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U.S.-PANAMA TRADE PROMOTION AGREEMENT

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

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U.S.-PANAMA TRADE PROMOTION AGREEMENT

WEDNESDAY, MAY 25, 2011

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:11 a.m., in room SD–215, Dirksen Senate Office Building, Hon. Max Baucus, (chairman of the committee) presiding.

Present: Senators Stabenow, Menendez, Hatch, and Grassley.

Also present: Democratic Staff: Russ Sullivan, Staff Director; Amber Cottle, Chief International Trade Counsel; Gabriel Adler, International Trade and Economic Advisor; Michael Smart, International Trade Counsel; and Casey Chumrau, Associate, Trade. Republican Staff: Everett Eissenstat, Chief International Trade Counsel; David Johanson, International Trade Counsel; Gregory Kalbaugh, International Trade Counsel; and Ryika Hooshangi, Detailee, Trade.

OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The hearing will come to order.

In 1987, Ronald Reagan said, "We can look forward to the day when the free flow of trade from the southern reaches of Tierra del Fuego to the northern outposts of the Arctic Circle unites the people of the western hemisphere in a bond of mutually beneficial exchange."

Today, as we consider the U.S.-Panama Free Trade Agreement, we are on the cusp of realizing this vision. Once Congress approves the free trade agreements with Panama and Colombia, it will be possible to travel from Tierra del Fuego at the southernmost tip of South America up to the Arctic Circle entirely through nations that have FTAs with the United States.

This route will take a traveler from Chile, to Peru, to Colombia, and on to Panama. From there the traveler can choose several routes through Central America and continue through Mexico and across the United States and Canada. This linkage, which has been 2 decades in the making, is a remarkable achievement.

The economic implications of this linkage will be comparable to the opening of the Panama Canal. The United States and our FTA partners account for two-thirds of the western hemisphere's population and more than 85 percent of its GDP, and over 85 percent of our trade within the hemisphere is with our FTA partners.

Once the FTA is implemented, Panama's dynamic economy will provide lucrative new opportunities for American farmers, ranchers, and businesses. The trade agreement will level the playing field for American exporters. Under our trade preference programs, Panama has traditionally exported nearly all of its goods to the United States duty-free. The FTA will give American exporters the same duty-free access to Panama.

The agreement will, for example, immediately eliminate all duties on more than half of our agricultural exports to Panama. That includes high-quality American beef in my home State of Montana, as well as poultry, soybeans, and other foods.

The FTA will also provide new opportunities for U.S. construction firms. Panama is pursuing massive infrastructure projects, including a $5-billion expansion of the Panama Canal. Panama is launching energy and transportation projects, including a new subway system, with another $5 billion.

The implementation of the Panama FTA will help American firms tap into these exciting and profitable economic opportunities. The FTA also includes groundbreaking comprehensive labor provisions that we negotiated with both Democrats and Republicans in May 2007. These provisions require both parties to protect core international labor rights, including the right to organize and bargain collectively. Those labor rights will be fully enforceable, just like the FTA's commercial provisions, and Panama has made far-reaching changes to its labor code to comply with the FTA's labor provisions.

Panama has also signed a Tax Information and Exchange Agreement with the United States which will help us combat money laundering and offshore tax evasion. This is very important. Concerns about these issues have long stalled the FTA, so it is great news that Panama has not only completed and signed a tax agreement, but ratified and implemented it as well.

Panama has done its part. Now we must do our part. We must approve the U.S.-Panama Free Trade Agreement. As we move forward with the agreement, we must be mindful of the bipartisan cooperation that has made it possible to expand free trade from Tierra del Fuego to the Arctic Circle. Trade Adjustment Assistance has also been a cornerstone of that cooperation. Trade Adjustment Assistance retrains American workers who have lost jobs due to trade because imports have increased or factories have moved overseas. TAA helps workers take advantage of the new opportunities that trade creates.

That is why a long-term reauthorization of a robust TAA program must move in tandem with our pending trade agreements with Panama, Colombia, and Korea. I do not know the sequence of those FTAs combined with the Trade Adjustment Assistance. I do not know what is going to come before the other. I do not know which house moves before the other.

But I do know that they must move together as a package, an agreed-upon agreement, that both TAA and the FTAs will pass in this Congress, otherwise, nothing passes. It is all or nothing. I would just send that word out to make it clear to everybody in the business community, in the labor community, and others who are concerned, that we are doing all these together, the FTAs and TAA, or we are not doing any of them at all. They all have to pass.

So let us realize the vision of free trade connecting the people of the western hemisphere from Tierra del Fuego to the Arctic Circle, let us approve the U.S.-Panama FTA, let us reauthorize TAA, and let us move forward, united in a spirit of bipartisan cooperation.

[The prepared statement of Chairman Baucus appears in the appendix.]

The CHAIRMAN. Senator Hatch?

OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR FROM UTAH

Senator HATCH. Well, thank you, Mr. Chairman.

Sitting at the crossroads of the Americas, Panama has long played an important role in linking economies around the globe. As early as 1501, explorers recognized that the unique geography of the isthmus could serve as a vital link between the new world and the old.

Panama soon grew and prospered into a thriving marketplace through trade. Dreams of a more efficient pathway across the seas dominated much of Panama's history, and that dream was realized in 1914 when, under Theodore Roosevelt's leadership, the United States completed construction of the Panama Canal.

Today, Panama continues to pursue this dream as it engages in an ambitious construction project to broaden and deepen the canal. This work will help ensure that Panama continues to play its unique role as an international trade hub for all of the world's goods.

But of course Panama is much more than the Panama Canal. Today, Panama is a thriving democracy with one of the fastest-growing economies in Latin America. Panama is a land of new opportunities for workers and entrepreneurs around the world. Panama's commitment to open markets and fiscal transparencies secures its place as one of the financial hubs of the world.

With the approval of our free trade agreement with Panama, the United States now has the opportunity to provide significant new access for U.S. workers in this growing economy. Today, 98 percent of Panama's goods enter the United States duty-free. Our trade agreement will turn this 1-way street into a 2-way partnership, and, once implemented, 87 percent of U.S. goods will enter Panama duty-free immediately under the FTA. This is good news for workers in my home State of Utah, where we already export an average of $4.4 million per year in goods to Panama, and it is important for most other States in the Union as well.

The agreement locks in other benefits for U.S. workers. Services firms will have guaranteed access to Panama's $20.6-billion services market. American farmers and ranchers will gain new market access through tariff reductions and a fair regulatory environment, which will enable them to sell more products to Panama's growing consumer class. Small businesses from across the country will benefit from greater Customs transparency and a more open government procurement market.

Now, I hope our workers will soon have an opportunity to take advantage of this agreement. It has been almost 4 years since we completed these negotiations. The Obama administration first testified before the Finance Committee in conditional support of this agreement almost 2 years ago to this day. However, progress on the agreement stalled while the administration attempted to formulate a framework for its trade policy.

The administration then set forth a number of labor and tax transparency conditions for Panama to undertake before they would even consider allowing U.S. workers to fairly compete in Panama's markets by sending the agreement to Congress.

Now that Panama has met these demands, one would think the path forward would be assured. Yet the administration continues to delay, requiring the Congress to agree to an unrelated spending program before they will send the Panama agreement to us for a vote. There should be no more delay.

The only workers who are going to benefit from continued inaction are in Canada and Europe. As the administration sat by, these governments moved ahead to craft their own agreements to benefit their own workers. If we do not act now, these agreements will enable Canadian and European workers to leave us behind as they seize Panama's markets.

The lesson is simple: if we do not take advantage of this market, others will. This agreement will pass with strong bipartisan support, if only the administration will take action and submit it for a vote in Congress. The benefits of this agreement have been on hold for much too long. It is time for us to approve this agreement to provide our workers with fair access to this growing market and to solidify our strategic relationship with a key Latin American ally.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

[The prepared statement of Senator Hatch appears in the appendix.]

The CHAIRMAN. We have three witnesses today. First, Miriam Sapiro, Deputy U.S. Trade Representative for Europe, the Middle East, and the Americas. Welcome back to the committee, Ambassador Sapiro. We are seeing you quite frequently now. We appreciate your return.

Next, Jason Speer, vice president of Quality Float Works, a small business in Schaumburg, IL. Thank you for coming, Mr. Speer. We would like to hear about your company and what you do.

Finally, Garry Niemeyer, who is first vice president of the National Corn Growers Association. Thank you all for joining us.

I would also like to give a special welcome to Panama's ambassador, Mario Jaramillo. Mr. Ambassador, good to see you. Thanks very much for attending. We are honored to have you here today. Thank you for coming, Mr. Ambassador.

Let us proceed. Our normal course of business, as I am sure you know, is for witnesses to submit their prepared statements which will automatically be put in as part of the record, and I ask each of you to speak for about 5 minutes.

I will begin with you, Madam Ambassador.

STATEMENT OF AMBASSADOR MIRIAM SAPIRO, DEPUTY U.S. TRADE REPRESENTATIVE FOR EUROPE, THE MIDDLE EAST, AND THE AMERICAS, EXECUTIVE OFFICE OF THE PRESIDENT, WASHINGTON, DC

Ambassador SAPIRO. Thank you. Good morning, Chairman Baucus, Ranking Member Hatch, members of the committee. It is always a pleasure to be here. Today I am honored to have the opportunity to discuss the U.S.-Panama Trade Promotion Agreement.

As I testified before this committee earlier, the administration is firmly committed to ensuring that our trade agreements advance both our economic interests and our core values. 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 concerns.

Soon after the administration took office in 2009, we began working intensively with both members of Congress and the government of Panama to address issues regarding workers' rights. Since then, Panama has taken several key steps. These include addressing the misuse of subcontracting and temporary work contracts, strengthening collective bargaining and the right to strike, preventing employer interference in union activities, and increasing the protection of labor rights in the maritime sector. Recently, Panama passed legislation to improve worker rights protections in export processing zones at companies less than 2 years old and in the economic development zone of Barú.

Panama has now also taken important steps to improve tax transparency. Last November, Panama signed a Tax Information Exchange Agreement, known as a TIEA, with the United States which entered into force in April. In addition, Panama has changed its domestic laws to comply fully with the transparency obligations under the TIEA.

Panama's actions have now enabled us to begin the technical discussions necessary to move the agreement forward. Once approved by Congress, the agreement will benefit American workers, manufacturers, farmers, and ranchers by providing greater access to one of the fastest-growing economies in Latin America. As Ranking Member Hatch noted, last year Panama's economy grew by more than 7 percent. In addition, Panama purchased over $6 billion in U.S. goods, which represents an increase of 40 percent over 2009.

Panama's strategic location also enhances the importance of this agreement. Nearly two-thirds of Canal traffic is bound to or from U.S. ports, and 10 percent of all U.S. international trade passes through the Canal each year. Panama is in the midst of a $5-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 percent entering duty-free under either our normal tariff rates or the Caribbean Basin Initiative. By contrast though, our exports of consumer and industrial goods and agricultural products to Panama face an average tariff of 7 percent and 15 percent respectively.

The agreement will eliminate immediately over 87 percent 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.

Finally, the agreement will provide greater access to Panama's $20-billion services market. It will improve standards for the protection and the enforcement of intellectual property rights, and it will increase Panama's accountability in areas ranging from Customs administration to government procurement.

Before I close, I want to emphasize the Obama administration's continuing commitment to moving forward with a comprehensive trade agenda that not only reduces trade barriers, but also keeps faith with America's workers. Moving forward with our trade agreements now must, as the chairman stated, include a deal on the renewal of a robust Trade Adjustment Assistance program that will help Americans who need training and other services when their jobs are affected by trade.

We also 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 WTO. The Panama agreement is an important element of this administration's comprehensive trade agenda. We stand ready to work with you in a manner that builds public and bipartisan support for trade, that helps U.S. companies compete and prosper, and sustains greater job growth here at home.

Thank you.

The CHAIRMAN. Thank you, Madam Ambassador.

[The prepared statement of Ambassador Sapiro appears in the appendix.]

