AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

THE COLOMBIA AND PANAMA FREE TRADE AGREEMENTS: NATIONAL SECURITY AND FOREIGN POLICY PRIORITIES

HEARING

BEFORE THE

SUBCOMMITTEE ON
THE WESTERN HEMISPHERE

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

MARCH 17, 2011

Serial No. 112–17

Printed for the use of the Committee on Foreign Affairs

Available via the World Wide Web: http://www.foreignaffairs.house.gov/

U.S. GOVERNMENT PRINTING OFFICE

65–304PDF WASHINGTON : 2011

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON FOREIGN AFFAIRS

ILEANA ROS-LEHTINEN, Florida, *Chairman*

CHRISTOPHER H. SMITH, New Jersey
DAN BURTON, Indiana
ELTON GALLEGLY, California
DANA ROHRABACHER, California
DONALD A. MANZULLO, Illinois
EDWARD R. ROYCE, California
STEVE CHABOT, Ohio
RON PAUL, Texas
MIKE PENCE, Indiana
JOE WILSON, South Carolina
CONNIE MACK, Florida
JEFF FORTENBERRY, Nebraska
MICHAEL T. MCCAUL, Texas
TED POE, Texas
GUS M. BILIRAKIS, Florida
JEAN SCHMIDT, Ohio
BILL JOHNSON, Ohio
DAVID RIVERA, Florida
MIKE KELLY, Pennsylvania
TIM GRIFFIN, Arkansas
TOM MARINO, Pennsylvania
JEFF DUNCAN, South Carolina
ANN MARIE BUERKLE, New York
RENEE ELLMERS, North Carolina
VACANT

HOWARD L. BERMAN, California
GARY L. ACKERMAN, New York
ENI F.H. FALEOMAVAEGA, American Samoa
DONALD M. PAYNE, New Jersey
BRAD SHERMAN, California
ELIOT L. ENGEL, New York
GREGORY W. MEEKS, New York
RUSS CARNAHAN, Missouri
ALBIO SIRES, New Jersey
GERALD E. CONNOLLY, Virginia
THEODORE E. DEUTCH, Florida
DENNIS CARDOZA, California
BEN CHANDLER, Kentucky
BRIAN HIGGINS, New York
ALLYSON SCHWARTZ, Pennsylvania
CHRISTOPHER S. MURPHY, Connecticut
FREDERICA WILSON, Florida
KAREN BASS, California
WILLIAM KEATING, Massachusetts
DAVID CICILLINE, Rhode Island

YLEEM D.S. POBLETE, *Staff Director*
RICHARD J. KESSLER, *Democratic Staff Director*

SUBCOMMITTEE ON THE WESTERN HEMISPHERE

CONNIE MACK, Florida, *Chairman*

MICHAEL T. MCCAUL, Texas
JEAN SCHMIDT, Ohio
DAVID RIVERA, Florida
CHRISTOPHER H. SMITH, New Jersey
ELTON GALLEGLY, California

ELIOT L. ENGEL, New York
ALBIO SIRES, New Jersey
ENI F.H. FALEOMAVAEGA, American Samoa
DONALD M. PAYNE, New Jersey

CONTENTS

Page

WITNESSES

The Honorable Christopher A. Padilla, vice president, Governmental Programs, IBM Corporation (former Under Secretary for International Trade, U.S. Department of Commerce) 4
The Honorable James R. Jones, U.S. Congressman (retired), partner, ManattJones (former U.S. Ambassador to Mexico) 12

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

The Honorable Christopher A. Padilla: Prepared statement 7
The Honorable James R. Jones: Prepared statement 14

APPENDIX

Hearing notice 28
Hearing minutes 29
The Honorable Connie Mack, a Representative in Congress from the State of Florida, and chairman, Subcommittee on the Western Hemisphere: Prepared statement 30
The Honorable David Rivera, a Representative in Congress from the State of Florida 32
The Honorable Albio Sires, a Representative in Congress from the State of New Jersey: Prepared statement 34

THE COLOMBIA AND PANAMA FREE TRADE AGREEMENTS: NATIONAL SECURITY AND FOREIGN POLICY PRIORITIES

THURSDAY, MARCH 17, 2011

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE WESTERN HEMISPHERE,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:07 p.m., in room 2172, Rayburn House Office Building, Hon. Connie Mack (chairman of the subcommittee) presiding.

Mr. MACK. The subcommittee will come to order. First I would just like to say that I appreciate so much those that are in attendance, the witnesses, the members who are here. Obviously, it is a third day. We have votes today coming up. Members will be leaving tonight and tomorrow, so we are going to try to move quickly through the hearing, although I think this is such an important hearing that it is my intention to find another time when we can also maybe continue this hearing or have another hearing on the same set of issues.

After recognizing myself and the ranking member, or Mr. Sires in this case, for opening statements, I will recognize each member of the subcommittee for 2 minutes. I would ask the members that if they wish to forego their opening statements or shorten them, that would be greatly appreciated so we can get to our witnesses, but it is your choice. I don't want to take away your opportunity to be heard on this as well.

We will then proceed directly to hearing testimony from our distinguished witnesses. The full text of the written testimony will be inserted in the record. Without objection, members may have 5 days to submit statements and questions for the record.

After we hear from our witnesses, individual members will be recognized for 5 minutes each to question our witnesses. The chair now recognizes himself 5 minutes, and following my own direction, I will forego my opening statement, will place it into the record, but I just would like to say that the free trade agreements in Panama and Colombia represent much more than just trade agreements.

These agreements represent in my opinion, or the lack of agreements to this point, represent in my opinion a failed foreign policy by this administration, that we are missing opportunities to lead, we are missing opportunities to create alliances with allies who count on the United States' friendship to help in their countries,

which has a direct impact on our own economy and our national security.

And so I am very concerned that the administration in its trip to Latin America has decided to forego Panama and Colombia. I think there is nothing more important that the administration can do right now than to show its support to our allies in Latin America. And the best thing the President could do is, either on the way to Latin America or when he gets back, to announce that he is going to send the free trade agreements to the Congress for passage.

The old tired excuses about we are not sure if we have the votes in the House are wrong. The votes are here. We can pass the free trade agreements. And I think that it is time that the President, the administration, gets serious about foreign policy and recognizes that you can't lead or be a leader if you don't know what it is you stand for. And I am not sure that the administration knows what it stands for when it comes to foreign policy.

Mr. Sires is recognized for 5 minutes.

Mr. SIRES. Thank you, Mr. Chairman. As someone who has since I got here promoted the trade agreement with Colombia, I agree that we are missing an opportunity that is very important. I was one of the co-sponsors of a letter last year to the President with Congressman Dreier in trying to get the administration to put forward the Colombia trade agreement. I certainly think it is an important step for this country.

I think that Colombia has been more than a friend to this country, and we need friends in that region. I felt that they have worked tirelessly with this country, including when we wanted to put the Iranians on notice about their nuclear program.

So I am truly supportive of this agreement. I will be very brief so we can get this hearing, and I appreciate the chairman holding this hearing. We share a lot of opinions together in terms of Colombia and Panama. Thank you very much, Mr. Chairman, for holding this hearing.

Mr. MACK. Thank you very much. Mrs. Schmidt is recognized for 2 minutes for an opening statement.

Mrs. SCHMIDT. Thank you, Mr. Chairman. And I will be brief. I echo your sentiments that it is failed foreign policy, failed economic policy, and failure with our friends down in Latin America. I can only echo that Colombia under President Uribe was stable, he turned the country around. Santos is following in his footsteps.

In Panama, it is not only stable, but the widening of the canal is only going to open up economic opportunities for the U.S. When you look at the benefits that we would get under Colombia, 80 percent of U.S. exports of consumer and industrial products to Colombia, 90 percent to Panama, this is a no-brainer. We really need to get on with these free trade agreements, and I hope that the President does that when he enters this trip at the end of this month.

