

TRADE POLICY REVIEW OF PANAMA

**Statement by Ambassador Peter F. Allgeier
U.S. Permanent Representative to the WTO**

**Geneva,
September 17, 2007**

Thank you, Mr. Chair.

The United States is pleased to welcome Andy Ferrer, Minister of Commerce and Industry, who has played such an important role in recent years in shaping Panama's trade policy, Ambassador Norman Harris, and the entire Panamanian delegation here today. The United States would like to thank the WTO Secretariat and the Panamanian government for the informative reports provided to Members prior to this meeting. Finally, we thank the discussant, Mr. Martin Glass (Hong Kong, China), for the time and effort he contributed to this Trade Policy Review, and to this important aspect of WTO work.

Panama occupies a unique place in international trade. The Panama Canal connects two great oceans and plays a pivotal role in the flow of goods around the world. As Panama notes in its report, since the government joined the WTO in 1997, it has taken steps to strengthen its financial and social institutions to facilitate economic growth. The United States welcomes these measures and shares Panama's hopes for a successful Doha outcome – one that promotes economic growth and development by opening new opportunities for trade in agriculture, industrial goods, and services.

Panama's GDP growth for 2006 was 8.1 percent. Panama's economy saw its fastest growth in 14 years, topping solid levels of 6.9 percent in 2005 and 7.5 percent in 2004. From 2000 to 2006, the Panamanian economy has experienced sustained economic growth, with an average 4.9 percent rate of growth in GDP. The report from the Secretariat notes that economic growth in 2007 is expected to reach approximately 8 percent.

The United States commends Panama for its commitment to taking upon itself the difficult steps necessary to achieve economic reform, including trade liberalization. We look forward to implementing the United States-Panama Free Trade Agreement (FTA) upon U.S. Congressional approval, and we appreciate the Panamanian government's swift action to approve the FTA and its impending task to implement the commitments it made under that agreement. This comprehensive free trade agreement covers trade in goods and services, intellectual property rights, investment, telecommunications, labor and environment, and government procurement. A number of the reforms Panama will undertake to implement the FTA will also benefit Panama's other trading partners.

The U. S. commercial relationship with Panama is strong, positive and growing. The United States is Panama's largest trading partner, with two-way goods trade during 2006 of approximately \$3.1 billion. U.S. goods exports to Panama in 2006 were \$2.7 billion and U.S. goods imports from Panama totaled \$379 million. We expect the FTA to open many new opportunities for Panama to increase and diversify its exports to the United States.

Panama has identified attracting foreign direct investment as a key element of its overall economic growth and trade policy strategy. We applaud Panama for its record \$2.56 billion inflow of foreign direct investment in 2006, more than twice the amount of investment received in 2005. This inflow is a sign of the confidence that foreign investors have in the economic potential and stability of the Panamanian market. The United States has long been Panama's largest source of foreign direct investment.

In order to stay on the path toward improving its economic competitiveness, Panama will need to continue to simplify its tariff structure. As a primarily services-based economy, Panama should adopt additional measures to broaden access for foreign services providers. We also have concerns that Panama's numerous and complex incentive programs are too costly and might not be consistent with WTO rules. We hope to hear more in this review about Panama's plans to address these types of issues.

The United States anticipates deepening further our trade and economic partnership with Panama and supports Panama's progress along the path of global economic integration that it has so strongly pursued. We note, therefore, that Panama has a major stake in achieving an ambitious result in the Doha negotiations. A result that includes new market access in services, industrial goods and agriculture could further enhance opportunities for Panama to broaden its exports and its export markets, particularly with respect to new emerging markets. The United States looks forward to working with Panama toward bringing the round to a successful conclusion.

Thank you.