The CHAIRMAN. Any one of the three of you can answer this question: what are the major product opportunities under this FTA for American producers? Is it agriculture? Is it corn? Is it products? Panama is building this big expansion down there at the Panama Canal. What are the major benefits for Americans with this new—let me ask Mr. Speer and Mr. Niemeyer first, since your people are on the ground.

Oh, excuse me. You have not given your testimony yet. I am sorry. I got so excited listening to Ambassador Sapiro.

Mr. Speer, why don't you testify first, then Mr. Niemeyer? I am sorry. I don't know where I have been. You get more than 5 minutes, Mr. Speer. [Laughter.]

STATEMENT OF JASON SPEER, VICE PRESIDENT, QUALITY FLOAT WORKS, INC., SCHAUMBURG, IL

Mr. SPEER. Good morning, Chairman Baucus, Ranking Member Hatch, and other members of the committee. My name is Jason Speer. I am the vice president and general manager of Quality Float Works, and I am pleased to testify as a member of the board of directors of the National Association of Manufacturers. I have a prepared statement for the record and some brief remarks at this time.

Quality Float Works is also a proud member of the Latin American Trade Coalition, a broad-based group of 1,200 U.S. companies that directly employ more than 10 million American workers, all of which have joined together to press for approval of these trade agreements.

Quality Float Works is America's, if not the world's, premier manufacturer of hollow metal float balls and valves. Our floats, which I have an example of here, are used for liquid level controls in a wide variety of industries, including gas, oil, plumbing, and agricultural applications. Many products you see and use every day would not operate properly without our products. We currently have about 23 employees in the United States, and we have a branch office in Dubai.

We are a 96-year-old family-owned and -operated business, and I am currently the 4th generation of our company. In 2001, exports accounted for 3 percent of our total sales, but, with hard work and proactive engagement, now about one-third of our sales are exports. This has also led to our doubling our workforce in the same amount of time.

While our domestic sales have felt the effects of the recession, our international sales have continued to flourish. Foreign customers have found that it is more cost-effective to purchase our high-quality products and ship them overseas than to buy inferior products locally that tend to cause problems. In this vein, the benefits of free trade have been fundamental to the growth of our company and our ability to provide quality jobs to our workers here.

However, tariff and market access barriers in overseas markets continue to present challenges to us and American exporters. For small businesses to export more, foreign trade barriers must come down. That can only happen if we get trade agreements that will level the playing field and get rid of those barriers. Thousands of companies, including ours, eagerly await the passage of the trade promotion agreement with Panama.

In fact, I actually just flew back from Panama last night, and I am happy to report that, after spending a week over there, I had a very successful trip, and we have encountered great opportunities. We are anxiously awaiting this free trade agreement to pass so we can further pursue that. I am looking forward to flying back there shortly. Currently, our product faces between a 3- to 10-percent tariff, so, as soon as that is eliminated, it will enable us to become much more competitive.

Such newfound market access would facilitate many first-time sales for small and medium-sized companies, those who could not afford the stiff tariffs previously attached to their products. We are the companies that need the help. The big companies will surely benefit, but the small and mid-sized companies tend to gain the most from these acts. Panama and the rest of Latin America represent a significant and growing market. Further, the $5-billion expansion of the Panama Canal is moving ahead and presents significant opportunities for U.S. companies. The best stimulus package we can receive would be the elimination of the foreign trade barriers through more agreements.

In my recent visit to Panama I noticed it is a great place for a gateway to all of Latin America. They use the U.S. dollar and are very pro-business and USA-friendly. With the passage of these three pending trade agreements, our company and many thousands of small and medium-sized companies like ours will have the opportunity to gain market access share and provide more jobs.

Removing trade barriers with Panama, as well as South Korea and Colombia, will level the playing field for American workers, businesses, providers, and farmers. The U.S.-Panamanian relationship goes way back to when we helped build the Canal, but we are losing ground as our counterparts in the E.U., Brazil, China, and Canada are moving quickly with their own trade agreements.

I want our company to grow and prosper. I need to keep it going for the 5th generation for my kids, and 95 percent of our customers are abroad. That is where the growth is. I am asking you to help me achieve my goals to continue to have our company's export sales grow.

In order to achieve the President's National Export Initiative to double exports sales, we need tools like this to help us. American manufacturers are running a trade surplus in excess of $20 billion a year with our free trade partners. With more agreements, we can run that surplus even higher.

Thank you very much, Mr. Chairman. I appreciate the opportunity to testify here.

The CHAIRMAN. You bet. Thank you, Mr. Speer, very much.

[The prepared statement of Mr. Speer appears in the appendix.]

The CHAIRMAN. Mr. Niemeyer?

STATEMENT OF GARRY NIEMEYER, FIRST VICE PRESIDENT, NATIONAL CORN GROWERS ASSOCIATION, AUBURN, IL

Mr. NIEMEYER. Chairman Baucus, Ranking Member Hatch, and members of the committee, thank you for this opportunity to testify about the U.S.-Panama Trade Promotion Agreement and its importance to agriculture. My name is Garry Niemeyer. I am a farmer from Auburn, IL and the first vice president of the National Corn Growers Association.

NCGA was founded in 1957 and represents 35,000 dues-paying corn growers. NCGA and its affiliated State associations work together to help protect and advance corn growers' interests. I appreciate the committee holding this hearing so we can show how developing new markets for our country's agricultural products will help lead the Nation in economic growth and international competitiveness.

Earlier this month, Agriculture Secretary Vilsack testified before the House Agriculture Committee and highlighted the success stories of American agriculture exports. In fiscal year 2011, U.S. agriculture exports are forecast to reach a record high of $135.5 billion. This astounding number is a nearly $27-billion increase over fiscal year 2010, and a record trade surplus—let me repeat, a surplus—of $47.5 billion.

Pending free trade agreements like the one with Panama will help farmers and ranchers continue this record-breaking pace. The United States is the largest corn producer and exporter in the world. During the 2009–2010 marketing year, the United States exported approximately 2 billion bushels of corn worldwide. Corn co-products, such as distiller's dried grains, or DDGs, represent a growing market for domestic producers. In marketing year 2010, the United States exported over 8 million metric tons of DDGs. In

2009–2010, Panama imported 14,000 metric tons of DDGs from the United States. While relatively small in volume, imports are growing, and there is significant potential for increased use in feed rations.

Now, to discuss the Panama Trade Promotion Agreement. Panama is one of the fastest-growing economies in Latin America. In 2010, total U.S. agricultural exports to Panama exceeded $450 million, and the U.S. share of Panama's agricultural imports stood at 48 percent. Top U.S. exports were corn, soybean cake and meal, wheat, rice, and horticultural products.

If the United States fails to capture the opportunities presented in the Panama TPA, our share of Panama's agricultural imports will plummet. As a producer, it is frustrating to watch other nations achieve preferential access to markets and secure competitive edges over U.S. corn and corn products.

U.S. grain tariffs into Panama can be as high as 90 percent, while nearly all Panamanian exports enter the United States duty-free under the Caribbean Basin Initiative passed in Congress in 1983. The Panama TPA stands to level the playing field between the U.S. and the Panamanian exports. Corn exports to Panama peaked in 2008 and have since dropped 20 percent. U.S. corn growers realized some erosion to the market in 2010 due to the lack of progress of the Panama TPA.

The Panama TPA will establish a 298,700-ton duty-free preferential tariff rate quota for corn. The over-quota tariff of 40 percent will be eliminated in 15 years with no reduction in the first 5 years. This is a certainty. The growers need to ensure robust, reliable export markets. It is important to highlight Panama's strategic location as a major shipping route. Fifty-seven percent of U.S. grain leaving Gulf ports uses the Panama Canal.

In 2006, Panama approved a $5.25-billion project to double the capacity of the Canal. The expansion is good news for corn farmers; however, expanding the Canal does not completely solve our problems. For decades, we have been concerned with the conditions of the locks and dams on the Mississippi River. If domestic infrastructure is inadequate, the Canal expansion will be a missed opportunity.

We respectfully request the members of the committee and others in Congress to support the pending trade agreement with Panama. We appreciate efforts by U.S. trade negotiators to increase meaningful and achievable access to foreign markets. Moreover, U.S. corn producers stand ready to develop and provide corn products to meet the demands of a modern global consumption.

Thank you.

The CHAIRMAN. Thank you, Mr. Niemeyer.

[The prepared statement of Mr. Niemeyer appears in the appendix.]

The CHAIRMAN. With respect to agricultural products, I would like to ask you and/or Ambassador Sapiro the degree to which, if at all, Panama tends to block food products on an unscientific basis. The big thing we are trying to push, obviously, is to get countries to look at goods on a scientific, as opposed to a political, basis. I am just asking what your experience is in Panama or other, say, Central American or South American countries.

Mr. NIEMEYER. Well, generally speaking—and this has no reflection upon Panama itself, it is just general trade as you would ask the question—the SPS, in other words the sanitary and phytosanitary agreements, are a compromise that permits countries to take measures to protect the public health—and we think that is important—within their own borders as long as they do not do so in a manner that restricts trade or——

The CHAIRMAN. What about Panama? Any experience in Panama?

Mr. NIEMEYER. We have not had that experience with Panama. No, sir.

The CHAIRMAN. All right.

Let me ask you, Ambassador Sapiro, about the tax treaty. Are you satisfied with it? I mean, is it going to enable the United States tax enforcement officials, the IRS for example, to determine whether or not Americans are taking advantage, or others are taking advantage, of so-called havens in Panama?

Ambassador SAPIRO. This is a very important agreement that our Department of Treasury negotiated. We have Tax Information Exchange Agreements with a number of countries, and they contain very important provisions on transparency and on the exchange of tax-related information between governments. So I do believe that this is an important step forward.

You may recall, Mr. Chairman, that our government tried to negotiate a TIEA with Panama beginning in 2002, but efforts stalled. We were very pleased that we were able to reinvigorate this effort and successfully conclude the discussions last fall when we signed the TIEA. Panama, as you know, brought that agreement into force, as we did, this past April. So we do feel confident going forward that we have a very good basis for dealing with any issues that may arise.

The CHAIRMAN. What about the so-called gray list? What is the disposition of that subject?

Ambassador SAPIRO. Under the OECD rules, a country is on the gray list until it signs 12 tax transparency agreements. My understanding is that Panama has negotiated 14 and at this point has signed 11, including the TIEA with the United States. Therefore, it appears it is very close to being removed from the OECD gray list.

The CHAIRMAN. So you are confident that U.S. tax authorities can determine the name and accounts and necessary information with respect to Panama under these treaties to try to enforce U.S. tax law?

Ambassador SAPIRO. I am confident, Mr. Chairman. We have a strong TIEA, as I mentioned, which is now in force. In addition, Panama has already passed legislation to comply fully with the transparency obligations of the TIEA. They did that before the agreement was even in force. They have also passed a law called "Know Thy Client," which deals with the problem of anonymous bearer shares. So they have taken important steps in fulfillment of the obligations of the TIEA already.

The CHAIRMAN. I would like any one of you to answer the question, what will the commercial or political consequences of the U.S.

failing to ratify this FTA be in terms of dollars, in terms of any other criteria you may want to use?

Ambassador SAPIRO. Of failing to ratify the FTA?

The CHAIRMAN. Yes.

Ambassador SAPIRO. As you and other members know, this is a very important agreement for our exporters. We currently allow Panama to export approximately 98 percent of its goods duty-free, so this would level the playing field and in our view contribute greatly to our exports of goods, exports of services, allow us to take advantage of the $20 billion-plus services market, and also enable us to take advantage of the infrastructure projects that Panama is in the process of preparing for, and in some cases has already launched.

The CHAIRMAN. Mr. Speer and Mr. Niemeyer, do you want to answer that question?

Mr. SPEER. Sure. Having just come back from Panama, there are tremendous opportunities in the market for us and for a number of companies and manufacturers in the United States. We are certainly losing ground as our counterparts in the E.U. and Canada are pursuing this, and we are losing business without these being passed. The tariff that we have certainly adds on to our cost, and we lose competitiveness in their market. So the more quickly this is passed, the easier it will be for businesses to export and to increase sales and jobs in the United States.

The CHAIRMAN. So it is not only that you are losing sales, but you are also losing competition as other countries are coming in and taking advantage.