Mr. MACK. Thank you, Mrs. Schmidt. And Mr. Meeks is recognized for 2 minutes if he has a wish to make some comments.

Mr. MEEKS. Thank you, Mr. Chairman. I want to thank you also for conducting this hearing. And I think that unlike some other issues that we have to deal with here in the United States Congress, you will find that this is an issue where we can have some

bipartisanship, that it just simply means that we just got to sit down and think rationally. And when you do then you really begin to understand the benefits of us making sure that Panama and Colombia are passed. Because truly it is beneficial for both sides and our entire hemisphere. Truly, it just makes sense when you look at Colombia and Panama, great friends and allies of the United States and who have each made tremendous strides on their own governments in trying to make sure that they have turned a corner there. And for us, you know, it is simple to me that they have access to our markets and we don't have access to theirs. And so it just seems to me it would help us create jobs and should be a part of the President's export initiative. And I am hopeful for the first time in a very long time that in short order we will be able to get a bipartisan free trade agreement with Colombia and Panama passed.

And I thank you, gentlemen. I wait to hear from you. And again, I thank the chairman for conducting this hearing. I think it is beneficial and will help us get down the road.

Mr. MACK. Thank you, sir, very much. Mr. Rivera from Miami is recognized for 2 minutes.

Mr. RIVERA. Thank you so much, Mr. Chairman. Thank you for holding this hearing. And thank you to the witnesses who are going to be presenting. I think it is important as we go forward to discuss every opportunity possible to make sure that Colombia and Panama are linked to the greatest extent that we can with the South Korea Free Trade Agreement. It is important that if you support free trade that the world know that we support all free trade, not just South Korea, but also Colombia and Panama, and that these free trade agreements be seen as a package. I think it is unfortunate that in the upcoming trip that President Obama is taking to Latin America he is not including stops in Colombia and Panama, two of our best allies in the region, two allies where not only there are mutual economic security interests, but national security interests. And I would hope as the President is embarking on his trip and conducting his trip while he is in Latin America that he makes sure not to shun them, at least in his public pronouncements on free trade. Because passing the Colombia free trade agreement, for example, is of utmost importance to moving our economy forward, creating jobs. It will eliminate trade barriers and immediately boost U.S. exports. In fact, U.S. GDP would increase by roughly $2.5 billion and exports would increase by over $1 billion, which would create thousands of jobs in the United States.

While we are languishing in our commitment and dedication to free trade with these countries, the European Union and Canada have been promoting it quite vigorously and they are doubling and tripling their business with Colombia in the region. And I think this administration should take note of those movements. This would be important to make positive policy gestures toward our allies and making sure that Latin America knows we are enthusiastic about doing business with our allies.

So I would just close by saying it is important to make sure that the message is sent that we approve all three trade agreements as a package; South Korea, Colombia and Panama.

Mr. MACK. Thank you, Mr. Rivera. I would now like to introduce our witnesses. And again thank you so much for your patience in being here. First, the Honorable Christopher Padilla. Mr. Padilla served as Under Secretary for International Trade at the U.S. Department of Commerce. Prior to serving as Under Secretary, Padilla was Assistant Secretary of Commerce for the Export Administration, where he oversaw U.S. regulations governing the exports of items controlled for national security reasons. Currently Mr. Padilla serves as vice president of IBM, where he leads the company's Global Government Affairs Program and manages a team of professionals in more than 30 countries. Thank you so much for being here.

And second, the Honorable James Jones, a former Congressman, a former Ambassador to Mexico. During his service in Mexico, Ambassador Jones was very successful in his leadership during the Mexican peso crisis, the passage and implementation of NAFTA, and in developing new cooperative efforts to combat drug trafficking. He also assisted U.S. businesses with commercial ventures in Mexico. Ambassador Jones provides business development advice and consulting for clients primarily in Mexico and Latin America.

Thank you both for being here. Mr. Padilla, you are recognized for 5 minutes.

STATEMENT OF THE HONORABLE CHRISTOPHER A. PADILLA, VICE PRESIDENT, GOVERNMENTAL PROGRAMS, IBM CORPORATION (FORMER UNDER SECRETARY FOR INTERNATIONAL TRADE, U.S. DEPARTMENT OF COMMERCE)

Mr. PADILLA. Thank you, Mr. Chairman, members of the subcommittee, for holding this hearing. I am honored to be here and honored to be on a panel with Ambassador Jones. In 2007, Mr. Chairman, I was serving as Under Secretary of Commerce, and I traveled with then Secretary Gutierrez and a bipartisan congressional delegation, including Mr. Meeks, to Medellin, Colombia. And as we got off the plane at the airport in Medellin I saw a line of armored SUVs waiting on the tarmac to take us into the city, and I confess, all I could think of was the scene from the movie, "Clear and Present Danger," where Harrison Ford's convoy of U.S. Government officials in white SUVs gets ambushed in the streets of a Colombian city. I was a little nervous. And in my SUV, I don't know about yours, Mr. Meeks, I had a couple of Members of Congress who shall remain nameless, it was a bipartisan group, and they weren't saying anything either, so I think maybe we were all nervous.

But as we drove into town at dusk we saw people crowding into busy sidewalk cafes, we saw excellent infrastructure, we saw families walking through parks with their children, and it was not the Colombia of the movies, nor the caricature that at least I had in my mind. What I was seeing was a country transformed. And in Colombia today terrorism and violence are being replaced by the rule of law, a huge investment in education and free markets. Colombia has strengthened its labor laws, it has cracked down on violence against unionists, and last year it was removed from the ILO's list of countries subject to labor rights monitoring. The in-

crease in security has been so dramatic that today, a resident of the District of Columbia is eight times more likely to be murdered than a trade unionist in the country of Colombia. And far from being persecuted, Colombian labor unions are growing and they are growing fast, faster than any other country in the hemisphere with labor union membership, growing by 75 percent in the last 7 years.

But our dialogue here in Washington seems stuck in the past. We seem not to recognize this progress. Most notably in recent months the White House has stated it wants to move forward, but it has also said that there are further unspecified labor concessions from Colombia that will be needed. I am frankly not sure what more we can ask from this good friend and ally.

The second point I want to make is that the United States already has free trade with Colombia and Panama, but it is one-way free trade, or at least it was until the ATPA recently expired. A can of Colombian coffee comes into this country duty free, and it did for 19 years under the Andean Trade Preferences Act. But a computer server made by IBM in the U.S. pays a 5 percent tariff when we sell it in Colombia. Even Lou Dobbs I think could love this trade agreement, Mr. Chairman, because it rectifies what is an unbalanced, one-way free trade relationship, and it is all good for the United States.

The third point I would make is that Colombia and Panama both stand out as shining examples of the success of U.S. foreign policy. In 1999, then Speaker Hastert and then President Clinton worked together on a bipartisan basis to create Plan Colombia, and since then Colombia has leveraged more than $7 billion in U.S. assistance to fight terrorism and drugs and to protect human rights. As a result, the FARC terrorists have been largely defeated. Coca production is down by 40 percent. Just a few weeks ago Colombia came off the U.N. Drugs Watch List. Who would have thought a decade ago that we would see such progress? All done while maintaining a vibrant commitment to free markets and democracy.

Surely, this is the model that we hope other countries, including in the Middle East, will follow to maintain a commitment to democracy in free markets even as they defeat a terrorist insurgency and deal with insecurity on their own borders.

What message does it send to the region if we turn our back on these allies despite their commitment to democracy, security and free markets? I fear, Mr. Chairman, that any continued delay would only embolden those who have a different and darker and non-democratic vision for this hemisphere.

