

EU STATEMENT

Trade Policy Review of Panama 23 and 25 July 2014

Thank you, Madam Chair.

I would first like to extend a very warm welcome to the delegation of Panama, headed by H.E. Melitón A. Arrocha R. (Minister of Trade and Industries). Allow me also to thank the WTO Secretariat and the Government of Panama for their comprehensive reports and the discussant, H.E. Mr Dacio Castillo (Ambassador of Honduras) for his valuable remarks that contributed to today's review.

This is the second review for Panama. During the years under review, Panama's economic growth has been impressive, thanks mainly to its dynamic investment and a stable macroeconomic environment.

A word, Madame Chair, on the EU's bilateral relationship with Panama. The EU is a major trading partner for Panama. It is the second partner for Panamanian exports and the third partner for the Panamanian imports.

The bilateral trade relations with Panama will certainly be further strengthened by the effective implementation of the Association Agreement between Central America and the European Union that entered into force on 1 August 2013 and that allows Panama to fully access a market of more than 500 million people, which is unprecedented. The agreement covers trade in goods and services, investment, and also issues such as public procurement, intellectual property rights and technical barriers to trade. It consolidates and broadens the preferences granted by the EU under the GSP/GSP Plus. Furthermore, the agreement also includes two more pillars providing for political dialogue and cooperation.

Madame Chair, regarding Panama's economy, as acknowledged by the Secretariat report, it is based on a fairly open trade and investment regime that continued to open up during the period under review, chiefly through Panama's participation in preferential trade agreements.

This allowed Panama to grow, between 2007 and 2013, at an average annual rate of 8%, one of the highest in Latin America. The Panama Canal remains the backbone of the country's economy and represents the linchpin for its foreign relations and its socio-political development. Therefore, it is not

surprising that, as noted by the Secretariat report, the services sector accounts for some 70% of GDP, allowing Panama to consolidate its position as a major exporter of financial, port, logistical and tourism services.

While the EU will continue supporting Panama in strengthening its pivotal role within the region as a hub for trade, the EU also encourages Panama to remain committed to open trade policies, in particular on services, and to continue focussing on FDIs and exports as an engine for its economic growth. This would certainly allow Panama to continue being the main recipient of European investments at regional level and also the EU as a key source of investment for Panama - the EU FDI accounts for 35% of the total FDI in the country.

Madam Chair, the EU takes note of Panama's steps in advancing bilateral and regional integration through the negotiation and the implementation of several trade and investment agreements which served as a catalyst for legislative reforms in areas such as customs, intellectual property, government procurement and other trade-related areas.

As stated in several fora, the EU can only agree with Panama that strengthening the rules of the multilateral system is important in improving interaction among Members, as well as in establishing stable regional or bilateral trading relations that contribute to the expansion of trade and investment flows.

Turning to the hot topic of the moment, the EU commends the trade facilitation efforts done by Panama during the period under review aiming at simplifying and modernising its customs regime. The EU understands that Panama has already created the National Customs Authority, introduced advance rulings, the single window for exports, and is launching an authorized economic operator programme.

Considering these achievements as well as Panama's declaration to attach special importance to implementing the trade facilitation commitments arising from the Bali Conference, the EU expects Panama to proceed speedily with its notification to the WTO of its commitments under Category A.

Madame Chair, the EU thus acknowledges that during the years under review Panama has overall continued to promote greater openness and reduced obstacles to foreign trade. Having said this, a few concerns still remain.

Firstly, the main priority for the EU is to clarify the trade barriers imposed by the Law 41 adopted in 2013 that requires that Panamanian nationals must own at least 75% of companies or vessels engaged in auxiliary maritime services. This law represents a serious concern for the EU industry and it seems to contradict Panama's international commitments. We call on Panama to address these concerns.

Secondly, the EU would also like to receive some clarifications on SPS related issues. In particular, on the authorisation process for the importation of food for human or animal consumption classified as medium or high risk and on the permits required for the import of live animals and products of animal origin.

Madame Chair, in conclusion, let me reiterate that the EU acknowledges Panama for the progress it has made since the last review.

On behalf of the EU, I thank you and the delegation of Panama for your kind attention, and wish them a successful review.