Mr. SPEER. Absolutely. Panama has a great relationship with the United States, but we are losing ground, and it is unfortunate to see that.

The CHAIRMAN. Mr. Niemeyer?

Mr. NIEMEYER. In 2010, we did $450-million worth of agricultural exports with Panama, which amounted to 48 percent. We hope to increase that.

The CHAIRMAN. But are you losing market share? I know in Colombia, the United States is losing market share to, say, Canada, for grains. I am curious as to what is happening in corn.

Mr. NIEMEYER. Corn itself was down 20 percent in the last 2 years, again, for the same reasons my other two presenters here have said. It is because we do not have market access and we are up against Mercosur, as well as some of the other foreign governments, because we do not have the TPA to accomplish what we need to accomplish.

The CHAIRMAN. Good. Thank you.

Senator Hatch?

Senator HATCH. Thank you, Mr. Chairman.

Ambassador Sapiro, in the view of the administration, is there anything else Panama needs to do before you will submit the agreement to Congress for its consideration?

Ambassador SAPIRO. As Ambassador Kirk noted in his letter to the committee several weeks ago, we believe that Panama, at that time, was ready to start the informal dialogue among staffs in order to prepare the legislation that we will submit. So we are very pleased with the progress that Panama has accomplished, and we do look forward to being able to bring that agreement forward.

Senator HATCH. All right.

I believe the Panama agreement will gain broad bipartisan support in the Senate. Your administration has had the opportunity to both define your concerns about the agreement and to work to resolve them. Now that you have done that, will you fight to ensure that the agreement gets the bipartisan support that it deserves?

Ambassador SAPIRO. Yes, Senator. We are working hard to ensure that we have broad bipartisan support and are pleased with the support that we know we have already secured.

Senator HATCH. Well, that is refreshing, because to date I have seen very little activity from the administration in support of any of the three free trade agreements, other than they said they will bring them up. Now, these agreements are complex, so it is important for Senators to hear from the administration about the specific benefits of the agreement. We will try to get that around too, but I think it is important for the administration to do that. We will certainly help you in any way that we can as well.

Let me just ask you this. Would you quantify how many jobs the U.S. would have gained had the agreement been implemented in the years since it was negotiated? And second, since we have no doubt lost market share to our competitors who have signed FTAs with Panama while the administration waited, would you give us your views how further delay in implementing this agreement will impact future market share? So first, how many jobs we lost, then what about future market share.

Ambassador SAPIRO. With respect to market share, looking over the past couple years, our market share has remained relatively constant overall. It is just under 30 percent. It has declined slightly, but within a couple of percentage points or less.

Senator HATCH. All right.

Ambassador SAPIRO. Our nearest competitors, China for example, and the E.U., have much less significant market shares. They range between 4 and 6 percent. Nonetheless, we are hardly sitting back. We worked intensively, as I mentioned, to address the outstanding issues and to be able to bring the agreement forward to you.

What we have done in the last few weeks—and perhaps it has been out of the limelight, but I assure you that your staff and our staff have been intensively engaged since early May in the process of discussing the contents of the implementing bill and the Statement of Administrative Action.

Senator HATCH. All right.

Mr. Speer, as you mentioned in your testimony, Quality Float Works experienced record growth because of overseas exports. Now, I applaud your efforts in achieving this expansion of your company. In 2001, your company's exported goods accounted for only 3 percent of your total sales, and last year's exports skyrocketed to one-third of your total sales. Can you explain this exponential increase in foreign sales?

Mr. SPEER. Well, we have pursued an aggressive export campaign. We look at different areas where we can compete. The free trade agreements factor into that. If there is an area—such as

Oman or Chile, Singapore, Australia, where we have agreements—that is easier for us to sell to without tariffs, it certainly helps. We actually just lost a very large contract to South Korea to a German company because of an 8-percent tariff that we had to add into our cost, so that was a significant blow. Had there been an agreement with South Korea, we would have had an advantage there.

Senator HATCH. I see.

Now, Mr. Niemeyer, I am increasingly concerned that implementing legislation for the U.S. trade agreements with Panama, Colombia, and of course South Korea as well, might not be sent by the administration to Congress this year. Now, what would be the consequence for U.S. corn growers of not submitting the agreement for congressional consideration until the fall, or even perhaps beyond?

Mr. NIEMEYER. It is just a continuation of the lack of concern that we have the opportunity to be able to have good-quality markets that we know will be viable in the future. We have had this kind of reduction, like in Colombia. There has been a dramatic decrease from 114 million metric tons to 36 million metric tons over about 2 or 3 years, and we are considering all these, plus Panama at a 20-percent reduction in the last 2 or 3 years. It is just a continuing slide in the amount of market access that we have in the future, and we are concerned about that.

Senator HATCH. Well, thank you. My time is up, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Stabenow?

Senator STABENOW. Thank you, Mr. Chairman. Welcome to all of our witnesses.

As a member of the President's Export Council, I am very committed to expanding our export opportunities, and certainly, as chair of the Agriculture Committee, I want to see us doing that for our growers and processors.

My question, though, to Ambassador Sapiro is about, really, the issue of how we move forward. I have always said I want to export our products, not our jobs. We have situations where people have lost jobs as a result of what has happened in a global economy and, in many cases, I think, because of unfair trade practices.

But there are 41 of us who have sent a letter, 41 Senators, reaffirming and supporting the President's decision to insist that we pass Trade Adjustment Assistance first before sending up the trade agreements. This could be done very quickly if people want to do that. But can you confirm once again today that the agreements will not be sent up until we address Trade Adjustment Assistance for working men and women in this country who have found themselves at the negative end of the changes in our economy?

Ambassador SAPIRO. Senator Stabenow, you and other Senators sent a very powerful letter to the President explaining precisely why a robust renewal of Trade Adjustment Assistance is so vital. There are Americans hurting today because they have been denied benefits recently as a result of the expiration of the 2009 legislation. We fully want to see TAA restored in a manner that benefits those who were included in 2009.

Ambassador Kirk and all of us have made it very clear that we need to have a deal on Trade Adjustment Assistance in order to see the three agreements pass. So we feel very strongly, as the chairman said, that TAA must move in tandem with the trade agreements.

So that very question, the exact sequencing and timing, is being discussed now, and I too hope that it will be worked out quickly so that we can bring these agreements forward and that we can benefit all of our exporters and our American workers who stand to gain from the three of them.

Senator STABENOW. Well, as we indicated in our letter, we would strongly urge that that be done first, and then we will be able to move forward with the agreements.

Let me ask Garry Niemeyer. Welcome, Mr. Niemeyer. Speak a little bit more about the benefits from the corn growers' standpoint in terms of, when you look at processed food exports—which we understand also would be increased by about 40 percent with passage of this agreement—how does that affect the corn growers as well?

Mr. NIEMEYER. Well, as you well know, especially with Panama, there are from 90- to 260-percent tariffs on a lot of products that come into the country. By eliminating those over a period of years, first for agricultural products, we want to go to 40 percent after the first 5 years and then eliminate them over the next 10. All that means is more profitability for the United States and fair trade throughout the world.

Senator STABENOW. Thank you.

Let me, if I might, in just my final minute talk a little bit more about the sanitary and phytosanitary issues related to our U.S. exports, which are an ongoing challenge for us in a number of different countries. But I am very pleased to see that the agreement will recognize the U.S. meat and poultry inspection system as equivalent to Panama's own, which I think is important.

When we look forward though on other fronts, while I have you, Ambassador, we have a number of other issues with other countries as well, and it is important that the USTR continue to push for other countries to recognize the United States' meat and poultry inspection system as equivalent to their own.

Let me just raise great concerns right now with our pork producers, beef and pork as well, as it relates to declining sales in Russia due to these issues. I would like to know if USTR can assure us that the U.S. will not finalize WTO accession negotiations with Russia until these issues for our meat producers are addressed as it relates to the SPS issues.

Ambassador SAPIRO. We are fully engaged, Senator, with Russia on these very important issues. As you may know, President Obama and President Medvedev personally discussed the problems we were having with our chicken exports when they met last summer. Our goal is that issues can be resolved at lower levels wherever possible, but part of our work with Russia with respect to its access to the WTO, both on the multilateral front in Geneva and bilaterally, deals with the very important and tough question of SPS.

So we are fully aware of the situation right now with the Tariff Rate Quotas, and I want to assure you we are working very hard to address those and to also address the other issues that we want to see in place in order for Russia to enter, and of course for the

Congress to be able to lift Jackson-Vanik so that our exporters will be able to enjoy the full benefits of Russia's accession, and also so that we will have the tools at our disposal, the mechanisms of dispute settlement available to us, because currently we have no remedy. But with Russia in the WTO, we will.

Senator STABENOW. We also have issues with Vietnam, so I would just urge you, as it relates to meat and poultry, we have some serious issues that need to be resolved.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Menendez, you are next.

Senator MENENDEZ. Thank you, Mr. Chairman.

Ms. Sapiro, let me ask you: on the labor elements of this agreement, I know that, in the Colombia labor action plan, there was a provision for new inspectors to monitor violations against the labor code. I know that Panama has recently addressed similar concerns over the protection of workers' rights to collectively bargain and to strike. Has the Panamanian government made a provision to increase the number of its inspectors to ensure workers have the right, both in established and in new businesses, to ensure their fundamental labor rights?

Ambassador SAPIRO. Thank you, Senator, for raising the labor questions that we too thought were so important to address. Panama has issued administrative decrees to deal with better implementation and enforcement of laws pertaining to subcontracting, to temporary worker protections, and also to protections in the maritime sector, to give you just a few examples.

In each case, over the last year and a half, we have watched Panama implement these provisions with stepped-up inspections, with complaint mechanisms, with awareness campaigns, and other ways to make sure that all of its employers are fully complying. We did not perceive a specific gap in terms of the number of inspectors, and the fact that they have been able to carry out, in some cases, over 1,000 inspections in certain sectors already, I think bodes well for their continued commitment here.

Senator MENENDEZ. How confident are you that Panama has, based upon that, both the wherewithal and the will to enforce their legislation in this regard? And I know you mentioned the maritime sector. That is a big part of that economy. So do you believe that new legislation intended to protect the right to collectively bargain is going to be adequately protected and enforced?

Ambassador SAPIRO. I do. I think the commitment runs from President Martinelli on down. The fact that they were able to also pass legislation recently to remove some of the exemptions that they had provided in the Barú Economic Development Zone, for example, or that they had provided to companies less than 2 years old, or to companies in the Export Processing Zones, removing those exceptions, as limited as they were, nonetheless was an important step both substantively, and I think also symbolically, to show the government's firm commitment to these important issues and to moving forward in the right way.

Senator MENENDEZ. All right. One other concern that I have is the question of intellectual property, particularly with copyright piracy. I understand piracy rates for computer software have been as high as 78 percent and over 50 percent for music in Panama. Notwithstanding the provisions included in this free trade agreement, how confident are you and how prepared is USTR to dedicate the necessary human capital to see that intellectual property rights provisions are enforced?

Ambassador SAPIRO. Well, some people, when they talk about USTR and IPR, call us lean but mean. We take a very firm approach to making sure that all of our commitments that we have received from our partners are enforced. One of the many advantages, the many benefits of the FTA, is that it does have a very strong intellectual property rights protection chapter.

We do not currently have that ability to see Panama uphold those rights simply as a result of its status as a WTO member, so this FTA gives us far more important obligations than we currently would otherwise have, and also enables us to make sure that they are being upheld.

It deals not just with piracy, but also with counterfeiting. It also addresses issues in the digital environment, also requires there to be temporary protection measures that are difficult, if not impossible, to circumvent. So there are a number of protections that we believe are very important that we will see come into force once Congress approves this agreement.

Senator MENENDEZ. Well, I appreciate hearing that, because the President's call for innovation and for the Nation to continue to lead the world in innovation is, at the end of the day, a fruitless exercise if, after all the innovation, people can just take the intellectual property and subvert it to their own purposes and undermine the very essence of the investment we make here in America. So, this is incredibly important, and I am looking forward to that type of robust action by the agency.

Mr. Chairman, this is one of the trade agreements that I have probably the greatest comfort with, notwithstanding my concerns.