Mr. Chairman, America is falling behind in its economic engagement in this hemisphere. As Mr. Rivera and Mr. Sires both noted, Chinese investment in the region is increasing. The EU and Canada both have free trade agreements with Colombia and Panama. When Mercosur signed an agreement with Colombia recently, U.S. exports of agricultural products to Colombia dropped by half because they were replaced by Argentine and Brazilian exports.

There is no more time to waste. Mr. Chairman, these countries are not the same countries they were even back in 2007, or certainly the ones they were at the end of the 1990s. Their progress should be recognized. The economic case for a close relationship with these neighbors is compelling, and it is immediate. In enhanc-

ing or embracing a fuller partnership with Colombia and Panama, we serve not only our own foreign policy interests, but we set an example for others in the Western Hemisphere and the world to follow.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Padilla follows:]

Statement of
Christopher A. Padilla
Vice President, Governmental Programs
IBM Corporation

Before the

Subcommittee on the Western Hemisphere
Committee on Foreign Affairs
U.S. House of Representatives

March 17, 2011

Thank you Mr. Chairman and Ranking Member Engel. I appreciate the opportunity to appear before you today to discuss the Colombia and Panama free trade agreements, and I commend you both for your longstanding interest in this region and its importance to the United States.

I currently serve as Vice President of Governmental Programs for IBM Corporation, which this year celebrates its 74th year of doing business in Colombia, and more than 30 years in Panama. We expect to see expanded opportunities for our company and our clients when the pending trade agreements with these two important countries are passed by Congress and fully implemented. Colombia alone represents a $4 billion market for information technology products, and IBM exported about $50 million in goods, software, and services to Colombia in 2010. We serve a wide range of Colombian business clients – from banks to travel agencies, and even a chocolate company. We see significant upside potential.

In late 2007, I was serving as Under Secretary of Commerce for International Trade when I accompanied then-Secretary of Commerce Carlos Gutierrez and several Members of Congress on a visit to Medellin, Colombia. Rep. Engel, I believe you traveled on one of Secretary Gutierrez's subsequent trips to Colombia.

As we got off the plane, I saw a line of armored white SUVs and several motorcycle policemen ready to escort us into town. I had told my family I was going to Colombia, but I confess I hadn't specified that I would be in Medellin, the one-time drug capital of South America. As we got into the SUVs and rode into the city, all I could think of was the scene from the movie, *Clear and Present Danger*, where Harrison Ford's convoy of white SUVs is ambushed in the streets of a Colombian city. I noticed that the Members of Congress in my vehicle were very quiet, and I wondered if they were having the same thoughts.

But as we drove into town, I saw something remarkable. It was dusk, and people crowded into busy sidewalk cafes and restaurants. Families strolled through parks with their children. The roads and bridges were newly built. Vendors sold flowers, food, and

souvenirs for visiting tourists. This was not what I had expected. It was not the Colombia of the movies. I was seeing a country transformed.

We in the United States still have trouble separating the reality of modern-day Colombia from the caricature in our minds. But make no mistake; Colombia is a country on the move. And like its neighbor Panama to the north, it is a close and vital ally of the United States.

I would like to make three points today, Mr. Chairman.

First, Colombia and Panama are not the countries they were just a few years ago – and our foreign and trade policies should reflect the new political and economic realities on the ground of these two important allies.

Second, the economic case for both the Colombia and Panama trade agreements is compelling and immediate – and the United States is falling behind other countries in its economic engagement in the region.

Third, both Colombia and Panama are vital to U.S. foreign policy and national security interests – not just for their friendly policies, but for the example they set for the rest of Latin America about the value of democracy, security, and free markets.

Colombia and Panama – Countries Transformed

In Colombia I saw a vibrant, modern society engaged in the global economy – growing flowers, making apparel, providing services – in an atmosphere of increased safety and security. I met former paramilitary members who came in from the jungle, laying down their weapons in exchange for jobs, education, and a chance to raise a family. In Colombia the terrorism, violence, and instability of the FARC are being replaced by the rule of law, huge investment in education, and free markets. The transformation is nothing short of remarkable.

Colombia's labor laws were generally strong when the trade agreement was signed in 2007, but have since undergone substantial reform through major labor legislation. Just since 2007, Colombia has worked closely with the International Labor Organization to identify and implement further reforms. As a result, in June 2010 the ILO dropped Colombia from its list of countries subject to monitoring for failure to comply with international labor rights

Colombia has also taken significant steps to protect labor union members from violence. The Colombian government has established a protection program for vulnerable individuals, including union leaders. More than 1,900 union members and 10,000 judges, human rights workers, and journalists have been included in this program, which has a budget of $360 million and an unblemished record of success. It has created a special unit to investigate and prosecute individuals charged with violence against labor union

members and as a result of these and other measures, the homicide rate of union members has declined by nearly 90% since 2002.

As a result the homicide rate of union members is now just one-sixth the national homicide rate, and a resident of the District of Columbia is eight times more likely to be murdered than a Colombian trade unionist. Far from being persecuted, Colombia's labor unions have grown significantly in recent years. The number of Colombian workers affiliated with labor unions rose from 850,000 (4.9% of workforce) in 2002 to 1,500,000 (7.9%) in 2009 — an increase of more than 75% and one of the most dramatic rises in unionization anywhere in the world.

In Panama, the government has come very far in meeting the labor and fiscal transparency concerns raised by the United States. The country recently signed a Tax Information Exchange Agreement with the United States to significantly increase the transparency of financial transactions in Panama, and the country is also ratifying the 12 necessary tax agreements to be removed from the so-called "gray list" of the OECD.

Yet our dialogue in Washington sometimes seems not to recognize this progress. Most notably, in recent months the Obama Administration has stated that further, unspecified labor concessions from Colombia will be necessary to secure U.S. approval of the trade agreement. I am not sure what more is being asked of Colombia. Yet even though Colombia has already signed this agreement with the United States *twice*, and already gone to its legislature for approval of the agreement *twice*, leaders in Colombia have remained willing to work with their U.S. government counterparts to take further steps.

A Compelling Economic Case

It is not generally understood that the United States *already* has free trade with Colombia and Panama – but it is only *one-way* free trade. Beginning in the mid 1990s and continuing until today, Congress has voted routinely and overwhelmingly to throw open the U.S. market to duty-free products imported from Colombia and Panama. I believe these two trade agreements are ones that even Lou Dobbs could love, because they rectify what is currently an unbalanced, one-way free trade relationship.

In fact, if you remember any numbers from my testimony, remember only these: 92 and 19. Ninety-two percent of imports from Colombia *currently* enter the United States completely duty free. It has been that way for 19 years, since Congress first passed the Andean Trade Preferences Act that gave Colombia access to our market as a way to reduce poverty and fight the drug trade. Until the latest expiration, ATPA benefits were routinely and overwhelmingly approved by bipartisan majorities in Congress.

In practical terms, here is what this means:

- A can of Colombian coffee comes into the United States duty-free. But a server manufactured by IBM in the United States and exported to client in Colombia pays a 5 percent tariff on entering that country.

- Flowers from the region – sold in every florist shop in Washington – enter our market and pay zero tariffs. But U.S.-made fertilizer exported to the region to help those flowers grow is charged up to 15% tax.

It has now been 1,577 days – more than 4 years – since the Colombia agreement was signed. During that time U.S. exports to Colombia have been penalized by the imposition of more than $3.4 billion in tariffs that could have been eliminated. We can rectify this imbalance and support U.S. exports and jobs by ratifying the Colombia and Panama free trade agreements without delay.

U.S. Foreign Policy and National Security Interests

During my time in government I worked to promote a U.S. policy for the Western Hemisphere that has been consistent through presidencies of both parties: to help our neighbors create strong and enduring democracies, provide security for their people, and embrace the opportunity of free markets.

