



ADVANCING GLOBAL COMMUNICATIONS

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May 22, 2007

Secretary Marilyn Abbott
United States International Trade Commission
500 E St., SW
Washington, DC 20436

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

Dear Secretary Abbott,

On behalf of the Telecommunications Industry Association (TIA), I would like to express our support for the U.S.-Panama Trade Promotion Agreement (TPA). TIA is a leading trade association for the information and communications technology (ICT) industry, with approximately 600 member companies that manufacture or supply the products and services used in global communications. TIA represents its members on the full range of public policy issues affecting the industry, forges consensus on industry standards, and helps its members develop new business in foreign markets. Together, our industry generates revenues totaling over \$900 billion in the United States and over \$3 trillion worldwide.

We believe that a successfully implemented TPA with Panama would benefit ICT manufacturers, suppliers and service providers by establishing greater market access, assuring a rules-based and predictable business climate, and encouraging further bilateral investment. Panama's ICT market has grown rapidly since its market was fully opened in 2003. Since then, international calling prices have declined, infrastructure investment has increased, and cellular subscribers have grown. Indeed, Panama's landlines increased by 17 percent in 2005 and are expected to grow at an average annual rate of 5.5 percent through 2010. Similarly, wireless subscribers in Panama grew by 58 percent in 2005, for a total of 1.4 million subscribers. Wireless subscribers are expected to increase at an average annual rate of 12 percent, reaching 2.6 million subscribers and nearly 69 percent of the population by 2010.

While Panama is a small country, with 3.1 million people and a GDP of only slightly more than \$12 billion, the country is promoting growth in its telecom sector in an effort to encourage investment in other sectors and to support economic growth in the country. The U.S. Commercial Service reports that increased infrastructure investment in Panama has improved call quality and reduced consumer prices. Additionally, they report that since Cable&Wireless' exclusivity expired in 2003, more than 647 licenses for commercial telecom services have been issued and 13 new carriers have started competing in local and long distance telecom services market. In addition, new international call centers have been built and fiber optic submarine cables now interconnect with the public network in Panama. Foreign telecom and Internet service providers are locating in Panama to take advantage of improved network capacity and to strategically interconnect carriers in the United States, Asia, Europe and Latin America over redundant routes. The U.S. Commercial Service expects Panama's telecom market to continue to grow, especially for network infrastructure and routing equipment and for wireless handsets. (See Attachment A: U.S. Commercial Service report on Panama's telecommunications market).

Because there is no domestic production of telecommunications equipment in Panama, a liberal trade environment, with little or no tariffs and non-tariff barriers and an open and transparent regulatory process is important for ensuring continued growth in the country's ICT sector. The U.S.-Panama TPA achieves this by reducing or eliminating tariffs for ICT products, ensuring regulatory transparency, and reducing customs impediments. The agreement creates greater regulatory certainty for ICT service providers by guaranteeing access to and use of the public network, including leased circuits. In addition, the agreement guarantees the



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independence of the regulator, which is critical to ensuring fairness, impartiality and regulatory integrity in each participating country's communications industry.

With respect to the specific provisions of the agreement, the TPA includes language in the telecommunications chapter on technology neutrality. The principle of technology neutrality ("technology choice") is one of the most critical issues for regulated sectors like telecommunications. Markets and innovation benefit most when ICT manufacturers and suppliers engage in demand-driven competition, standards are competitively and openly developed, and governments do not interfere to either curb market failures or enhance market champions.

The U.S.-Panama TPA contains binding language on tech neutrality under Article 13:14, "Flexibility in the Choice of Technologies." This article specifies that neither party may prevent telecom service providers from having the flexibility to choose their technologies, subject to legitimate public policy concerns. While TIA is encouraged that this key principle is included in the agreement, we believe that future agreements should require parties to specify legitimate public policy reasons for denying the application of this key principal. Such language would help avoid the arbitrary denial of technology choice.

ICT equipment and service providers will receive greater guarantees and better treatment under the TPA than through the World Trade Organization (WTO). Panama made limited telecom-related commitments in the WTO's Services Agreement (GATS), and it is not a signatory to the WTO's Agreement on Basic Telecommunications. The U.S.-Panama TPA therefore provides much better market access for telecom service providers than anything achieved through multilateral negotiations. Such access is important for ensuring interconnection, resale, number portability, dialing parity, competitive safeguards, resale, and cost-oriented interconnection.

Finally, TIA is pleased that the U.S.-Panama TPA includes a letter stating Panama's intention to become a full participant in the WTO's Information Technology Agreement (ITA). The ITA is an important agreement for ICT equipment providers because it requires signatory governments to eliminate duties on a wide variety of information technology products, including most telecom products. Panama has agreed to become a full participant of the ITA before the TPA enters into force.

As stated above, TIA strongly supports the U.S.-Panama TPA. The implementation of the agreement will provide important benefits to TIA's members, facilitating investment in Panama's telecommunications sector and guaranteeing market access for ICT goods and services. On behalf of TIA and our member companies, I look forward to the successful passage and implementation of the agreement. If you have any questions about this letter, or if there are other ways we can assist you, please feel free to contact Michael Nunes at mnunes@tiaonline.org, or 703.907.7725.

Sincerely,

Grant Seiffert
President