The CHAIRMAN. I am for that.

Senator MENENDEZ. So I just appreciate you having the hearing. Thank you.

The CHAIRMAN. Thank you. You raised a very interesting point, too, about protection of intellectual property. I just think it is important to remind all of us that the United States does not have near the problem protecting intellectual property with our FTA partners as it does with non-FTA countries because of stronger enforcement and much stronger protections. It is another reason generally why these agreements tend to make some sense.

I might add, too, in response to Senator Stabenow's questions about TAA, here is a slight problem. Once the FTAs are sent up, they are on an automatic fast-tracked procedure. That is not true with TAA. So there has to be an agreement on how Trade Adjustment Assistance is handled before the FTAs are sent up to the Congress by the President. I just urge all of us to figure all that out and for all of us to recognize that, because there are some who may advocate just saying, the administration is sending up the FTAs, thinking, well, we will work out TAA later. The trouble is, FTAs enjoy a certain fast-track process here that TAA does not enjoy, so that has to all be worked out in advance.

Senator Hatch?

Senator HATCH. Thank you.

Now I ask you, Ambassador Sapiro, how many jobs will we lose? I would just as soon have you explain not just how many we will lose in Panama if we do not have this trade agreement, but let us include the Colombia and Korea agreements as well. The argument here is that we have to have Trade Adjustment Assistance for workers who are going to lose their jobs. I do not see how they are going to lose their jobs. Most of the exports from the U.S. will be agricultural exports, and everything I have looked at says we will create jobs if we can do these three trade agreements and that people in this country will benefit greatly, not only from jobs, but from the additional approximately $13 billion of trade that will come from these three trade agreements.

In the case of Panama, what is there about this free trade agreement that is going to cost any jobs? For some reason, I am missing something here. I mean, it looks to me like—I admit that the unions are the strongest supporters of Democrats, but is there not a point—what they are asking for is $7.2 billion over 10 years, or right around $5 billion over 5 years, because of so-called lost jobs.

But I do not see where they lose any jobs. We are going to gain jobs by having $13 billion worth or more of trade with these three agreements. What really bothers me is, I do not see where you lose any jobs at all with Panama, and yet we are treating them like dirt by not having these agreements. I mean, I admit that you have a lot of pressure from the unions on this, but it is just another free gift to the unions, it looks like to me, when it fact it may benefit them. All three of these agreements would benefit them. I would just like your viewpoint: how many jobs are going to be lost, and where are they? In what part of the economy will they be lost?

Ambassador SAPIRO. Senator, let me try to respond to each of your points.

Senator HATCH. All right.

Ambassador SAPIRO. We do not have an estimate from the ITC on the number of jobs with respect to Panama, so that is why I did not provide a number earlier. But I can say that overall we feel confident that all three agreements will boost our exports and thereby create or sustain more American jobs.

Senator HATCH. Right.

Ambassador SAPIRO. We are fully committed to doing that.

Senator HATCH. Right.

Ambassador SAPIRO. The purpose of the TAA program—which has always been bipartisan in nature and passed with strong support from this committee in particular—the purpose is to help those workers whose jobs are dislocated by trade. So when a trade agreement or existing agreements—though we expect it will create and sustain new jobs in certain sectors, it can well lead to the dislocation and has in the past of other workers. So the TAA program is so important.

Senator HATCH. Give me some illustration of some workers who are going to lose their jobs because of the Panamanian agreement. I mean, tell me one job that will be lost. I cannot even think of one job that is going to be lost. We will gain jobs. You admit that we will gain jobs with these three trade agreements. We will gain jobs with Panama. But we are treating an ally, a friend, and a wonderful country that means a great deal to us in America, like dirt so that we can pay off the unions who are not going to lose any jobs.

Ambassador SAPIRO. They are indeed one of our strongest partners in Central America. We work closely with them every day. We have the highest respect and——

Senator HATCH. Fine. But what jobs are going to be lost?

Ambassador SAPIRO. We have mutual respect for this relationship. So I feel, and I think they feel, that we have a very good partnership, and this agreement will make it even stronger. Our work to get to this point has made our partnership even stronger.

Senator HATCH. That does not answer my question. How many jobs will we lose if we implement this agreement with Panama without Trade Adjustment Assistance?

Ambassador SAPIRO. I do not have, as I mentioned, job estimates with respect to Panama.

Senator HATCH. I do not think we will lose one.

Ambassador SAPIRO. But I can say that Trade Adjustment Assistance is vital to help American workers who are hurting. They are hurting because——

Senator HATCH. Well, wait a minute. We are saying that we should hold up these agreements so that we can put billions of dollars out to help American workers who are hurting, but are not being hurt by these agreements. In fact, they will benefit from these agreements. I do not understand the logic. I do not mean to be picking on you, it is just, it is driving me nuts that the administration—and it looks like just a pay-off to the unions. If you can show me where the job losses are, I imagine that this would go a lot better.

I do not see where we are losing jobs. I think we gain jobs. We would have net gain in trade, which creates jobs in this country. In Panama, I do not think you can show me one American job that is going to be lost. Why should we put up $7.2 billion over 10 years, in a country that is currently broke, just because the unions want it and because there may be some people suffering—let us find some other way of doing it that is justified rather than holding up these free trade agreements that are so crucial, it seems to me, to our relationships, especially in Panama and Colombia, but even more especially in some ways because of the total amount of trade in Korea.

These are countries that we want to keep total friendship with. In fact, I hope we can keep friendship with all countries, but especially these three. I just do not see it, personally, and I understand you have a tough situation explaining it. But my goodness, I do not see where any jobs are lost. Now, maybe I am just over-simplifying, I do not know, but I do not think so.

Ambassador SAPIRO. Do I have time to respond?

Senator HATCH. Sure.

Ambassador SAPIRO. I find it simple to explain because it is so important. We talk about moving these agreements forward consistent with both our economic values and our core values. Trade Adjustment Assistance, helping those American workers who are hurting today because their jobs have been dislocated by trade and because they need training, retraining to move into new fields, is a core value, is essential.

Senator HATCH. But you cannot name one American job that is going to be lost. You know that. So Trade Adjustment Assistance has no relation to these trade agreements.

The CHAIRMAN. Let me just jump in here and try to get some sanity and civility to this discussion.

Senator HATCH. Well, I do not think I am being insane by asking these questions.

The CHAIRMAN. No, no. But the point is this.

Senator HATCH. I think the administration is being insane by socking it to the American taxpayers who are broke now.

The CHAIRMAN. No, no, no, no. No, the point is this. We do not have a Panama TAA, we do not have a Colombia TAA, we do not have a Korea TAA, we do not have any specific country TAA. We have Trade Adjustment Assistance generally for American workers who lose their jobs on account of trade. Our current TAA expired in February. There is no law today which allows people who lose their jobs on account of trade, through no fault of their own, to get assistance.

Senator HATCH. So we are going to hold up these three trade agreements because you do not have a TAA?

The CHAIRMAN. No. The point is, this place really only operates when we work together as a team.

Senator HATCH. Well, I want to work together.

The CHAIRMAN. And the teamwork is, get the FTAs passed and the TAA reauthorized. That is the package, that is the framework, that is the teamwork. I hope very much we can do that, because then we can get the FTAs passed.

Ambassador SAPIRO. And we want to move forward as quickly as possible on the FTAs and on TAA together.

The CHAIRMAN. Right. I know you do.

Thank you all very much. The hearing is adjourned.

[Whereupon, at 11:12 a.m., the hearing was concluded.]

APPENDIX

Additional Material Submitted for the Record

Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding the U.S.-Panama Free Trade Agreement
As prepared for delivery

In 1987, Ronald Reagan said, "We can look forward to the day when the free flow of trade, from the southern reaches of Tierra del Fuego to the northern outposts of the Arctic Circle, unites the people of the Western Hemisphere in a bond of mutually beneficial exchange."

Today, as we consider the U.S.-Panama Free Trade Agreement, we are on the cusp of realizing this vision.

Once Congress approves the free trade agreements with Panama and Colombia, it will be possible to travel from Tierra del Fuego at the southernmost tip of South America up to the Arctic Circle entirely through nations that have FTAs with the United States.

This route will take a traveler from Chile, to Peru, to Colombia and then on to Panama. From there, the traveler can choose several routes through Central America, continue through Mexico and across the United States and Canada. This linkage, which has been two decades in the making, is a remarkable achievement.

The economic implications of this linkage will be comparable to the opening of the Panama Canal. The United States and our FTA partners account for two-thirds of the Western Hemisphere's population and more than 85 percent of its GDP. Over 85 percent of our trade within the hemisphere is with our FTA partners.

Once the FTA is implemented, Panama's dynamic economy will provide lucrative new opportunities for American farmers, ranchers, and businesses.

This trade agreement will level the playing field for American exporters. Under our trade preference programs, Panama has traditionally exported nearly all of its goods to the United States duty free. The FTA will give American exporters the same duty-free access to Panama.

The agreement will, for example, immediately eliminate all duties on more than half of our agricultural exports to Panama. That includes high-quality American beef from my home state of Montana, as well as poultry, soybeans and other foods.

The FTA will also provide new opportunities for U.S. construction firms. Panama is pursuing massive infrastructure projects, including a $5 billion expansion of the Panama Canal. And Panama is launching energy and transportation projects, including a new subway system worth another $5 billion.

The implementation of the Panama FTA will help American firms tap into these exciting and profitable economic opportunities.

The FTA also includes groundbreaking, comprehensive labor provisions that we negotiated with both Democrats and Republicans in May 2007. These provisions require both parties to protect core international labor rights, including the right to organize and bargain collectively.

Those labor rights will be fully enforceable, just like the FTA's commercial provisions, and Panama has already made far-reaching changes to its labor code to comply with the FTA's labor provisions.

Panama has also signed a Tax Information and Exchange Agreement with the United States, which will help us combat money laundering and offshore tax evasion. Concerns about these issues had long stalled the FTA, so it is great news that Panama has not only completed and signed the Tax Agreement, but ratified and implemented it as well.

Panama has done its part. Now we must do our part. We must approve the U.S.-Panama Free Trade Agreement.

As we move forward with this agreement, we must be mindful of the bipartisan cooperation that has made it possible to expand free trade from Tierra del Fuego to the Arctic Circle. Trade Adjustment Assistance has been the cornerstone of that cooperation.

TAA retrains American workers who have lost jobs due to trade because imports have increased or factories have moved overseas, and TAA helps workers take advantage of the new opportunities that trade creates. That is why a long-term reauthorization of a robust TAA program must move in tandem with our pending trade agreements with Panama, Colombia and Korea.

So let us realize the vision of free trade connecting the people of the Western Hemisphere, from Tierra del Fuego to the Arctic Circle, let us approve the U.S.-Panama FTA, let us reauthorize TAA and let us move forward united in a spirit of bipartisan cooperation.

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STATEMENT OF HON. ORRIN G. HATCH, RANKING MEMBER
U.S. SENATE COMMITTEE ON FINANCE HEARING OF MAY 25, 2011
U.S.-PANAMA TRADE PROMOTION AGREEMENT

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following opening statement at a committee hearing examining the U.S.-Colombia Trade Promotion Agreement:

Today's hearing provides us with a great opportunity to talk about the many benefits of our free trade agreement with Colombia. Before turning to our witnesses, I think it is important to put our agreement with Colombia in context.

In the 1990's Colombia was on the verge of becoming a failed state as drug trafficking fueled urban and rural violence. Well-armed insurgents and paramilitary groups battled over territorial control. Unemployment, corruption and kidnapping were widespread.

Today, Colombia is reawakening. Violence is down, employment is up, and the economy is growing. Institutional reforms are creating a stronger and more vibrant democracy. Land reform and reparations for victims of violence are being undertaken in an unprecedented effort to heal the wounds of the past. Years of bipartisan cooperation through Plan Colombia and through programs such as the Andean Trade Preference Act helped make this transformation possible.

But our work is not done. Colombia continues to face challenges. Through approval of our pending trade agreement with Colombia we can help meet those challenges and take another step toward achieving our shared goal of a strong, prosperous and democratic Colombia.