For far too long, Latin America has been plagued by socio-economic divisions that often break down along racial fault lines. The region has struggled to create viable, lasting democratic institutions which can support peaceful transitions: from center-left to center-right governments – and back again – according to the people's wishes. Misguided experiments with socialism and statist policies have ruined economies and condemned citizens to poverty. And civil wars or Communist insurgencies in many countries have been replaced by the wanton violence of narco-traffickers.

Yet Colombia and Panama stand out as shining examples of the success of U.S. foreign policies. For example, in 1999, then-Speaker Hastert and then-President Clinton worked together to create "Plan Colombia," and successive Colombian administrations since that time leveraged more than $7 billion in U.S. assistance to fight drug trafficking, promote sustainable development, and protect human rights.

As a result the FARC terrorists have been essentially defeated. Coca production has been reduced by 40%, reaching the lowest level in 11 years. On March 1, 2011, Colombia was removed from the UN Drugs Watch List. And all of this took place in the context of a vibrant democracy, with free elections last year leading to a new government under President Juan Manuel Santos.

Colombia chairs the UN committee implementing sanctions against Iran and has partnered with the United States to provide extensive training and assistance to help the

Mexican government defeat violent drug cartels along the U.S.-Mexico border. In Afghanistan, at the request of the United States, Colombia has provided counter-narcotics training and assistance to the Karzai government.

Panama has, since the removal of dictator Manuel Noriega in 1989, grown into a close regional partner of the United States. It served on the UN Security Council during times of great crisis, has cooperated with its neighbors on regional health policy and drug interdiction, and has since 1999 operated the Panama Canal with great efficiency and transparency. Following a democratic referendum, Panama is now engaged in the expansion and improvement of the Panama Canal, which will improve efficient supply chain management for companies worldwide.

What message does it send to the region when the United States does not fully embrace these two regional allies in a closer economic partnership? When we turn our backs to allies like Colombia and Panama – despite their solid commitment to democracy, security, and free markets – we embolden those who have a different vision for the Hemisphere, a backward-looking vision that would result in enfeebled democracies, statist economic policies, and the ever-persistent threat of narco-trafficking.

Conclusion – No Time To Waste

While these U.S. trade agreements languish, other nations are moving forward in the Western Hemisphere. Chinese investment in the region is increasing rapidly. The European Union signed free trade agreements with both Colombia and Panama – so has Canada. Following implementation of a new trade accord between Colombia and Mercosur (a customs union that includes Argentina and Brazil), U.S. exports of agricultural products to Colombia dropped by nearly half, while Argentina's and Brazil's sales to Colombia have climbed by more than 20 percent.

There is no time to waste. Mr. Chairman, the Colombia and Panama of today are not the countries they were just a few years ago and certainly are not the caricatures that opponents of these trade agreements are making them out to be. The economic case for a closer relationship with these two neighbors is compelling. And by embracing a fuller partnership with Colombia and Panama the United States would not only serve its own foreign policy and national security interests, but would set an example for others in the Western Hemisphere to follow.

Thank you.

Mr. MACK. Thank you, Mr. Padilla. Ambassador Jones, you are recognized for 5 minutes.

STATEMENT OF THE HONORABLE JAMES R. JONES, U.S. CONGRESSMAN (RETIRED), PARTNER, MANATTJONES (FORMER U.S. AMBASSADOR TO MEXICO)

Mr. JONES. Thank you very much, Mr. Chairman. It is a particular honor to testify here today. Your father, back when I was House Budget Committee chairman, was a valuable member of that committee and a friend, and I am delighted that you would invite me to testify here.

My experience in trade goes back to 1973 when I first came to Congress. And during my 14 years in Congress I was on the Trade Subcommittee of Ways and Means that whole time. Then going to New York as CEO of the American Stock Exchange and developing both for our companies and for the relationships with the developing markets of Latin America, Asia and Africa. And then as Ambassador to Mexico before, after and in the implementation of NAFTA. And most recently the 12 years I have been CEO of ManattJones Global Strategies, our firm takes companies based in the United States into developing markets of Latin America and opens the markets, et cetera. And I found where trade can be helpful and trade can be unhelpful in doing business for American firms.

Now, I don't believe that free trade agreements solve all the problems, and I must admit that many of us who have testified on behalf of NAFTA, et cetera, perhaps overstated the benefits to be projected. But I think it is indisputable that the free trade agreements the United States has made has been to the benefit both in the United States and our trading partners.

The common benefits are that (A) we, U.S. exports increase in every instance. For example, Mexico was sort of an afterthought as a trading partner before NAFTA and now it is the second largest market for U.S. goods and services. The net job increases both in the United States and in our trading partner is indisputable. And what is also interesting, particularly in NAFTA, is that the jobs that are NAFTA-related in the United States pay on average almost 20 percent more in wages than non-NAFTA or nontrade international jobs in the United States.

The intangible benefits are also very important to the United States and to United States business, and I particularly found this true in NAFTA. Doing business in Mexico for a U.S. company before and after NAFTA is the difference of night and day. The NAFTA regulations, the NAFTA requirements, are such that you rarely, if ever, are approached with something that would be a crime in the United States when you are doing business for a NAFTA country.

So I think those are all common things that free trade agreements bring to our country. Not all trade agreements are alike and not all of them should require the same kind—some of them should require much more scrutiny, but I don't believe that these two trade agreements with Colombia and Panama fit that concern for several reasons.

Number one, as has been mentioned, we currently have great trade advantages, and those advantages are being eroded because the United States has dallied while other countries have made free trade agreements throughout Latin America and have cut into our market share.

Secondly, the exports and the imports with both Colombia and Panama are complementary and not competitive with the United States economic interest. For example, the U.S. has trade surplus in manufactured merchandise with both countries. Now, that is something that is very unusual. We have always had a services component surplus, but always a manufacture component deficit. We have surpluses with both Colombia and Panama. Neither Colombia nor Panama exports to the United States items that diminish job creation in the United States.

In fact, it is just the opposite. The vast majority of imports to the United States from Colombia and Panama are oil, coffee, precious stones, cut flowers, fruits, prepared goods, seafood and gold. Those are not competitive with what we are producing in the United States.

And fourth, the major U.S. exports to Colombia and Panama are machinery, aircraft, yarn, fabric and such agricultural products as wheat, corn, rice, and to a lesser extent pork and beef. So the U.S. has many advantages, but those are being diminished as we dilly and the other countries establish free trade agreements. The United States in the late 1990s and in the first decade of this century lost some very big opportunities to strengthen our ties with our Western Hemisphere neighbors. After the fall of communism, Latin America embraced free market economics and honest, competitive, open democracy, as well as making small strides toward the improvement of the rule of law. Nearly every nation in Latin America except Cuba admired and wanted to emulate the United States. But we became, as a nation, distracted elsewhere and we neglected attending to the needs and aspirations of our friends in the hemisphere.

Now, these countries did not ask for foreign aid. What they wanted was more trade and to be more a part of the economic system of the United States. But both Democrats and Republicans, here it is bipartisan, dropped the ball, and as a result the perception throughout Latin America is one of neglect and disinterest by the United States.

These two FTAs (free trade agreements), I think, can strengthen our foreign relations in the hemisphere while at the same time open new market opportunities for U.S. firms and can add U.S. jobs. Rarely does Congress ever come up with a proposal, that you have to study, that would be called a no-brainer, as Mrs. Schmidt said. But these two free trade agreements come as close to being no-brainers and should be approved. They will have economic foreign policy and security benefits for the United States.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Jones follows:]

The Colombia and Panama Free Trade Agreements: National Security and Foreign Policy Priorities

House Foreign Affairs Committee, Subcommittee on the Western Hemisphere

March 17, 2011

Written Statement of James R. Jones, Co-Chair ManattJones Global Strategies, former U.S. Ambassador to Mexico, former Member of Congress.

