2-15-2007

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LADB Article Id: 51503
ISSN: 1089-1560

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Category/Department: Panama
Published: 2007-02-15

Panama and the US concluded a free-trade agreement (FTA) in December that must now be ratified by each country's congress. This "triumph of optimism and hope in the future," as President Martin Torrijos called it, should have smooth sailing through Torrijos' majority congress, but the Democratic majority in the US could scuttle the deal. Panama was able to get concessions from the US that the rest of the isthmus, in negotiating the Central America Free Trade Agreement (CAFTA), could never have dreamed of. But the other countries did not have the multibillion-dollar rebuilding of a transoceanic waterway to bargain with.

Wary of the Democratic Congress' penchants, US Trade Representative (USTR) Susan Schwab was careful to mention the deal "is still subjected to additional talks regarding labor rights." Labor rights was one of the sticking points that came close to dooming CAFTA when Republicans ruled the legislature (see NotiCen, 2005-08-04). Schwab extolled the "significant opportunities" US companies would be in line for when the Panama Canal expansion starts next year (see NotiCen, 2006-04-20 and 2006-10-26). Democrats tend to emphasize labor and environmental issues, whereas Republicans favor the free flow of capital and job creation.

The provisions on the bidding for the canal work provide an example of the clout that comes with the US$5.25 billion project. Panama presented a proposal by which the Panama Canal Authority (Autoridad del Canal de Panama, ACP) would reserve bids of up to US$10 million for construction and US$500,000 for services. By contrast, CAFTA countries were able to reserve only US$57,000 in government purchases for their national companies. Panama's Minister of Trade and Industries Alejandro Ferrer said of the ten-round, two-year ordeal, "We have achieved the best treaty possible with the United States."

In agriculture, he was especially proud of a provision by which Panama would be able to invoke World Trade Organization (WTO) phytosanitary rules and to get liberal import protection on coffee, potatoes, and onions, "better than we hoped for." Panama was also the only country of the region to negotiate eliminating the net-exporter clause for sugar, allowing the country wide latitude in exporting the commodity despite the powerful US sugar lobby. Derivative products rum and ethanol also get zero-tax treatment.

Other agricultural products fared well, too. Rice got a 20-year period of protection with an export quota of 11,500 tons, or 4.2% of protection; chicken, 18 years, 600 tons, or 7%; vegetable oils, 15 years, no quotas; pork, 15 years, 1,600 tons, or 8.8%. For Alexis Soto, economics advisor to the Organizacion Nacional Agropecuaria de Panama (ONAGRO), this is the price the US had to, and was willing to, pay for canal concessions, "where the millions of dollars the expansion will move allowed the Panamanian negotiators to gain important advantages."

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But, whereas the terms of agreement differed from those of the CAFTA countries, which had significantly less to bargain with, there was still plenty to complain about. Those were the same issues drawing criticisms to CAFTA. No gain for Panama "There has been no consultation, no national discussion," said economist Maribel Gordon. "The rest of the population remained uninformed." The same confidentiality clause that infuriated sectors elsewhere on trade deals infuriated certain sectors here. The blackout on information permits the Panamanian government to herald its negotiating prowess with no discussion of the fact that, as the US State Department put it, "[I]n the short term, it is improbable that approval of the treaty would affect the trade flows from Panama, since 95% of Panamanian exports already enjoy free access to the US market." So, said Gordon, all the agreement really did "was to formalize what Panama already had through the Caribbean Basin Initiative (CBI) and the system of preferences. What we gave up is totally in favor of the US."

Panama, she pointed out, still suffers disadvantages because of US price supports and other giveaways to producers that amount to US$117 per hectare. Soto provided an example wherein US rice producers receive what amounts to a 51% subsidy. "That is to say, for every US$1, [the producer] gets US$0.51. That means that, if the cost of a quintal is US$11, they get a subsidy of US $5.61, and then, including shipping, can market it in Panama at US$6.61, while the Panamanian has a real cost of US$11 and has to pay internal shipping, to his disadvantage." Soto noted that tariffs are not the only way to control and inhibit Panama's trade. "The US "has a series of nontariff barriers, bioterrorism controls, biosecurity, and anti-terrorism are the different kinds of measures they use so that, even if the tariffs are zero, it's still going to impede Panamanian products from entering their market."