We will hear a lot today about the *Labor Action Plan* recently concluded between President Obama and President Santos. This is a good development which has helped bring us to where we are today, even though it is not part of our trade agreement.

But let's be clear. Our trade goes far beyond the action plan. It transforms a one-way preferential trade relationship into a two-way street — giving U.S. exporters fair access to a large and growing consumer market. The agreement will affect the lives of workers across the United States in a positive way. A good example of the agreements effect can be found in my home state of Utah where workers at AC Med, a Salt Lake City company that exports hospital beds to Colombia, will see tariffs of twenty percent eliminated immediately upon implementation of this agreement. The agreement also will provide better access for U.S. service providers, telecommunication companies, and agricultural exporters. So, while the action plan is important, let's not lose sight of the far more significant economic benefits of the agreement.

The agreement will also benefit Colombia, providing predictability and certainty to many Colombian business that export flowers and other products to the United States, as well as encourage partnerships and investments between Colombian and American businesses. Once implemented, the agreement will sustain economic growth, help create jobs and provide the opportunity to lift millions of Colombians out of poverty.

Nor can we lose sight of the agreement's geopolitical significance. Colombia sits between Venezuela and Ecuador-two countries which seek to distance themselves and others from the United States as they pursue radical models of economic development not based on free market principles. We ignore this political reality at our peril.

Colombia is also at the forefront in the fight against terrorism and drug trafficking. The drug trade directly impacts the lives of many American and Colombian citizens on a daily basis. Only by working together can we stop the tide of illegal drugs. In this critical battle, we cannot afford to turn our back on such a strong friend and ally by rejecting our trade agreement.

This summer, I will do all I can to ensure that the Congress approves our trade agreement with Colombia. In doing so, we will boost U.S. exports by obtaining improved access to the growing Colombian market. We will also be standing by a true friend and ally and helping millions of Colombian workers, as well as U.S. workers, live better lives.

Despite facing many challenges, I believe Colombia is well on its way to being one of the most prosperous, stable and democratic countries in our hemisphere. By approving this agreement, we can all be proud to play a small part in that success.

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NATIONAL CORN GROWERS ASSOCIATION

National Corn Growers Association
Statement by
Mr. Garry Niemeyer, First Vice President
To The
United States Senate
Committee on Finance
Regarding
The U.S.-Panama Trade Promotion Agreement

May 25, 2011

Chairman Baucus, Ranking Member Hatch and members of the Committee, thank you for the opportunity to testify about the U.S.-Panama Trade Promotion Agreement and its importance to the agriculture sector. My name is Garry Niemeyer. I am the First Vice President of the National Corn Growers Association (NCGA). NCGA was founded in 1957 and represents over 35,000 dues-paying corn growers. NCGA and its affiliated state associations work together to help protect and advance corn growers' interests.

NCGA members have much to gain from ratification of free trade agreements with Panama, Korea and Colombia. Beyond increasing domestic and international demand for corn, passing free trade agreements benefits our customers in the livestock and poultry industries. Developing new markets for our country's agricultural products will help our sector lead the nation in economic growth and international competitiveness.

On May 12, 2011, Agriculture Secretary Vilsack testified before the House Agriculture Committee on free trade agreements. His testimony highlighted the success stories of American agricultural exports. In fiscal year (FY) 2011, U.S. agricultural exports are forecasted to reach a record high \$135.5 billion. This astounding number represents a nearly \$27 billion increase over FY 2010 and a record trade surplus of \$47.5 billion. It is estimated these exports support 1.1 million jobs across the country. We now know that in the first half of FY 2011, U.S. farm exports reached \$75 billion. Pending free trade agreements, like the one with Panama, will help farmers and ranchers continue this record breaking pace.

NCGA supports a consistent U.S. trade policy so that corn and corn co-products are not disadvantaged for the benefit of another sector. In finalizing pending agreements, NCGA emphasizes the need to eliminate sanitary and phytosanitary barriers that are not based on the unique science of agriculture products derived from biotechnology.

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U.S. Corn Production and Export Demand
The United States is the largest corn producer and exporter in the world, and exports of corn and corn products are essential to producer income. During the 2009-10 marketing year, the United States exported 50.4 million metric tons of corn worldwide. Corn co-products such as distiller's dried grains (DDGS) represent a growing export market for domestic producers. In marketing year 2010, the United States exported over eight million metric tons of DDGS.

Production growth and consistency make the United States both a reliable supplier of grain and a steadfast advocate for new export markets. Despite numerous weather issues from 2008 to 2010, U.S. corn growers produced over 12 billion bushels of corn annually. Mother Nature ensured that this year was also off to a challenging start. However, the yields witnessed in previous years indicate growers' ability to rebound. Earlier this month, USDA predicted that we would see yet another record corn crop this year.

U.S Corn Supply and Demand

(mil bushel)	2007-08	2008-09	2009-10	2010-11
Carry-in	1,304	1,624	1,673	1,708
Average Yield	151	153.9	165	152.8
Production	13,038	12,092	13,092	12,447
Supply	14,362	13,729	14,773	14,169
Feed & Residual	5,913	5,246	5,242	5,200
Ethanol	3,049	3,677	4,474	4,922
FSI	1,338	1,276	1,365	1,390
Export	2,437	1,858	1,985	2,000
Carry-out	1,624	1,673	1,708	658

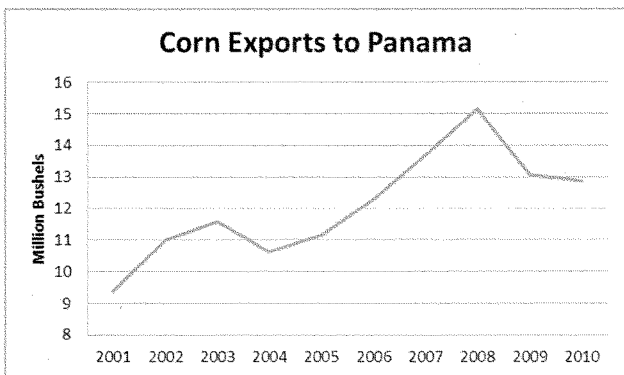
Source: USDA World Agricultural Supply and Demand Estimates (WASDE)

Corn Sales to Panama
Panama is one of the fastest growing economies in Latin America and a crucial building block in a strategy to advance free trade within the Western hemisphere. In 2010, total U.S. agricultural exports to Panama exceeded $450 million, and the U.S. share of Panama's agricultural imports stood at 48 percent. Top U.S. exports were corn, soybean cake and meal, wheat, rice and horticulture products. If the United States fails to capture the opportunities presented in the U.S.-Panama Trade Promotion Agreement (Panama TPA), our share of Panama's agricultural imports will plummet.

U.S. agricultural goods face an average tariff of 15 percent, with some tariffs as high as 260 percent. U.S. grain tariffs into Panama can be as high as 90 percent, while nearly all Panamanian exports enter the United States duty free under the Caribbean Basin Initiative passed by Congress in 1983. The Panama TPA stands to level the playing field between U.S. and Panamanian exports. USDA anticipates an additional $46 million in annual sales upon full implementation of the Panama TPA.

The U.S. corn industry is traditionally the sole supplier of corn to the Panamanian market, with the poultry sector as the dominant end user of feed grains. Corn exports to Panama peaked in 2008 and have since dropped 20 percent. U.S. corn growers realized some erosion to this market in 2010 due to a lack of progress on the Panama TPA.

The Panama TPA will establish a 298,700 ton duty free preferential tariff rate quota for corn. The over-quota tariff of 40 percent will be eliminated in 15 years, with no reduction in the first five years. This is the certainty growers desire to ensure robust, reliable export markets.



Source: USDA Foreign Agricultural Service

Marketing Year (September-August)

	2004-5	2005-6	2006-7	2007-8	2008-9	2009-10
MT	283,000	312,000	348,000	385,000	332,000	327,000
Bushels	11,150,000	12,280,000	13,690,000	15,150,000	13,060,000	12,860,000

It is important to highlight Panama's strategic location as a major shipping route. Fifty-seven percent of U.S. grain leaving Gulf ports uses the Panama Canal. In 2006, Panama approved a $5.25 billion project to double the capacity of the canal. Estimated to be completed in 2014, the modernization project will add two new locks, two navigational channels connecting the new locks to the existing system, and deeper, wider shipping lanes.

The current canal completed in 1914 is nearing its limit for the number of ships it can handle. According to the Soy Transportation Coalition (STC), during peak shipping season, 40 or more ships can be backed up each day waiting to transit the canal. The expansion is good news for corn farmers, as it will lessen transport time and should reduce ocean-freight costs. This is particularly important for containerized DDGs bound for Asian markets.

However, expanding the canal does not completely solve our problems. For decades, we have been concerned with the conditions of the locks and dams on the Mississippi River. If domestic infrastructure is inadequate, the canal expansion project will be a missed opportunity.

Earlier this month the STC held a meeting with the administrator of the Panama Canal Authority. The two entities signed a memorandum of understanding to share information and raise awareness of the expansion and the potential benefits to U.S. agricultural producers. The STC is expected to release a white paper on the issue this summer.

Value-Added Products

U.S. corn markets are directly impacted by increased exports of value-added products such as meat. To put this into perspective, it takes approximately 79 bushels of corn to produce one metric ton of poultry, under a 2:1 conversion ratio of corn to white and/or dark meat. Likewise, it takes approximately 232 bushels of corn to make one metric ton of pork.

The growth in corn-based ethanol production has led to increased production of DDGS. This high protein feed is a direct co-product of the ethanol industry. In 2009-10, Panama imported 14,000 metric tons of DDGS from the United States. While relatively small in volume, imports are growing, and there is significant potential for increased use in feed rations.

From a corn grower's perspective, the pending trade agreements will result in benefits far beyond increasing international markets for U.S. corn. NCGA recognizes any opportunity to increase access to downstream, value-added products as a benefit to the U.S. economy.

Corn Sales to Korea

The Republic of Korea (Korea) boasts a $1 trillion economy and 49 million consumers. Based on these statistics alone, corn growers understand that Korea is a market we cannot afford to ignore. More importantly, Korea is a market we cannot afford to lose to our largest competitors. On May 4, 2011, Korea's National Assembly ratified its free trade agreement with the European Union. Additionally, we know that Korea is in negotiations with U.S. competitors including Canada, Australia and China.

The U.S. share of agricultural imports to Korea stood at nearly 30 percent in 2010. USDA FAS warns that if the United States fails to implement the U.S.-Korea Trade Agreement (KORUS), that share will decline.

Korea is the United States' third largest corn market, and it is another potentially important market for DDGS. In marketing year 2009-10, Korea imported over seven million metric tons of corn from the U.S. The flow of corn into Korea is affected by myriad factors, and Korea remains one of our more volatile export markets.

Marketing Year (September-August)

	2004-5	2005-6	2006-7	2007-8	2008-9	2009-10
MT	2,100,515	5,585,993	4,042,566	8,555,974	5,195,554	7,075,479
Bushels	82,692,774	219,908,574	159,147,161	336,830,362	204,537,828	278,546,446

Under KORUS, Korea's imports of U.S. corn for feed are guaranteed to enter at zero duty immediately. Although Korea currently imports large quantities of feed corn at zero tariff under its autonomous quota, Korea can legally discontinue this zero autonomous tariff at any time and revert to the World Trade Organization (WTO) tariff of five percent for the first 6.1 million tons, and 328 percent for any imports above this quantity. KORUS is critical to corn growers because the tariff will be fixed at zero percent. Korea's WTO bound rate for DDGS is 6.6 percent. Once more, KORUS provides immediate duty-free access for DDGS into the Korean market.

Allowing greater market access can alleviate volatility and, more importantly, open the Korean market to meat imports. Ratifying KORUS will translate into significant increases in pork, beef and other livestock product exports. Such increases in market access not only help NCGA members who raise livestock, but also enhance total demand for corn and DDGS domestically.

Corn Sales to Colombia

Colombia is traditionally one of the top ten export markets for U.S. corn. During marketing year 2007-08, the Unites States exported 114 million bushels of corn to Colombia, with an estimated value of nearly $627 million. Unfortunately, U.S. corn exports declined dramatically during the 2009-10 marketing year. Only 36 million bushels of corn were exported to Colombia during that time, valued at $152 million. The decline in exports reflected a loss of $475 million to the U.S. economy.

