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USTR Notifies Congress of Intent to Initiate Free Trade Talks with Panama

11/18/2003

November 18, 2003
The Honorable J. Dennis Hastert
Speaker
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

In accordance with section 2104(a)(1) of the Trade Act of 2002 (the Trade Act), and pursuant to authority delegated to me by the President, I am pleased to notify the Congress that the President intends to initiate free trade agreement (FTA) negotiations with the Republic of Panama. We expect to launch negotiations during the second quarter of 2004. We will be consulting closely with the Congress over the next 90 days regarding these negotiations, as required by the Trade Act.

The Administration is committed to bringing back trade agreements that open markets to benefit our farmers, workers, businesses, and families. With the Congress' continued help, we can move promptly to advance America's trade and economic interests.

The United States has long maintained strong economic ties with Panama. Panama serves as an important financial and commercial crossroads in the Western Hemisphere and has one of the most open economies in the region. U.S. firms play an important role in Panama's largely service-based economy. Bilateral trade between the United States and Panama totaled \$1.7 billion in 2002 with U.S. exports accounting for \$1.4 billion of that amount. On average, nearly half of Panama's total imports come from the United States. In addition, the stock of U.S. foreign direct investment in Panama is approximately \$25 billion in sectors such as finance, maritime, and energy. Plans for future expansion of the Panama Canal will create many new government procurement opportunities.

Over the last year, Panama has made significant progress in resolving outstanding bilateral investment issues. Panama is also a reliable partner in the region, working closely with us to advance our common values and objectives in the World Trade Organization (WTO) and Free Trade Area of the Americas (FTAA) negotiations. In the course of negotiating an FTA, we intend to work closely with Panama to support the U.S. goals of achieving hemispheric economic integration and dismantling trade barriers around the world.

An FTA with Panama will respond to direction from the Congress in the Caribbean Basin Trade Partnership Act to conclude comprehensive, mutually advantageous trade agreements with Caribbean Basin countries. An FTA will also help foster economic growth and create higher paying jobs in the United States by further reducing and eliminating remaining barriers to trade and investment between Panama and the United States. Additionally, it will enable us to address specific barriers to U.S. goods and services in Panama, including high tariffs on certain agricultural goods, restrictive licensing practices, and inadequate levels of regulatory transparency.

We look forward to working off the Chile FTA, Singapore FTA, and, soon, the Central America FTA as models for this agreement. As Panama serves as a major transshipment point, an FTA will afford the United States an important opportunity to incorporate the innovative provisions on customs enforcement of intellectual property and textiles that are part of the U.S. agreement with Singapore.

An FTA with Panama will contribute to our efforts to strengthen democracy and support for fundamental values throughout the region, such as respect for internationally recognized worker rights and the elimination of the worst forms of child labor, greater respect for the rule of law, sustainable development, and accountable institutions of governance. Strong anti-corruption and transparency requirements in the FTA will help combat corruption.

Panama is an important link in the Administration's strategy of opening markets in the Hemisphere through competitive liberalization. An FTA with Panama will complement the free trade agreement we expect to conclude shortly with five of Panama's Central American neighbors, which may be broadened next year to include the Dominican Republic, a key trading partner in the Caribbean. Negotiations with Panama will also serve to boost the incentive for governments throughout the Hemisphere to complete the FTAA.

Panama is a valued partner in the achievement of other important U.S. interests as well, including the fight against narcotrafficking, terrorism, and money laundering. Indeed, an FTA will serve to strengthen not only economic ties but also political and security ones.

Initial consultations with the Congressional Oversight Group (COG) and other Members of Congress regarding the FTA negotiations with Panama have been positive, and we believe that there is broad bipartisan interest in such an agreement. The Administration will continue to consult closely with the Congress, including the COG, throughout the negotiation process.

Our specific objectives for negotiations with Panama are as follows:

· *Trade in Goods:*

- Seek to eliminate tariffs and other duties and charges on trade between Panama and the United States on the broadest possible basis, subject to reasonable adjustment periods for import-sensitive products.
- Seek to eliminate non-tariff barriers in Panama to U.S. exports, including licensing barriers on agricultural products, restrictive administration of tariff-rate quotas, unjustified trade restrictions that affect new U.S. technologies, and other trade restrictive measures that U.S. exporters identify.
- Seek to eliminate government practices that adversely affect U.S. exports of perishable or