The subject for this hearing, "National Security and Foreign Policy Priorities," recognizes the challenges and complexities of the dialogue on trade. The Panama and Colombia trade promotion agreements, like trade agreements that have preceded them and will follow them, become about many things – among these are economic gains, losses, and changes; security; foreign policy; international leadership; and politics. No trade agreement alone will accomplish all of a country's economic objectives, much less the many broader issues that attend to these discussions. While we must acknowledge what a trade agreement is and is not, we also should consider how it supports the evolution of democratic, transparent, and fair institutions and systems and how such longer term, systemic changes benefit the citizens of both countries. In this respect, I focus my attention on how trade agreements such as the Colombia and Panama agreements support the U.S.'s national security and foreign policy interests.

As the U.S. Ambassador to Mexico before and after the NAFTA was approved and since then, I have witnessed not just the economic and trade-related changes NAFTA created, but also systemic changes that have made Mexico internally a stronger democracy and a more equal partner with the U.S. as well as our second largest export market. Our bilateral relationship today is stronger, broader, and more mature in part because of NAFTA.

Strong, growing economies benefit U.S. businesses and employment. No country today grows (or even maintains) merely by producing only for its domestic market. Colombia

has 45 million potential consumers. Panama's smaller population has the highest per capita incomes in the Central American region, in addition to the administration and management of the strategically important Panama canal. Colombia and Panama already have access to the over 250 million U.S. consumers through various U.S. unilateral preference programs. Various studies demonstrate the benefits on balance of these two trade promotion agreements. Everyone knows that every trade agreement will have some negative economic consequences, and such impacts often are visible and acute. These consequences can and should be anticipated and addressed. As this Committee discusses the two agreements, many experts will be able to provide the statistics that support those conclusions and highlight those risks. But no one should question the basic premise that the U.S. economy and U.S. workers benefit when U.S. exports are the products and services that consumers in Panama and Colombia choose.

A trade agreement also should be viewed as part of the mosaic of actions and activities that enhance institution building, stability, and broader policy and national security dialogues.

They are one of many vehicles to define and support broader domestic and international economic and development agendas. They provide a means to facilitate international trade, improve investment climates, increase competitiveness, create and maintain jobs, and expand consumer choices. Alone they will not overcome ineffective institutions or inadequate infrastructure. If such expectations exist, neither the Colombia nor Panama trade agreement, or any others, could satisfy anyone.

But continuing inaction risks the U.S. credibility that advances broader national security interests and other policy objectives. Implementation of the agreements alone will not position the U.S. as the hemispheric leader or align political, social, and international perspectives. Long gone are the days, if in fact they ever existed, where U.S. economic or technical assistance would be able to sway other governments' policy choices. Efforts that involve political, social, and international cooperation will continue as long as they are in each country's own best interests.

The failure to move forward with these two negotiated agreements runs counter to U.S. national interests and foreign policy priorities. Earlier this year, six former USTRs, two former White House Envoys to the Americas, and 11 former Assistant Secretaries of State for the Western Hemisphere whose services spanned the last six U.S. presidents provided specific examples of shared U.S. and Colombian national interests:

> "Colombia has partnered with the United States to help the Mexican government defeat violent drug cartels along the U.S.-Mexico border. In Afghanistan, at U.S. request, Colombia has provided counter-narcotics training and assistance to the Karzai government. And Colombia Chairs the U.N. Committee implementing U.S. backed sanctions against Iran."

Since negotiation of the Panama agreement and motivated in part by that agreement (as well as the OECD), the Panamanian government has strengthened its financial controls. More effective controls will not only benefit Panama and the U.S., but all countries committed to making it harder for illicit money to move along with legal monies through increasingly globalized financial systems.

I have seen long-term and systemic benefits generated by trade agreements realized in the countries with which the U.S. has negotiated agreements. These are important for traders and investors, but are equally important to protect the rights and opportunities of the citizens of those countries. They often are not a direct result of a specific negotiated obligation, but rather evolve to implement the kind of systems that a trade agreement envisions and requires.

- Improved transparency of government actions and quality of institutions. The U.S. services sector for the past 30 years has maintained a trade surplus.[1] Services exports generally depends less on tariffs imposed at the borders, and more on fair, transparent, efficient, and effective internal regulations, licensing and certification processes, and independence and professionalism of regulatory

[1] http://www.census.gov/foreign-trade/statistics/historical/gands.pdf. Services represents approximately 75% of US economic output and about 80% of US private sector employment. In 2009, US services exports exceeded $507 billion and had a services surplus of approximately $132.3 billion. Source: Coalition of Services Industries.

officials. Unusual in Latin America, 77% of Panama's GDP is in services, developed around the transportation and commerce generated by the Panama Canal and by the Colon Free Zone on the canal's Atlantic gateway.[2]

- Strengthening rule of law and the quality of legal and judicial institutions and systems.
- Fostering a strong, independent private sector that can buffer the impact of political changes, providing stability as governments transition; create private sector jobs, reducing the fiscal commitments on governments and resources available for other spending; and foster changes that build stronger societies, such as public sector institutions can produce the skilled and educated workers needed as economies develop.

To share a few examples from Mexico where I think the NAFTA helped provide the catalyst, framework or structures to strengthen institutions or enhance the credibility of a government's policy choices:

- Customs cooperation create a secure border that identifies and detains illegal commerce, with the least adverse impact on the significant amounts of legitimate trade that crosses the U.S. – Mexico border daily.
- Intellectual property protections continue to strengthen. In 1993, Mexico created IMPI, the Instituto Mexicano de la Propiedad Industrial (Mexican Institute of Industrial Property), that provides information to rights' holders, the public, and research institutions; provides advice on filing for protection industrial property, and is the point of contact for protection of the rights of holders of trademarks, inventions, and similar products.[3] Its Director was honored with the WIPO Gold Metal in 2008 in recognition of his vision and leadership and for promoting respect for intellectual property rights in areas national and international, as well as strengthening development policies and competitiveness of the Mexican economy. He received the "Venice International Award for Intellectual Property

[2] CRS, The Proposed U.S.-Panama Free Trade Agreement, March 1, 2011.
[3] http://www.impi.gob.mx/wb/impi_en/Home/_lang/en

2006" from the Venice Centre for Intellectual Property, only the third such award made.

- Regulatory burdens and inconsistencies are being minimized. In 2000, Mexico created Cofemar, the Comisión Federal de Mejora Regulatoria ("Federal Commission for Regulatory Improvement") with the mandate to promote transparency in the development and implementation of regulations and to ensure that the benefits they generate outweigh their costs, thereby maximizing the benefits to society.[4] Its efforts are designed to make Mexico more attractive to investment and to help avoid complaints such as those filed under the NAFTA dispute resolution process that result in judgments against Mexico because of regulatory actions.
- Competition and transparency in government procurements has improved. In addition to amending the legal regime, Mexico launched Compranet, an electronic system for government procurement through which all federal agencies post the calls for bids, terms, notes, results, and contracts related to their procurement.[5]
- Freedom of information has been enhanced. Mexico created the Instituto Federal de Acceso a la Información Pública ("Federal Institute for Access to Public Information"), to implement Mexico's transparency (FOIA) act that came into force in 2003.[6] Constitutional amendments in 2007 require the federal and every state government to launch an electronic system allowing access to information and procedures for appeal, from any location in the world.
- The North American Steel Trade Committee (NASTC), in which the governments and steel industries of North America continue wide-ranging work to seek common policy approaches for enhancing the competitiveness of North American steel producers. Within the NASTC, the three countries' governments and steel industries can track developments in certain steel producing countries to identify and address, as appropriate, distortions in the global steel market. It has

[4] http://www.cofemer.gob.mx/contenido.aspx?contenido=138.
[5] www.compranet.gob.mx.
[6] http://www.ifai.org.mx/English.