Marketing Year (September-August)

	2004-5	2005-6	2006-7	2007-8	2008-9	2009-10
MT	1,932,544	2,597,611	3,148,527	2,902,893	1,234,651	912,954
Bushels	76,080,116	102,262,379	123,950,761	114,280,677	48,605,564	35,941,043

Under the U.S.-Colombia Trade Promotion Agreement (Colombia TPA), U.S. corn producers would gain immediate access to the Colombian market for 2.1 million metric tons of corn at zero percent duty. Over the course of the 12 year phase out for corn's 25 percent over-quota base tariff, the rate would be reduced each year by 2 percent, while the volume of the tariff rate quota would increase by 5 percent, compounded annually.

Currently, Colombia is importing corn from U.S. competitors including Argentina, Brazil, Paraguay and the majority of Mercosur members because of an import duty preference. We cannot afford to watch important export markets slip away, particularly to our largest competitors in the region, Brazil and Argentina. Failure to implement a trade agreement with Colombia will place U.S. corn producers at a competitive disadvantage in the world market.

Conclusion

A recent publication from USDA's Economic Research Service demonstrates that the growing number of free trade agreements among U.S. competitors has prompted questions about whether U.S. agricultural exporters may lose a share of the global market. Important agricultural exporters like the European Union and Canada have been particularly active in negotiating FTAs. As a producer, it is frustrating to watch these nations achieve preferential access to markets and secure a competitive edge over U.S. corn and corn products.

NCGA respectfully requests that the members of this Committee and others in Congress support pending trade agreements with Panama, Korea and Colombia. Our members want to preserve current export markets, increase exports of DDGS and significantly increase demand for corn through opportunities in value-added corn products.

NCGA remains committed to the development and maintenance of fair and open global trade policies. We appreciate efforts by U.S. trade negotiators to increase meaningful and achievable access to foreign markets. Moreover, U.S. corn producers stand ready to develop and provide corn products to meet the demands of modern global consumption.

Statement by Ambassador Miriam Sapiro
Deputy United States Trade Representative

Before the Senate Finance Committee

Washington, DC
May 25, 2011

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.

Testimony of Jason Speer, Vice President and General Manager
Quality Float Works, Inc.

on Behalf of the National Association of Manufacturers

on the U.S.-Panama Trade Promotion Agreement

Before the

Senate Finance Committee

May 25, 2011

Good morning Chairman Baucus, Ranking Member Hatch and members of the Committee. I am Jason Speer, vice president and general manager of Quality Float Works, Inc. I am pleased to testify this morning before the Senate Finance Committee on the U.S.-Panama Trade Promotion Agreement.

The National Association of Manufacturers (NAM) is the nation's largest industrial trade association, representing small and large manufacturers in every industrial sector and in all 50 states. Its membership includes both large multinational corporations with operations in many foreign countries and small and medium manufacturers.

Quality Float Works, Inc. is the premier manufacturer of hollow float metal balls and float valves in the nation. Our floats are used to level liquid controls in a wide variety of industries including gas, plumbing, oil and agricultural applications. Many products you see and use every day, from gas pumps to air conditioners, could not be operated without float balls. We currently have 23 employees between our primary facility in the suburbs of Chicago, Ill., and a branch office in Dubai, UAE.

Quality Float Works, Inc. is a family-owned small business that has experienced record growth in recent years due to overseas exports. In 2001, exported goods accounted for only 3 percent of our total sales. Since that time, we have seen foreign sales rise steadily as a result of proactive engagement with progressive markets. Last year, international trade accounted for one-third of our total sales. The passage of additional free trade agreements (FTAs) would further expand the opportunity for my business to enter untapped markets that could benefit from our products.

While our domestic sales felt the effects of the recession, international sales have continued to flourish. In developing countries with lacking infrastructure, our products have proven invaluable in purifying water, and our foreign partners are eager to do business with an American company. These foreign customers have found that it is often more cost-effective to purchase Quality Float Works' products and ship them overseas than to buy from local competitors. In this vein, the benefits of free trade have been fundamental to the growth of our company and our ability to provide quality jobs to American workers. However, tariff and market access barriers in overseas markets continue to present challenges to us and other American exporters. Quality Float Works benefits whenever foreign barriers to our products are reduced, and we are interested in all three of the pending trade agreements with Colombia, Korea and Panama.

The U.S.-Panama TPA

Let me focus on the Panama agreement, which is the subject of this hearing. Thousands of companies, including ours, eagerly await passage of the Trade Promotion Agreement (TPA) with Panama.

The United States exported $6 billion worth of products to Panama in 2010. Manufactured goods dominate this relationship. U.S. exports of manufactured goods to Panama totaled $5.6 billion in 2010 – 93 percent of total U.S. merchandise exports to Panama. It is the United States' sixth-largest manufacturing export market in South America and the Caribbean, virtually tied with Peru. We had a trade surplus in manufactured goods of $5.5 billion in 2010. The overall U.S. trade surplus with Panama was our ninth-highest among all trade partners.

This has been accomplished despite the existence of significant trade barriers in Panama. Panama's tariffs on U.S. manufactured goods average 8 percent, and the elimination of those tariffs will reduce the price of U.S.-made goods in Panama and lead to increased sales.

As an illustration of the importance of the Panamanian market, I was in Panama just last week seeking distributors and customers for Quality Float Works products. Our particular products currently face import duties of 3-10 percent. These duties will go to zero immediately upon implementation of the trade agreement, making our products even more attractive to potential customers.

Such newfound market access would facilitate sales for other U.S. manufacturers as well – both large and small. The agreement with Panama is an important step in the U.S. strategy to promote trade liberalization and economic integration with the region. As well as being a gateway from the Pacific to the Atlantic, Panama is a literal and figurative bridge between the Americas. This region represents a significant and growing market that has largely avoided the worst of the current economic crisis. Further, the $5.25 billion expansion of the Panama Canal is moving ahead and presents significant opportunities for U.S. companies to provide goods and services to the region.

Congress has repeatedly voted for tariff preferences for Panama that permit it to export duty-free to the United States as part of the Caribbean Basin Initiative (CBI). The Panama TPA would convert this one-way free trade to two-way free trade by giving U.S. exporters to Panama the same open access to that market that Panama's exporters already have to the U.S. market. Thus, the agreement would truly level the playing field.

The U.S.-Panama agreement would immediately eliminate nearly all of Panama's tariffs on manufactured goods and would improve rules governing trade – strengthening intellectual property (IP) protection, increasing safeguards against product counterfeiting and copyright piracy, strengthening investment rules, opening access to government procurement, facilitating electronic commerce, speeding customs processing, encouraging express delivery and opening financial telecommunications and other services markets.

It is important to stress the comprehensive nature of the agreement's coverage and its strong contributions toward improving both labor and environmental conditions in Panama. The Panama TPA contains enforceable provisions on core labor and environmental standards included as a result of the landmark May 2007 bipartisan trade policy agreement between Congress and the Administration. Such provisions were included in the 2007 U.S.-Peru trade agreement, which was supported by a bipartisan majority in the 110th Congress. Identical measures are included in the pending trade agreements with Colombia and, in many cases, with Korea. The NAM continues to oppose IP rights measures on pharmaceuticals contained in the 2007 agreement.

U.S. Manufactured Goods Trade with Panama

According to Department of Commerce methodology, U.S. manufactured goods exports to Panama in 2010 supported nearly 40,000 U.S. jobs. The United States represents over 30 percent of Panama's imports of manufactured goods. Machinery, chemicals, plastics, electrical equipment, iron, steel, motor vehicles and other transportation equipment are the major U.S. manufactured goods exports to Panama.

Over 85 percent of all exporters to Panama are small and medium enterprises (SMEs), and over 7,250 U.S. SMEs exported products to Panama in 2009, making up over one-third of total exports by value. This point cannot be made enough times – our FTAs benefit companies of all sizes.

Effect on U.S. Imports

Panama's producers already have virtually complete duty-free access to the U.S. market under the CBI. As a result, implementation of the U.S.-Panama agreement is unlikely to result in any significant new increases in U.S. imports from Panama. In fact, Panama has a negligible level of manufacturing exports to the United States – less than $87 million of our $379 million in imports from Panama in 2010 were manufactured goods.

In 2010, the United States imported just $379 million in products from Panama. According to the U.S. International Trade Commission (ITC), "U.S. imports from Panama were fairly concentrated in a few product categories, primarily fish and crustaceans, including shrimp, tuna, and frozen fillets of fresh-water fish; cane sugar; gold; coffee; fruit, such as melons and pineapples; fruit and vegetable juice; and glass containers. Fish and crustaceans account for more than 30 percent of total U.S. imports from Panama."

How the Panama Trade Agreement Will Boost U.S. Exports

Given the size of Panama's economy, as compared to other bilateral trade agreements, the U.S.-Panama FTA could have the following positive effects on U.S. exports: (1) expansion of U.S. exports stemming from the reduction and elimination of Panamanian tariffs on U.S. production; (2) expansion of U.S. exports through the reduction of non-tariff barriers in Panama and the trade facilitation measures they are committed to take; and (3) preservation of existing U.S. exports that otherwise would be lost if Panama maintains its expansion of trade agreements with other nations that compete with the United States in manufactured goods, like Canada, Brazil or the European Union (EU).

A wide variety of U.S. industrial products will benefit from the immediate reduction of these tariffs, the vast bulk of which – over 88 percent of industrial and consumer goods -- would be eliminated immediately upon implementation of the agreement. The ITC's analysis shows the largest increases in U.S. exports will be chemicals, rubber and plastic products, machinery and equipment, and motor vehicles and automotive parts. NAM analysis shows other sectors that stand to gain, including processed food products, electronic and electrical equipment, and transportation equipment.

U.S. Manufactured Goods Exports Compete with Other Suppliers, not with Panamanian Industries

Analysis of the relative strengths of the U.S. and Panamanian manufacturing sectors shows that there is little overlap in the types of goods produced. This means that U.S. manufactured exports to Panama currently are, and will continue to be, in sectors where Panama either has no significant manufacturing presence or has very low levels of production. At the same time, there is not a level of significant manufacturing in Panama. Moreover, these Panamanian industries already have duty-free access to the United States and already have benefitted from that treatment.

There is, however, a high degree of similarity in the composition of U.S. exports to Panama and those of our competitors in other nations, and this is where the U.S.-Panama agreement will provide significant benefits to U.S. manufacturers. U.S. exports to the region will become duty-free, while exports from the EU, Canada, China, Japan and other countries will continue to be subject to the full duties assessed by Panama. This will make U.S. products more price-competitive relative to third-country production and will result in a shift of Panamanian purchases from the other suppliers to U.S. products.

There is danger in not acting rapidly to pass this agreement, because Canada and other nations are in negotiations with Panama on FTAs of their own. If these agreements are enacted before ours, foreign products will replace American goods in Panama, and there will be a significant loss of U.S. market share. Time is of the essence in implementing this agreement.

Curbing Restrictions to Success in International Markets

Though the focus of this hearing is on Panama, let me say a few words about the other two pending agreements, and why the NAM seeks to have all three agreements implemented as quickly as possible.

As the pending trade agreements with South Korea, Colombia and Panama have languished, our trading partners have moved forward rapidly to negotiate their own market opening agreements. For example, on July 1 of this year, an FTA between South Korea and the EU will enter into effect. Implementation of this agreement without the U.S.-South Korea trade agreement in place will immediately place U.S. businesses and farmers at a competitive disadvantage as South Korean consumers turn toward more price-competitive EU member country goods and services.

The three pending trade agreements with South Korea, Colombia and Panama will reduce barriers to U.S. exports to these countries far more than any concessions on incoming goods made by the United States. U.S. tariff rates are considerably lower than those of almost any other nation, and we are open to foreign investment, so any FTA we sign benefits American exporters to a far greater degree than those that export to the United States. The ITC estimates these three completed agreements would increase U.S. exports by at least $13 billion. This growth will drive U.S. employment and economic growth, just as past agreements have demonstrated the ability of new market access and reduction of market barriers to transform U.S. export revenues.

