



República de Panamá
Ministerio de Comercio e Industrias

January 16, 2007

Mr.

EVERETT H. EISSENSTAT

Assistant U.S. Trade Representative

For the Americas

Office of the United States Trade Representative

Executive Office of the President

United States of America

Mr. Eissenstat:

The purpose of this letter is to reply to your request for comments concerning compliance with Telecommunications Trade Agreements.

In regards to the report issued by your office, the National Authority of Public Services of Panama replied that there are some inconsistencies on the text concerning the following:

“Under the Concession Contract between Cable & Wireless Panama, S. A. and the Republic of Panamá, there was a five year period of exclusive rights to provide the services of local telephony, national and international long distance calls, pay phones and dedicated private circuit voice service. This period ended on December 31, 2002. Therefore, Cable & Wireless Panama, S. A. was the only operator that could provide these services up to the said date. From the beginning of 2003, under the Panamanian TELECOM Law, an operator that aspires to offer any TELECOM service en the Republic of Panama must obtain the appropriate concession form the regulator.

On the basis of the aforementioned situation Regulator, via Resolution JD – 3576 dated October 25 th 2002, ordered the blocking of 24 ports of access for User Datagram Protocol (UDP) that were being used y operators which did not conform to the then valid norm in telecommunications, and against the established rights of Cable & Wireless Panama, S. A.. The blockade was suspended as of November 25 th 2002, by virtue of Order 2608-02 issued by the Panamanian Supreme Court. Since the above date all UDP ports have remained unblocked. Additionally, the onset of free competition in the international long distance market has brought forth a reduction in prices and a dwindling interest on the part of end users for services provided by unlicensed companies.

As for the 12% tax applied to VoIP calls, it's scope covered all international long distance calls, independently of the technology used. This tax was intended to be more equitable, and in addition it replaced the previous tax of US\$ 1 per call, which was

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unreasonable, considering the new lower cost of all international calls. It is important to point out that, due to the Tax Reform Law in effect since 2005, this 12% tax is no longer applicable.

Regarding Cable & Wireless Panama, S. A. blocking of specific IP addresses on May of 2006, after been made aware of this situation, the Regulator, by means of Resolution AN-062-CS dated June 8 th 2006, ordered Cable & Wireless Panama, S. A. to suspend the blocking of any IP addresses”.

Sincerely yours,

LEROY JHON SHEFFER M.
Chief of International Commercial Negotiations
Ministry of Commerce and Industry
Republic of Panama

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