- submitted joint comments to the Chinese government on China's proposed changes to its steel industrial policies.[7]
- In 2011, Mexico recognized the equivalence of U.S. and Canadian standards for exporting certain electrical and electronic products to Mexico. A Mutual Recognition Agreement for Conformity Assessment of Telecommunications Equipment between the United States and Mexico is planned to be signed in 2011.

The U.S., Colombia and Panama all negotiated the agreements in good faith. The result of honest and tough negotiations will always be that neither party gets everything it wanted and neither party fails to gain some benefits. The relevant question thus must not only be whether an agreement ensures achievement of a particular economic objective, but rather whether it reflects and helps advance both countries' broader economic, political, security, and foreign policy objectives. I believe that the response for both the Panama and Colombia agreements is yes.

[7]http://www.ustr.gov/trade-topics/industry-manufacturing/industry-initiatives/steel.

Mr. MACK. Thank you, Mr. Ambassador. We appreciate both testimonies. And I am going to begin with the questions.

Mr. Rivera from Miami, you are recognized for 5 minutes.

Mr. RIVERA. Thank you, Mr. Chairman. I want to try and drill down on this issue of unresolved issues that I keep hearing about with respect to Colombia. It was quite disconcerting a few weeks ago when we had Assistant Secretary of State for Western Hemisphere Arturo Valenzuela here testifying, and he was asked specifically what are these unresolved issues, and he was not able to respond. In another meeting subsequent to that hearing with Trade Secretary Kirk, I asked him the exact same question, and there were several Congressmen present in that meeting, and he was unable to respond. But I keep hearing this specter of the term "unresolved issues." And I think that is just a code word, those are code words for labor concerns, as I talk to some of my colleagues here now.

My understanding is that the Vice President of Colombia is a former union leader, is that correct, Mr. Padilla.

Mr. PADILLA. Yes, that is my understanding, sir.

Mr. RIVERA. It is also my understanding that he is very supportive of this free trade agreement between the United States and Colombia. So let's talk about some of these issues of, drill down even further, labor concerns. I have heard issues about death with labor leaders and labor members in Colombia. But I was given some statistics recently that said homicides against unions have declined by 83 percent since 2002, from 196 to 33 cases.

Can you speak a little bit to this issue of violence with union leaders?

Mr. PADILLA. Certainly. Maybe I can start. There is no question that violence against labor leaders has declined dramatically in Colombia. The homicide rate in that country overall has dropped by half, kidnappings have dropped by 90 percent, and the country has made a special effort to protect trade unionists. In fact, the country has a program on which it spends about $360 million to provide protection details for anyone who asks for them and can make the case that they need it. And about 2,000 labor union leaders and about 10,000 judges are under that program.

There is no question, Congressman, that in the past Colombia has been a dangerous place. It is a place with a violent history, it was subject to a violent terrorist insurgency. But I think the evidence is clear that there has not been, particularly in recent years, some sort of an effort to target labor union leaders. In fact, I think just the opposite; they have received more protection, and as a result, the level of violence has declined quite dramatically.

Mr. RIVERA. Go ahead, Mr. Jones, Ambassador Jones.

Mr. JONES. Just two comments. Number one, one of the advantages of being around a long time is you get to see things ebb and flow, and both political parties have to work out the political issues of their own base, and so I think that is what is going on ultimately. And I think before too long they will come to the realization that the fact is, Colombia has made great strides in protecting the unions. There is no question. In fact, I was on the board of a major U.S. company and we had an opportunity to buy the major beer company in Colombia not too long ago. And the CEO said

there is no way he would send any of his people into Colombia because everybody was targeted, and now a few years later it is much more improved.

So I would say, based upon an anecdotal from my time in business primarily, that 10 or so years ago union leaders were targeted. I don't think that is the case now, and I think the Colombian Government actually is going the other way to prosecute and to protect union people.

Mr. RIVERA. It is also my understanding that the Colombia Free Trade Agreement and its labor provisions are identical to the Peru Free Trade Agreement, which had broad bipartisan support, is that correct?

Mr. PADILLA. Yes, it is correct, Congressman. It reflects the May 10th agreement, so-called May 10th agreement, made on a bipartisan basis between the then Bush administration and Democratic leaders of Congress, and the language on labor and environment in Colombia and Peru is identical.

Mr. RIVERA. Well, I think that pretty much makes the case that Colombia, and perhaps Panama as well, are being targeted and tarnished unjustifiably by this administration and the detractors of the Colombia Free Trade Agreement, which I think just makes the argument even more forcefully that all three trade agreements need to be treated as a package, because I don't think Latin American countries, particularly strong allies like Colombia and Panama, should be discriminated against, which is why I think if they are not brought forward as a package then South Korea should not go forward.

Thank you.

Mr. MACK. Thank you, Mr. Rivera. Mr. Sires is recognized for 5 minutes for questions.

Mr. SIRES. Thank you, Mr. Chairman. Ambassador Jones, I couldn't agree with you more. I have seen myself a change in Colombia the last few years. I travel just about every year to Colombia with a group that raises money for an orphanage, and every year that I go there I am amazed of the changes that go on in the country. I also had a very interesting dinner with one of the presidents of the colleges in Bogota, where during the dinner he stated to me that the second most studied language in Colombia today is Mandarin.

So to me that raised a red flag. Obviously China is a big presence now in Colombia and increasing every year. So if we don't move forward with this trade agreement as Colombia has moved forward with the EU, Brazil, Canada and China, how would this further neglect of this agreement affect the American industries?

Mr. JONES. First of all, let me comment on your issue of learning Mandarin. A very short time ago, just a few years, China was the 19th or 20th trade partner of Colombia's and now they are the second. And the projections show they will surpass the United States as the largest trade partner unless we are able to pass a free trade agreement.

But that is not the only one we are losing business to. We are losing business to Argentina, Brazil, and the Mercosur countries in agricultural products. And ADM has lost a significant amount of business, for example, in wheat and corn into Colombia.

So I think that, as I tried to point out in my testimony, our trade with Colombia is very complementary. What they sell to the United States are things that are not integral to the United States and what we sell to Colombia is integral to the United States and not to Colombia. So I think it is one of those hand-in-glove type agreements that we ought to be pursuing are passing.

Mr. SIRES. I think last year Colombia signed a trade agreement with Canada worth about $1,700,000,000 that we probably lost out on.

Mr. Padilla, in your estimation, what is the roadblock, other than obviously the unions? Because I am trying to find out myself to see if I can unblock it.

Mr. PADILLA. Well, I would associate myself with Ambassador Jones' comments on this. I don't really think it is about labor issues in Colombia. I think great progress has been made. I think this is about the difficult domestic politics of trade in the United States, candidly. And what I hope will happen is that President Obama will take ownership of these two agreements, as he did with the Korea agreement, to his credit, in which he embraced that agreement, is prepared to submit it to Congress, and I think it will get a very strong bipartisan vote. There is no reason in my view that he couldn't and shouldn't do the same with Colombia and Panama, and I hope that he will.

I think that really is the issue. The reason that I think Ambassador Valenzuela and Ambassador Kirk were not able to answer your question is we have not told the Colombians what we want. They have been asking for years and we have not told them, and the reason is because of the political challenges of dealing with this agreement in our own domestic politics.

Mr. JONES. I would just add to my friends on my side of your aisle, and that is the reason I ticked off the products that Colombia sells to us and the products that we sell to them, it is in organized labor of the United States' best interest to promote this because the jobs are in manufacturing, in aircraft and various things, machinery and things like that. And those are the products we are selling to Colombia and can sell more of if indeed this free trade agreement passes.