There is a widely-held myth that U.S. FTAs are the reason the United States has a trade deficit, and that they have been a major contributor to job losses in manufacturing. It amazes me how this myth endures in face of the facts. In truth, the U.S. Commerce Department's analysis shows the United States had a combined trade *surplus* of $21 billion in manufactured goods trade with our existing FTA partners in 2010 – the third annual surplus in a row. 2011 is on track to become the fourth annual year of surplus.

Our cumulative manufactured goods trade surplus with our FTA partners for the last three years was nearly $70 billion. During that same period, our manufacturing goods deficit with countries with which we do <u>not</u> have trade agreements accumulated to $1.3 trillion. We have a trade deficit problem, for sure – but the data show our FTAs are part of the solution, not part of the problem.

The best stimulus package we can receive today would be the elimination of foreign trade barriers. Businesses of all shapes and sizes need the opportunity to enter into new markets in a fair way, and FTAs represent another opportunity for small businesses to maintain our global competitiveness. With the passage of the three pending trade agreements, our company and tens of thousands of small and medium-sized companies like ours will have the opportunity to gain market share and provide more jobs. Simply put, removing trade barriers with Panama – as well as with South Korea and Colombia -- will level the playing field for American workers, businesses, farmers and services providers.

Manufacturing

Before I conclude, I would like to turn briefly to manufacturing more generally and to the importance of trade agreements to America's manufacturers. Manufacturing is a critical part of the American economy and, contrary to some opinions, it is not dead. The United States is the world's largest manufacturing economy, producing one in every five dollars of all manufactured goods in the world. Last year, America's factories shipped $5.0 trillion dollars of products – not far from the record $5.5 trillion of 2008 before the serious recession. Manufacturing supports an estimated 18.6 million jobs in the U.S. – about one in six private sector jobs. Nearly 12 million Americans (or 9 percent of the workforce) are employed directly in manufacturing.

Exports are vital to American manufacturing and to the creation of jobs in the United States. Exports are now 22 percent of U.S. manufacturing production, and that ratio has been increasing over time as world markets outpace the domestic market. Over the past decade, reflecting the two manufacturing recessions we have gone through, factory shipments rose only 19 percent.

During the same period, shipments for the domestic market rose 14 percent, but exports of manufactured goods were up 46 percent. Exports grew more than three times as fast as shipments for the domestic market.

U.S. manufacturing is the most productive in the world. Our productivity grows rapidly as we improve manufacturing processes, obtain greater efficiencies and turn to new and more productive software and machinery. Over the past decade, manufacturing productivity rose at an average 3.8 percent per year. If jobs are to increase, production has to grow faster than 3.8 percent a year – otherwise jobs will be lost.

Hardly anyone forecasts that domestic demand for manufactured goods over the next decade will grow 3.8 percent annually in volume terms. That means we must turn to exports for job creation. Virtually all forecasts point out that economic growth will be faster overseas – particularly in the developing markets.

The NAM endorses the Administration's goal of doubling exports by 2014. The goal is very ambitious, but it is achievable. The NAM has spelled out how this can be done in its "Blueprint to Double Exports in Five Years," available on the NAM website. The blueprint calls for expanded export financing, greater export promotion, modernizing export controls, fixing business visas, increasing the protection for IP and many other things. But of all the things that must be done to double exports, by far the most important is obtaining greater access to foreign markets. And that can only be done by negotiating more trade agreements.

Conclusion

The NAM strongly supports swift congressional approval and implementation of the U.S.-Panama trade agreement, as well as the U.S.-Korea and U.S.-Colombia agreements. U.S. manufactured goods exports are strong generators of economic growth and employment both directly and indirectly, and U.S. exports benefit substantially when an FTA is put into place.

The record shows beyond a doubt that removal of tariff and non-tariff barriers increases U.S. exports of goods and services. U.S. manufactured goods exports are the vast majority of exports to Panama, and the U.S. manufacturing sector will be among the largest and most immediate beneficiaries.

In summary, American manufacturers will see immediate reductions of 8 percent in average industrial tariffs on exports to Panama. Panama's exports enter the United States duty-free and have done so for over a decade. U.S. exports of manufactured goods will also benefit from other aspects of the agreement, which will facilitate and support U.S. export growth.

The United States must move swiftly to avoid trade diversion to the EU, Canada, Korea, China and other industrial competitors, which have utilized the United States' three-year timeout on trade to forge dozens of preferential trade agreements that threaten to leave America's manufacturers far behind. The NAM believes the time has come to level the playing field for American manufacturers.

Thank you, Mr. Chairman.

COMMUNICATIONS

AAPA American Association of Port Authorities

Alliance of the Ports of Canada, the Caribbean, Latin America and the United States

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May 25, 2011

Testimony of Kurt J. Nagle

President and CEO
American Association of Port Authorities

For Inclusion in the Record of the
Senate Committee on Finance
Hearing on the U.S.-Panama Trade Promotion Agreement

Thank you for the opportunity to submit this statement for the hearing record. Founded in 1912, AAPA is an alliance of the leading public ports in the Western Hemisphere. Our testimony today reflects the views of our U.S. members, which are state and local public agencies located along the Atlantic, Pacific, and Gulf coasts, the Great Lakes, and in Alaska, Hawaii, Puerto Rico, Guam, and the U.S. Virgin Islands.

The American Association of Port Authorities (AAPA) is pleased to submit these comments on behalf of its U.S. member public port authorities regarding the pending Free Trade Agreements (FTAs) with Panama, Colombia and South Korea. AAPA is in strong support of the FTAs, as expanding free and fair trade opportunities through new agreements opens up new avenues for increased exports and greater national prosperity.

Founded in 1912, AAPA represents virtually all major public port authorities and agencies in the United States. AAPA members are public entities mandated by law to serve public purposes, primarily the facilitation of waterborne commerce and the consequent generation of local and regional economic growth. The Association has consistently supported strengthening the international trading system through bilateral and multilateral negotiations.

For centuries, seaports have served as a vital economic lifeline for America by bringing goods to people and providing the crucial link for access to the global marketplace for American farmers and manufacturers. Over 13 million U.S. jobs are related to the cargo moving through America's ports and international trade accounts for more than 25 percent of our Gross Domestic Product (GDP). Importantly, in light of the current economic and employment challenges, each $1 billion in additional exports creates roughly 15,000 jobs for Americans.

Trade policies that enhance and facilitate, rather than hinder, international trade advance our nation's position in the global marketplace and promote economic activity and jobs here at home. Panama, Colombia, and South Korea represent a tremendous opportunity for increased economic activity to benefit the United States. The U.S. International Trade Commission (ITC) estimates that the three pending trade agreements would combine to increase U.S. exports by at least $13 billion (a one percent increase in overall exports), thereby creating more than 200,000 American jobs.

For more than three years, FTAs with Panama, Colombia, and South Korea have languished unapproved by the Administration and Congress. These FTAs are critical to creating a level playing field between the U.S. and the involved countries. Delaying these agreements any further will lead to lost opportunities for U.S. exporters. Panama has already signed FTAs with Canada and the European Union which are expected to enter into force this year. As the United States economy finds its strength again, it is critical that trade policies not place U.S. goods at a competitive disadvantage in the global marketplace.

Panama is a particularly important geostrategic ally for the United States in terms of global trade and maritime transportation. The Panama Canal is a critical trans-ocean shipping lane that plays a vital role for moving people and cargo from one side of the globe to the other. Maintaining and expanding on our positive trade relationship with Panama is particularly critical in light of the expansion of the Panama Canal, an infrastructure project that will influence trade patterns and affect U.S. port growth for decades to come. The Panama Canal currently handles five percent of world trade. One-third of all trade through the canal originates or is destined for the United States.

With broad bipartisan support for these agreements in the House and Senate, AAPA urges Congress to move quickly through technical discussions with the Administration, draft the implementing bills and pass the pending FTAs with Panama, Colombia and South Korea as soon as possible. These agreements will strengthen the U.S. economy, increase American export opportunity and create badly needed American jobs.

AAPA applauds the leadership of both Chairman Baucus and Ranking Member Hatch in bringing their efforts to bear on this important issue. Thank you for the opportunity to express support for the swift approval of the pending FTAs with Panama, Columbia and South Korea.

Statement
of the
U.S. Chamber
of Commerce

ON: The U.S.- Panama Trade Promotion Agreement

TO: Senate Committee on Finance

BY: U.S. Chamber of Commerce and the Association of American Chambers of Commerce in Latin America

DATE: May 25, 2011

The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce (the Chamber) and the Association of American Chambers of Commerce in Latin America appreciate the opportunity to share their strong support for the U.S.-Panama Trade Promotion Agreement (PTPA) on the occasion of this important hearing of the United States Senate Finance Committee. The U.S. Chamber of Commerce is the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The Chamber serves as secretariat for the Latin American Trade Coalition, which represents more than 1,200 American companies, business and agricultural organizations, and chambers of commerce that support approval of the pending free trade agreements with Panama and Colombia.

This testimony is also submitted on behalf of Association of American Chambers of Commerce in Latin America (AACCLA). The 23 American Chambers of Commerce in Latin America and the Caribbean making up AACCLA together represent more than 20,000 companies and over 80% of U.S. investment in the region.

No priority facing our nation is more important than putting Americans back to work. Nearly 9% of the U.S. workforce is unemployed — a figure that doubles when those who have stopped looking for jobs and the millions of part-time workers who want to work full time are included. As a nation, the biggest policy challenge we face is to create the 20 million jobs needed in this decade to replace the jobs lost in the current recession and to meet the needs of America's growing workforce.

World trade will play a vital role in reaching this job-creation goal. When President Barack Obama delivered his State of the Union address in January 2010, the U.S. Chamber and the rest of the business community welcomed his call for a national goal to double U.S. exports within five years. The rationale is clear: We cannot rely on domestic consumption to generate more demand for the goods and services we produce. The American consumer is likely to spend more frugally in the years ahead, and the federal government faces unsustainable budget deficits.

Most importantly, outside our borders are markets that represent 73% of the world's purchasing power,[1] 87% of its economic growth,[2] and 95% of its consumers. The resulting opportunities are immense.

Trade already sustains millions of American jobs. More than 50 million American workers are employed by firms that engage in international trade, according to the U.S. Department of the Treasury.[3] President Obama has noted that one in three manufacturing jobs depends on exports,[4] and one in three acres on American farms is planted for hungry consumers overseas.[5]

Nor is trade important only to big companies. Often overlooked in the U.S. trade debate is the fact that more than 97% of the quarter million U.S. companies that export are small and medium-sized enterprises (SMEs), and they account for nearly a third of U.S. merchandise exports, according to the U.S. Department of Commerce. In fact, the number of SMEs that export has more than doubled over the past 15 years.

The bottom line is simple: If America fails to look abroad, our workers and businesses will miss out on huge opportunities. Our standard of living and our standing in the world will suffer. With so many Americans out of work, opening markets abroad to the products of American workers, farmers, and companies is a higher priority than ever before.

The Problem: Foreign Tariffs and Other Trade Barriers

For all of these firms — large and small — the chief obstacle to reaching the goal of doubling U.S. exports by 2014 is the complex array of foreign barriers to American exports. Those barriers are alive and well, and they pose a major competitive challenge to U.S. industry and agriculture and the millions of U.S. workers whose jobs depend on exports.

From the perspective of the U.S. business community, the foremost goal of U.S. trade policy should be to tear down those barriers. Casting light on this challenge, the World Economic Forum issues an annual *Global Enabling Trade* report, which ranks countries according to their competitiveness in the trade arena.[6] One of the report's several rankings gauges how high the tariffs are that a country's exporters face. Leading the pack as the country whose exporters face the lowest tariffs globally is Chile, with its massive network of free trade agreements with more than 50 countries around the globe.

While the report found the United States did well in a number of areas, America ranked a disastrous 121st out of 125 economies in terms of "tariffs faced" by our exports overseas. In other words, American exporters face higher tariffs abroad than nearly all our trade competitors. It is also worth noting that tariffs are just part of the problem, as they are often found alongside a wide variety of non-tariff barriers that shut U.S. goods and services out of foreign markets.

