agreements must be enforceable, reflect high standards, and be in the clear interests of our workers, farmers, ranchers and businesses. And, as we have repeatedly said, they must be consistent with our values as Americans.

Since this Administration began in 2009, we have held discussions with Panama regarding our concerns over labor and tax transparency issues. We worked with Congress, stakeholders and the Government of Panama to identify specific steps Panama could take to improve its protection of internationally recognized labor rights and to address impediments in its domestic law that had prevented the conclusion of a Tax Information Exchange Agreement (TIEA) with the United States.

As a result of this work, Panama has implemented several administrative actions to improve enforcement of its labor laws in several key areas. Specifically, Panama has issued executive decrees to address misuse of subcontracting and temporary work contracts, to strengthen collective bargaining and the right to strike, and to prevent employer interference in union activities. In addition, Panama's Labor Ministry has issued a resolution to increase labor inspections in the maritime sector, and to ensure that maritime workers are aware of their rights and can file complaints with the Labor Ministry. Panama has introduced legislation to eliminate certain restrictions on labor rights in free trade zones and to extend full collective bargaining rights to workers in companies that have been operating for less than two years. Finally, Panama also has agreed to propose changes to a 2010 law creating a special economic zone in the region of Barú, which would extend full collective bargaining rights to workers as well as important protections for temporary workers.

On the question of improving tax transparency, on November 30, 2010, Panama signed a TIEA with the United States which is consistent with internationally agreed standards. Panama also has enacted a number of changes to its domestic laws which will enable it to fully comply with its obligations to the United States under the TIEA.

Many Members of Congress have made clear their desire to move ahead quickly on the Panama FTA, and it is with a shared sense of urgency that we have been working expeditiously and thoughtfully to see the outstanding issues resolved. We know that other countries are moving

ahead on trade agreements with Panama, including Canada. Panama has also joined with its neighbors in Central America to negotiate an agreement with the European Union.

As Ambassador Kirk testified on February 9 before the full Committee, at the President's direction we have intensified our engagement with Panama with the objective of resolving the outstanding issues as soon as possible this year and bringing this Agreement forward. A day later, Ambassador Kirk met with Vice President Varela to assess progress and next steps.

Thereafter, at the end of February, our respective teams met to review the outstanding issues in detail. I then met with Vice Minister Alvarez de Soto to confirm this review and chart the path ahead.

I am pleased to announce that Panama is now in the process of completing work on the last few steps. Once the outstanding issues are addressed, the Administration will be ready to prepare the Agreement for Congressional consideration. I have been in regular contact with Vice Minister Alvarez de Soto since our meeting and also met with Panamanian Ambassador Mario Jaramillo to encourage Panama's continued progress. We believe that Panama can take the remaining steps fairly quickly. Once that happens, we will have succeeded in addressing many of the concerns that Members of Congress have raised, putting us in a stronger position to move forward with an Agreement that can gain greater bipartisan support. Our goal remains to ensure that American workers enjoy a level playing field with a trading partner that has adopted strong worker protections and sound tax transparency policies.

Let me also review briefly our efforts to move the Colombia agreement forward since I last testified. We have been working intensively with the Colombian Government, especially during the past few weeks, to address in detail improved protection of internationally recognized labor rights, including protections against violence targeting labor leaders, and prosecuting the perpetrators of such violence, so that we can be in a position also to advance that agreement for your consideration. We remain encouraged by actions the Santos Administration has already taken, and we continue to make important progress in our discussions. We will continue to work closely with President Santos' senior advisers in an effort to address each of the outstanding issues as quickly as possible and, if successful, prepare the Colombia agreement for Congressional consideration.

Finally, I would like to take this opportunity once again to urge renewal of the Generalized System of Preferences (GSP) and Andean Trade Preference Act (ATPA) programs, which have expired. These programs provide important benefits to many of our other trading partners, including Colombia, and merit renewal for as long as possible. While Panama, as a CBI beneficiary, still enjoys preferential access to the United States under that program, other developing countries need GSP and ATPA renewed now. Meanwhile, here at home, the enhancements to the Trade Adjustment Assistance program that were contained in the Recovery Act have also expired, leaving thousands of American workers without the opportunity to receive training on new job skills for the future. A long-term extension of the expanded program would help many who are facing layoffs and seeking re-employment in a persistently challenging job market. I encourage this Committee promptly to renew all of these important programs.

The Administration remains committed to a robust trade policy that will sustain our economic recovery and future prosperity by helping our businesses grow and support more and better jobs for Americans. The Panama FTA is an important part of these efforts. We look forward to working with you on this and the other pending agreements in a manner that builds public and bipartisan support for trade, and the economic growth and jobs that it supports and sustains.

EMBARGOED UNTIL 1:30PM WEDNESDAY MARCH 30, 2017