Soto and Gordon were indirectly supported in their view by Nobel economist and former World Bank chief economist Joseph Stiglitz, who had recent harsh criticism for these same dynamics in the trade agreement with Colombia concluded last year (see NotiSur, 2006-03-10). "The fundamental criticism that must be made," he said, "is that this is a trade agreement that is neither free nor just." He added, "They call it free, but if it were, they would eliminate the North American agriculture subsidies..."

Panamanian authorities insist everything will work out in the end with, according to Torrijos, the creation of the Programa de la Agencia Complementaria para la Competitividad, which would have a council of ministers and a US$20 million fund to improve productivity in nontraditional exports. Critics say the measure falls short of meeting the imbalances. The US, too, is taking steps to improve the deal and mitigate dissent. The administration of President George W. Bush, through deputy USTR John Veroneau, said it would mollify the Democratic Congress by seeking a "substantive adjustment to the labor provisions of the agreement." The adjustment would take the form of side letters so that there would be no renegotiation of other sections of the pact.

The administration is under pressure to satisfy the Democrats, many of whom in both houses campaigned on labor issues. In the House of Representatives, 39 freshman members sent a letter to House Ways and Means Committee Chair Charles Rangel (D-NY) asking to be involved in trade legislation, even though they are not members of that committee. The letter said they believed they were elected at least in part because of "our ability to take a vocal stand against the administration's

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misguided trade agenda." Republicans and the business sector that supports them could fight against language in the agreement on the right of workers to unionize.

They say it would give US workers leverage to challenge organizing restrictions in the US courts. "And they don't want that," said trade economist Gary Hufbauer of the Peterson Institute for International Economics. The unions in the US are not swayed by the side-letter approach to worker protections. "Will they really renegotiate the agreements or will they just go down and get some cosmetic side letters?" asked AFL-CIO policy director Thea Lee. She said the unions see as the standard on labor and the environment the FTA the administration of former US President Bill Clinton signed with Jordan, which took effect after Bush took office in 2001.

The Bush administration is under a time restraint not only on this treaty but also with similar ones recently signed with Colombia and Peru (see NotiSur, 2006-01-13). Bush's Trade Promotion Authority (TPA) expires July 1, 2007. His current authority prevents Congress from amending these deals. Recapturing the hemisphere through trade In what appears to be a classic example of journalistic blowback, the US State Department has distributed through States News Service by permission of USINFO a commentary by former USTR Robert Zoellick, outlining a plan for creating a new Association of American Free Trade Agreements (AAFTA) that would "shape the future of the Western Hemisphere, while offering a new foreign and economic policy design that combines trade, open societies, development, and democracy" as a signal that "US global strategy must have a global design." The plan might also be a signal, coming in concert with John Negroponte's recent move to deputy secretary of state, that the US wants its influence in Latin America back.

Zoellick argues in the piece that, with the passage of the Panama FTA and those with Peru and Colombia, "the US will finally have an unbroken line of free-trade partners stretching from Alaska to the tip of South America," comprising two-thirds of the population and GDP of the Americas. And this does not count the US. Resurrecting the moribund Free Trade Area of the Americas (FTAA) under private auspices, the new institution would start with a small secretariat, "perhaps in Miami," and would include combining research and practice "through an association among universities in the Americas." It would also bring to bear the integrated forces of the US Overseas Private Investment Corporation (OPIC), the Export-Import Bank of the United States (Ex-Im Bank), the US Agency for International Development (USAID), and the Inter-American Development Bank (IDB) all knitted together with hoped-for new legislation.

Zoellick advises of dangers posed by the "pied pipers of populism in Latin America who are taking advantage of the genuine frustrations, especially in indigenous communities," and he cautions that "[W]e should not let these populists dictate the debate." On the labor and environmental issues, he says, the AAFTA offers "an opportunity to design labor and environmental partnerships that would complement the rules in the FTAs." Thus, with the passage of the Panama agreement and those of Colombia and Peru, the US will have put in place the missing pieces that would enable a major US policy initiative to recapture the hemisphere.

In mid-February, Torrijos announced a trip to Washington to meet with the US president and to confer with Senate and House members and with US Secretary of Commerce Carlos Gutierrez. Vice President Samuel Lewis Navarro and Minister Ferrer will accompany their president. Ferrer

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said the purpose of the trip was to get an idea of the timeline for moving the trade pact through the Congress. The plan in Panama is to send the package up to the legislature as soon as the ink is dry and to follow up with the public. "We will have more than 60 meetings with different sectors after having finished the treaty."

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