Historically, the only way the U.S. government has ever enticed a foreign government to open its market to American exports is by negotiating agreements for their elimination on a reciprocal basis. This is done in bilateral free trade agreements (FTAs), such as those pending with Panama, Colombia, and South Korea or the Trans-Pacific Partnership (TPP), which is under negotiation. In addition, reciprocal market openings can be accomplished multilaterally, as in the Doha Round, the global trade agreement currently being negotiated under the WTO by the United States and 152 other countries.

The Solution: Free Trade Agreements

The pending FTAs with Panama, Colombia, and South Korea are pro-growth agreements will create good American jobs, bolster important allies, and confirm that America is not ready to cede its global leadership role in trade. They will generate billions of dollars in new American exports within a few short years.

Most importantly, these are "fair trade" agreements that promise a level playing field for American workers and farmers. Many Americans don't know that the U.S. market is already wide open to imports from these countries, with most imports from Panama, Colombia, and South Korea entering our market duty free. However, these countries impose tariffs on U.S. products that often soar into the double digits, limiting our competitiveness overseas. These agreements would knock down those barriers, opening the door for American companies to sell to these consumers.

If the United States is to double exports within five years, the proven export-boosting record of these reciprocal trade agreements will be indispensable. In 2003-2008, for example, U.S. exports rose 79%, their fastest growth in nearly two decades. It is no coincidence that this period also saw the United States implement FTAs with 10 countries and saw earlier agreements such as NAFTA attain their full implementation with the elimination of all tariffs.

To settle once and for all the debate over whether these FTAs have benefitted American workers and companies, the U.S. Chamber commissioned a study entitled *Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners*,[7] which was released in May 2010. The study examined U.S. FTAs implemented over the past 25 years with a total of 14 countries. It excluded three other countries where FTAs have only recently been implemented. The study employs a widely used general equilibrium economic model which is also used by the U.S. International Trade Commission, the WTO, and the World Bank.

The results of this comprehensive study are impressive: 17.7 million American jobs depend on trade with these 14 countries; of this total, 5.4 million U.S. jobs are supported by the increase in trade generated by the FTAs.

No other budget neutral initiative undertaken by the U.S. government has generated jobs on a scale comparable to these FTAs, with the exception of the multilateral trade liberalization begun in 1947. The study also shows that U.S. merchandise exports to our FTA partners grew nearly three times as rapidly as did our exports to the rest of the world from 1998 to 2008.

The trade balance is a poor measure of the success of these agreements, but deficits are often cited by trade skeptics as a reason why the United States should not negotiate free trade agreements. However, according to the U.S. Department of Commerce, the United States is now running a *trade surplus* in manufactured goods with its 17 FTA partner countries — taken as a group — on top of the U.S. global trade surpluses in services and agricultural products.

America Left Behind

The success of reciprocal trade agreements has led to their proliferation around the globe. Countries are rushing to negotiate new trade accords — but America is being left behind.

According to the WTO, there are 283 regional trade agreements in force around the globe today, but the United States has just 11 FTAs with just 17 countries.[8] There are more than 100 bilateral and regional trade agreements currently under negotiation among our trading partners. Unfortunately, the United States is participating in just one of these (the Trans-Pacific Partnership).

The United States is standing on the sidelines while other nations clinch new trade deals. This is painfully evident in the case of Panama, Colombia, and South Korea. The pending U.S.

agreements with those countries would create good American jobs, bolster important allies, and confirm that America is unwilling to cede its global leadership role in trade.

While these U.S. agreements languish, other nations are moving forward. The European Union has concluded a comprehensive FTA with South Korea, and Canada has done so with Colombia; both of these FTAs will enter into force by July 1, 2011. Also, in May 2010, the EU signed FTAs with Panama and Colombia, and Canada has signed an FTA with Panama.

If Washington delays, U.S. exporters will be put at a marked competitive disadvantage in Panama, Colombia, and South Korea. Canadian wheat farmers will be able to sell their crop to Panamanians and Colombians at a huge discount, and European manufacturers will easily undercut their American competitors in the South Korean market.

The cost of these delays will be high. According to a study commissioned by the U.S. Chamber, the United States could suffer a net loss of more than 380,000 jobs and $40 billion in lost export sales if it fails to implement its pending trade agreements while the European Union and Canada move ahead with their own agreements.[9]

Unfortunately, this scenario is already unfolding in Colombia — and Panama may not be far behind. Following implementation of a new trade accord between Colombia and Mercosur (a customs union that includes Argentina and Brazil), U.S. agricultural exports to Colombia dropped by 48% in 2009 and an additional 45% in 2010. Colombia's trade accord with Mercosur allowed Brazil and Argentina to expand their market share in Colombia even as U.S. farmers saw their share of Colombia's agriculture market fall to about one-quarter today from three-quarters just two years earlier. The total loss for U.S. farmers during this period is approaching $1 billion.

Washington's failure to negotiate more trade agreements not only hurts U.S. companies and workers, but it limits America's ability to advance its broader interests around the globe. A stronger U.S. economic presence abroad would boost America's ability to achieve its security, political, and economic goals.

Details on PTPA

PTPA is a critical component to increasing U.S. exports and strengthening a longstanding partnership dating back to Panama's separation from Colombia in 1903. PTPA's provisions are virtually indistinguishable from those in the U.S.-Peru Trade Promotion Agreement, which Congress approved by an overwhelming bipartisan majority in 2007. Like the agreement with Peru, PTPA is a comprehensive agreement that will accelerate Panama's progress as a resilient and strong democracy and a committed ally of the United States.

U.S. exports to Panama have nearly tripled in the past five years, exceeding $6 billion in 2010. A wide range of industries — including food and other agricultural products, chemicals, computers and electronic products, electrical equipment and appliances, and motor vehicles to name just a few — have seen exports grow into the hundreds of millions of dollars each year.

More than 7,000 U.S. small and medium-sized businesses export to Panama, totaling 85% of all U.S. companies exporting to Panama.

Building on these strong ties, PTPA will do away with a trade relationship built on temporary unilateral preferences and replace it with one that is mutually beneficial, reciprocal, and permanent. In 1983, Congress approved the Caribbean Basin Trade Preference Act (CBTPA), which has been renewed by bipartisan majorities several times in recent years. The USITC estimated that 96% of Panamanian exports entered the United States duty free in 2006 under these various preferential arrangements such as CBTPA and GSP. By contrast, Panama's average duty on imports from the United States is 7.1% for manufactured goods and far higher for key agricultural exports. In short, Panamanians enjoy nearly free access to our market while our access to theirs remains limited.

In fact, since the agreement was signed in June 2007, U.S. exports to Panama have been penalized by the imposition of over $1.2 billion in tariffs that could have been eliminated by the implementation of the agreement. This sum is not only money out of the pockets of U.S. companies; it likely deterred hundreds of millions of dollars worth of additional sales.

This agreement will remedy the unfairness of today's U.S.-Panama trade relationship by sweeping away most of Panama's tariffs immediately, ushering in a mutually beneficial, reciprocal partnership. The day the agreement enters into force, four-fifths of U.S. consumer and industrial products and more than half of current U.S. farm exports will enter Panama duty-free. Remaining tariffs will be phased out, most in just a few years.

In addition, the agreement will open services markets, secure the intellectual property of U.S. inventors, researchers, and creators, and introduce enforceable protections for worker rights and the environment.

The U.S. National Interest

The trade agreement with Panama promotes U.S. security interests by forging a deeper partnership with Panama through a framework for government-to-government relationships that is grounded in the tangible national interests of all parties. One of these areas has been in the challenges that arise during the battle against money-laundering which both the United States and Panama face. According to the State Department in 2009, "Panama has a comprehensive legal framework to detect, prevent, and combat money laundering and terrorist financing, and provides excellent cooperation with U.S. law enforcement agencies in combating drug trafficking, money laundering and financial crimes."

Building on this, on November 30, 2010, Panama signed a Tax Information Exchange Agreement with the United States, and on April 18, 2011 the agreement was enacted into law, resolving one of the final outstanding issues that the current administration had indicated needed to be concluded before it would consider moving PTPA. This step prompted U.S. Trade Representative Ron Kirk on April 18, 2011, to state "that his office has completed preparatory work on the agreement and is ready to begin technical discussions with Members of Congress on the draft implementing bill and draft Statement of Administration Action."[10]

Such a framework is vital to enhancing cooperation in numerous areas and sets an example for other countries around the world as we pursue our global security goals. By promoting economic growth in Panama, the TPA will give a boost to its economy and provide its citizens with long-term growth opportunities.

Assisting Reformers

One of the noteworthy benefits of U.S. free trade agreements is the boost that they give to reformers in our developing country partners. As in the United States, economic and social reform is often hard-earned, piecemeal, and subject to high political cost. By providing a strong economic incentive, U.S. free trade agreements provide developing country reformers with the leverage they need to secure improvements in areas such as government procurement, governmental transparency and accountability, investor protections, and labor and environmental standards, among other areas.

In many cases, these reforms have been built into the trade agreement itself. For instance, PTPA includes dedicated chapters on labor, the environment, and transparency. PTPA contains the strongest provisions on labor ever incorporated into a U.S. trade agreement. These measures incorporate the provisions of the May 10, 2007, Congressional-Executive Agreement on Trade Policy. That agreement directly linked enforcement to the principles of international labor standards as recognized by the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. Having agreed to tough, enforceable labor provisions in the agreement as originally negotiated and signed, the Republic of Panama then agreed on June 28, 2007, to bind itself to the new, stricter standard established by the May 10 Agreement.

These measures in PTPA are identical to labor provisions in the U.S.-Peru Trade Promotion Agreement, which was approved by Congress in 2007 by an overwhelming bipartisan majority. These provisions require Panama to enforce its labor laws, or be subject to dispute settlement under the agreement, backed by the threat of sanctions. The Panamanian National Assembly on April 5, 2011, approved legislation resolving the final pending labor-related concerns identified by the Obama Administration.

Conclusion

The U.S. Chamber supports the work of the Administration and Congress to re-energize America's trade policy. In that effort, we urge the Administration and Congress to approve the pending trade accords with Panama, Colombia, and South Korea and to negotiate more of them, including the Trans-Pacific Partnership and an ambitious Doha Round agreement. In addition, we must ensure that the United States has in place an effective Trade Adjustment Assistance and renews the lapsed Generalized System of Preferences and the Andean Trade Preference Act as part of America's overall trade agenda. Finally, Congress should renew the traditional trade negotiating authority that every president since Franklin D. Roosevelt has enjoyed.

World trade is again expanding rapidly, and it is generating new opportunities around the globe. However, this is too often a story of missed potential. The business community could be doing much more to create jobs, lift people out of poverty, foster greater understanding and stability among nations, and solve vexing social problems if we weren't missing so many of the opportunities that global commerce can create.

If we stand still on trade, we fall behind. At stake is the standing of the United States as the world's leading power, our ability to exert positive influence around the world, our reputation and brand overseas. The U.S. Chamber of Commerce looks forward to working with the members of the Committee to forge a trade agenda that will create jobs, opportunity, and growth for the United States.

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[1] David Wessel, "Asia's Latest Export: Recovery," *The Wall Street Journal*, February 24, 2010, http://online.wsj.com/article/SB10001424052748703510204575085280515242598.html.

[2] Office of the U.S. Trade Representative, Executive Office of the President, *The President's 2010 Trade Policy Agenda*, March 2010, http://www.ustr.gov/webfm_send/1673. "IMF forecasts indicate that nearly 87% of world growth over the next 5 years will take place outside of the United States."

[3] U.S. Department of the Treasury: https://ustreas.gov/press/releases/hp285.htm.

[4] The White House: http://www.whitehouse.gov/the-press-office/remarks-president-announcing-presidents-export-council.

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[10] Office of the United States Trade Representative, "Ambassador Ron Kirk Announces Next Step for U.S.-Panama Trade Promotion Agreement," *Office of the United States Trade Representative*, April 18, 2011. http://www.ustr.gov/about-us/press-office/press-releases/2011/april/ambassador-ron-kirk-announces-next-step-us-panama-tr.

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