

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

Before the Senate Finance Committee

**Washington, DC
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Chairman Baucus, Ranking Member Hatch, Members of the Committee, I am pleased to have the opportunity to appear before you today to discuss the United States-Panama Trade Promotion Agreement.

As set forth in President Obama's 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 our trade agreements. Trade is an essential component of the President's overall strategy to support economic recovery and jobs for Americans. This is why last year the President announced the National Export Strategy— an ambitious plan to double U.S. exports by the end of 2014, supporting two million additional American jobs.

As I testified before this Committee two weeks ago with respect to the United States-Colombia Trade Promotion Agreement, the Administration is firmly committed to ensuring that our trade agreements advance both our economic interests and our core values. We take seriously the responsibility to make sure that our agreements not only open new markets but also reflect our broader principles. Accordingly, at President Obama's direction, we have engaged Congress and other stakeholders to advance these goals and to build bipartisan support for each of the pending trade agreements by successfully addressing outstanding concerns.

I have already had the chance to describe our intensive work with Colombia and the progress that country is making in addressing serious concerns regarding labor protections, violence and impunity, including through the Action Plan Related to Labor Rights. Today I will highlight how the Obama Administration has worked with Panama to address outstanding labor rights and tax transparency concerns. Tomorrow Ambassador Marantis will testify about how we have addressed issues with the Korea agreement, including increasing market access for American autos. As a result of our work on all three agreements, earlier this month staff from this Committee, the House Committee on Ways and Means, and USTR began the informal drafting sessions to prepare each implementing bill and statement of administrative action.

Working together with this Committee, other members of Congress, stakeholders and the Government of Panama, the Obama Administration was able 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. Panama has now successfully completed those actions.

With respect to labor issues, shortly after the Administration took office in 2009 we began working intensively with stakeholders and the Government of Panama to address our concerns. As a result, Panama began to take several actions in 2009 and 2010 to improve the protection and implementation of labor rights in key areas. The administrations of President Torrijos and President Martinelli adopted executive decrees to address the misuse of subcontracting and temporary work contracts, to strengthen collective bargaining and the right to strike, and to

prevent employer interference in union activities. Moreover, the Labor Ministry adopted a resolution to increase the protection of labor rights in the maritime sector.

Recently, Panama took additional steps to bolster worker protections. In April, Panama passed legislation eliminating certain restrictions on labor rights in export processing zones and extending full collective bargaining rights to workers in companies less than two years old. Panama also approved changes that extend full collective bargaining rights to workers and important protections for temporary workers in the Barú special economic zone.

Panama has now also taken important steps to improve tax transparency. On November 30, 2010, Panama signed a TIEA with the United States consistent with internationally agreed standards. Panama ratified the TIEA on April 13, and it entered into force for both governments on April 18. Panama has also enacted a number of changes to its domestic laws that will enable it to comply fully with its transparency obligations under the TIEA.

In successfully addressing concerns raised by Members of Congress and others, we now have a prospective FTA partner that has adopted strong worker protections and sound tax transparency policies.

Once approved, the U.S.-Panama Trade Promotion Agreement (the “Agreement”) will benefit American workers, manufacturers, farmers and ranchers by providing greater access to Panama’s growing market. Panama is one of the fastest growing economies in Latin America, expanding by 3% in 2009 despite the global recession and by over 7% in 2010. Panama purchased over \$6 billion of U.S. goods last year, which represents a 40% increase over 2009.

Panama's strategic location also enhances the importance of the Agreement. Nearly two-thirds of Panama Canal traffic is bound to or from U.S. ports, and about 10% of U.S. international trade passes through the Canal each year. For example, 65% of U.S. grain and soybean exports transit through the Panama Canal. Panama is also 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.

Currently the U. S. market is already open to imports from Panama, with 98% entering duty-free under either our normal tariff rates or the Caribbean Basin Initiative (CBI) trade preference program. By contrast, U.S. exporters of consumer and industrial goods and agricultural products face an average tariff of 7% and 15% in Panama, respectively.

The Agreement will immediately eliminate over 87% of tariffs on U.S. industrial goods, including consumer goods produced in states like New York and New Jersey, construction equipment produced in states like Florida and Washington, and machinery produced in states like Michigan and Iowa. The Agreement will likewise immediately eliminate more than half of tariffs on agricultural products grown in states like Texas and Kansas. All textiles and apparel that meet the Agreement's rules of origin will also become duty-free immediately, providing new opportunities for our fiber, fabric and apparel exporters.

Finally, the Agreement will provide greater access to Panama's growing \$20 billion services market. It will also improve standards for the protection and enforcement of a broad range of intellectual property rights and increase Panama's accountability in areas ranging from customs administration to government procurement.

Before I close, I want to reiterate the Obama Administration's commitment to moving forward with a comprehensive trade agenda that not only develops new markets, but also keeps faith with America's workers. That agenda must include renewal of a robust Trade Adjustment Assistance (TAA) program that will help Americans who need training and other services when their jobs are affected by trade. In addition to TAA, we look forward to working with you to reauthorize the expired trade preference programs and to grant Russia Permanent Normal Trade Relations as that country joins the World Trade Organization.

The Panama Agreement is an important element of our Administration's comprehensive trade agenda. We stand ready to continue our collaboration across the entire spectrum of our trade agenda. We want to do so in a manner that builds public and bipartisan support for trade, helps U.S. companies compete and prosper, and sustains greater job growth in America.

Thank you.