Mr. SIRES. Just to comment, I also attended the swearing in of the new President, and to me it was disappointing there were not people from the State Department there in support of the President, of one of our friends getting sworn in. If it wasn't for a delegation—and, you know, I mentioned this to the Secretary of State when she was here—it was kind of disappointing that we did not have a good strong delegation in support of the new President in the direction that he is going to follow, as he said, he is going to follow in the same direction as Uribe. So it was disappointing. But we were there though.

Thank you very much. Thank you very much for being here.

Mr. MACK. Thank you, Mr. Sires. Mr. Meeks is recognized for 5 minutes for questions.

Mr. MEEKS. Thank you, Mr. Chairman.

Mr. MACK. If I may, I just want to say publicly that I appreciate you being here. I know that you are no longer on the subcommittee.

Mr. MEEKS. Unfortunately.

Mr. MACK. Unfortunately for all of us. But your voice is important, and so I appreciate you taking the time to be here.

Mr. MEEKS. Thank you, Mr. Chairman. And the Western Hemisphere is, though unfortunately the numbers do not prevail so that I could be back on the subcommittee, but the work of the subcommittee is important and your leadership is vital. And even though my name is not on the official roster I think that you will see me as a frequent visitor to this subcommittee and the hearings that it has because the Western Hemisphere is deeply embedded in my heart. So I will be participating as often as I possibly can and as often as you will be willing to put up with me.

Let me say that, first of all, I can't—there is not one single thing that I have heard from either one of you that I disagree with you. I think that we are all in lockstep in that regards. And I think that even with my colleagues here we all feel that we need to get this free trade agreement done, we need to talk about and pass South Korea, but these two trade agreements need not be left behind. I do think though that part of what is challenging is the internal politics and in trying to make sure that we pay attention to concerns that individuals have. And I will tell you, politics says that trade is only approved by 34 percent of the American public.

So we all have our work cut out, so that we can really tell the American people the truth about trade, that basically our trade agreements balances our trade deficits, doesn't cause trade deficits. And when you look at the country that we have trade deficits, it is generally around oil and those areas and/or with China, who we really don't have a—we have an agreement, but not the kind of trade agreement that we are talking about here that makes sure that we have the opportunity to go into other markets.

And so some of the fear that I believe that the vast majority of Americans have with reference to trade agreements is that we will lose jobs, and that is not true. We clearly know that that is not true. If you just look statistically we can get around the fear. People sometimes confuse trade agreements with outsourcing. Those are two completely different things. Trade agreements helps bring jobs. And I think that the President is on the right track when he starts talking about his export initiative. I think that we need to fix what we do here also and give the American people the right perspective. I think that we do need to pass TAA, for example, because psychologically that helps the country, and puts them in a better position to understand trade. And those who may lose out, lose their job, and it might not even be from trade, but lose their job, we are concerned about them working. So if we pass TAA, I think that helps our argument and helps us move forward in trying to remedy this.

And I also think that you know I have had a number of Latin America countries come to me concerned that we haven't extended the preference agreement. I think that is important. That sends a message also. And I think that people should graduate from the preference agreement to a trade agreement. That should be the natural flow of things. That is the way—especially on our hemisphere. They are our neighbors, and we need to change policies. I don't care whether it is a democratic administration or a republic administration. We are in the post-Cold War era, so we need to

think of Latin America in a different way than we did when it was a Cold War.

And the best way to think of it differently is to make sure that we begin to pass trade agreements where we become interdependent upon one another; whether we can begin to share and show respect to one other. And I think that as we look at the countries that we have entered into trade agreements with, that has happened. And I think that we miss a golden opportunity if we do a trade agreement, and I am a big time supporter of what we did with Peru, I was one of the major proponents there, but then it becomes a slap in the face that Colombia, who is just as big an ally to us, for us to pick and choose and say, okay, we will do one with this one but not with that one.

And so I think that is the frustration that is beginning to set in with our Colombian allies. Why are we being picked on, why are we different, you know, when we can do one with Chile, how come you can't do one with us, you can do one with Peru, how come you can't do one with us? And so I think that we have got to get it done. I also think that there is times, and here is where I think the challenge is for the current administration. Every administration likes to put his or her, we have only had he's, we would like to have a she sometime soon also, but every administration likes to put their own stamp on it so it looks like it reflects something they did or didn't do. And I think that we are getting there.

I think that Ambassador Jones was absolutely right, that now there is conversation that has taken place, and I am hopeful that just as soon as we can do South Korea, that immediately thereafter or right there at the same time, we will be able to pull through with Colombia.

So I really don't have much of a question because I agree with everything that has been said. But all I want to do is to work with everyone in a bipartisan manner. Let's get this thing done because it is good for America and it is good for Colombia and Panama.

Mr. MACK. Thank you, Mr. Meeks, and thank you for bringing your passion to the hearing, and you are welcome at the subcommittee hearing any time, even if I disagree with you. I think that the frustration is that everything points to a reason why these free trade agreements should be passed. The President should send them to the Congress immediately and they should be passed. Every hoop that the countries have been asked to jump through they have jumped through, to the point now where when you ask those who should know what else is it that you are looking for, they can't answer. I mean, I think we have exhausted every legitimate policy discussion on this, and now it is just politics.

I would like, if you could, one of the things that I don't know is focused enough upon on these trade agreements is, what does it say about our foreign policy as it relates in Latin America for these two trade agreements? We have spent so much money over the years in Colombia to help with the drug cartels and the terrorist organizations, they are allies of ours. In your opinion, what does it mean if we continue to sit on the sidelines and have an almost nonexistent foreign policy in Latin America? What do you think it means to Colombia and Panama and how do you think that relates to our security?

Mr. PADILLA. Well, Mr. Chairman, let me first, if I could, just say to Mr. Meeks, I want to thank you for your leadership on this issue. You have been on this issue for a lot of years, and when these agreements pass with a strong bipartisan vote, as they will, we will owe you a debt of gratitude as a country. So thank you for your leadership. I know it is a difficult issue, particularly with some of your colleagues.

Mr. Chairman, I think that what this says is that our Latin American friends cannot be sure that we are with them and we are falling behind. I think that is what it says. I would contrast this with our experience in Central America where we passed the Central America Free Trade Agreement, which was a very difficult free trade agreement to pass, also done by Mr. Meeks' leadership. Exports exploded to those countries. Our economic relationships deepened. And what we are seeing, for example, in El Salvador, where the President is going to visit, is a peaceful transfer of power from the right to the left, and yet that country has remained committed to democracy and free markets. I wish the same were true in Nicaragua. We need to show our engagement. And we get into trouble in Latin America; over the years, we have gotten into trouble, when we ignore the region, as we too often do. And I fear if we continue to delay these agreements for basically domestic political reasons, that it sends a message to our allies that they are better off dealing with themselves, with Brazil or with other countries in the region, and I don't think that serves our long-term interests.

Mr. JONES. Mr. Chairman, I think we need to remind ourselves that Colombia chairs the U.N. Committee, United Nations committee implementing sanctions against Iran, that it has partnered, and I know this quite deeply—they are training the new Mexican Federal police force to combat the narcotrafficking and the criminal organizations in Mexico that threaten our borders. They are working in Afghanistan at our request on the counternarcotics trafficking and growing situation. So they have been a staunch partner of the United States.

I think regrettably, both in terms of reporting and in terms of foreign policy, the United States has ignored Latin America all too often. We will have a spurt of interest in Latin America, and then it dies down. And right now we are in a position where they perceive us as not interested in them, ignoring their interests and they are getting frustrated, Colombia, specifically. And that is why they have so aggressively gone after these other free trade agreements with the European Union, with Canada, China, and the Mercosur countries.

So I think our whole foreign policy, and this is true of Democrat and Republican administrations, need to focus more on our own neighborhood. Because if we are going to have a problem it is going to—and it could be exacerbated—by losing friends in our own neighborhood in the Western Hemisphere. So I would say that this is just a step forward in trying to combat that perception that we are not interested in the Western Hemisphere.

Mr. MACK. Would you agree with me and others on this committee? I don't want to put words into all the committee member's mouths, that the fact that the President has chosen not to go to Panama and Colombia on this trip isn't something else that could

be frustrating to Colombia and Panama—that as the President takes his trip, that once again they are being overlooked?

Mr. JONES. I am generally a glass half full kind of guy, and what I am thinking this is going to show—his trip, the President's trip—will show the importance in a very personal way of the Western Hemisphere to the United States, and hopefully the trips to Panama and Colombia will come after we have reached the political agreements here in the United States and pass these two free trade agreements and it will be much more of a celebration at that time than it would be right now.

Mr. PADILLA. I think it is a little unfortunate, Mr. Chairman. One thing I observed in my time in government is that personal relationships between leaders really matter, and I think one of the reasons we have moved forward on Korea is because of the excellent personal relationship between President Obama and President Lee in Korea. And there is only so many times you can go to a G–20 meeting and meet the President of Korea and not have something to say about a trade agreement.

That is not the case with President Santos or President Martinelli. So I think it is unfortunate, it is a missed opportunity, but I, like Ambassador Jones, am very hopeful that we will soon have reason for another trip and that trip will be a celebratory one.

Mr. MACK. Thank you. And I want to take this opportunity again to thank you both for being here and to share your insights. I wish we had more time. Like I said, I hope that we will have another opportunity to have a hearing on this topic because I do think it is important.

And I just want to leave with this: That I am deeply concerned about what all of this means to the world as it relates to our foreign policy. And as I stated in my opening, that you can't lead if you don't know what you stand for. And I think that the United States needs to get back on a track of knowing what we stand for and trying to lead in that direction.

So thank you so much for being here, and the hearing is now adjourned.

[Whereupon, at 2:55 p.m., the subcommittee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

HEARING NOTICE
SUBCOMMITTEE ON THE WESTERN HEMISPHERE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515-0128

Connie Mack (R-FL), Chairman

March 15, 2011

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, to be held in **Room 2172 of the Rayburn House Office Building (and available live, via the WEBCAST link on the Committee website at http://www.hcfa.house.gov):**

DATE: Thursday, March 17, 2011

TIME: 2:00 p.m.

SUBJECT: The Colombia and Panama Free Trade Agreements: National Security and Foreign Policy Priorities

WITNESSES: The Honorable Christopher A. Padilla
Vice President, Governmental Programs
IBM Corporation
(Former Under Secretary for International Trade, U.S. Department of Commerce)

The Honorable James R. Jones
U.S. Congressman (retired)
Partner
ManattJones
(Former U.S. Ambassador to Mexico)

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON the Western Hemisphere HEARING

Day Thursday Date 3/17/11 Room 2172

Starting Time 2:07 Ending Time 2:55

Recesses [ ] (to) (to) (to) (to) (to) (to)

Presiding Member(s)

Rep. Connie Mack

Check all of the following that apply:

Open Session [x]
Executive (closed) Session [ ]
Televised [x]

Electronically Recorded (taped) [x]
Stenographic Record [x]

TITLE OF HEARING:

The Colombia and Panama Free Trade Agreements: National Security and Foreign Policy Priorities

SUBCOMMITTEE MEMBERS PRESENT:

Schmidt, Rivera, Sires

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*

Meeks

HEARING WITNESSES: Same as meeting notice attached? Yes [x] No [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED 2:55

Subcommittee Staff Director

Opening Statement
Chairman Connie Mack
Western Hemisphere Subcommittee
"The Colombia and Panama Free Trade Agreements:
National Security and Foreign Policy Priorities"
March 17, 2011

Thank you all for being here today. I would especially like to thank Former Ambassador Jim Jones and Former Under-Secretary of Commerce for International Trade Christopher Padilla for making themselves available for questions from the Subcommittee.

During the first Western Hemisphere Subcommittee hearing, we highlighted where the current Administration has been working without a coordinated strategy in a manner that harms U.S. interests. At one of the more worrisome moments in the hearing, Assistant Secretary Arturo Valenzuela was unable to define the criteria for moving forward on the Colombia and Panama free trade agreements. Shortly after the hearing a mid-level working group was in Bogotá to report to the President on the overall progress that has been made in Colombia, yet we have seen no outcomes from this trip.

Meanwhile, over the past two years, the Obama Administration has allowed U.S. special interest groups to take over, influencing public opinion with false statements, and successfully stalling the process for reasons unrelated to the importance of security, trade and commerce.

Today, I want to delve deeper into the questions Assistant Secretary Valenzuela was unable to answer. While the Obama Administration refuses to move forward, we will not allow them to fall down on their job to send the pending Colombia and Panama Trade Agreements to Congress for a vote. The tired claim by the Administration that they are waiting to ensure Congress has the votes before sending the trade agreements is no longer a valid excuse.

It is my goal, as Chairman of this Subcommittee, to show the American people how foreign policy failures are impacting their economic and national security.

Both agreements would immediately eliminate burdensome tariffs on our exports- helping commercial, industrial and farm exports. U.S. businesses would be more profitable under the Colombian FTA with greater exports to additional markets- this means more jobs and broader access to cheaper goods for U.S. citizens. Today, Panama is China's #1 trading partner in Central America and, while Panama and Colombia can find other reliable partners with large markets, America needs these relationships to increase its export competitiveness and to collaborate on national security interests.

It is important to note that, despite what you hear in the media, both Panama and Colombia have shown a deep dedication to improving standards of business and human rights. Colombia has regained control over much of its territory once held by insurgents, and has significantly improved public security over the last decade.
President Santos has proposed legislation to compensate victims of abuses by state agents and restore land to Colombia's displaced population, the Panama FTA includes enforceable labor and

environmental standards, and In the past 18 months, Panama has taken concrete steps to address all issues related to worker rights and bank secrecy laws. Meanwhile, we have many free trade agreements with nations throughout the region that are far from achieving the level of progress that I just described.

The harmful results of these double standards are starting to reach our shores.

We need extensive security cooperation with our allies in South America to keep drug trafficking and terrorist organizations away from our borders. Our nation, and specifically my home state of Florida, is put at risk by the free flow of narco-traffickers through Venezuela. We need every ally in Latin America that we can get to fight back against the promotion of lawlessness in nations like Venezuela. This administration has witnessed an expanded role of Iran and terrorist organizations in the region, with the continued drug flows, and a decrease in monitoring capacity as a result of foreign policy failures.

Finally, the fact that President Obama is not visiting Panama nor Colombia next week is unfortunate. It is truly a shame that the President has nothing to deliver these two allies – no Free Trade Agreements and no signs of friendship.

The inaction by President Obama is another example of a failed foreign policy. How do you lead when you don't know what you stand for? I do not see any conviction or purpose in this Administration's foreign policy. Almost daily, Gaddafi is increasing his brutal control over Libyans and Obama has shown ineffective leadership. We need leaders who will stand strong and represent American principles with conviction.

As I have said before, the Colombia FTA was signed on November 22, 2006, and then renegotiated to include more stringent environmental and labor standards. It was signed again on May 10, 2007. Panama was signed on June 28, 2007 and South Korea on June 30, 2007 with a renegotiated version signed last December.

I want to warn the Administration that they should send these agreements up in the order that they were signed to ensure the swift passage of each of the agreements.

I look forward to hearing from our witnesses on their experiences in past Republican and Democrat administrations and how they avoided the political pitfalls in moving forward on trade issues that are vital for U.S. national security and economic vitality.

Opening Statement of the Honorable David Rivera
Committee on Foreign Affairs, U.S. House of Representatives
Hearing: "The Colombia and Panama Free Trade Agreements: National Security and Foreign Policy Priorities"
March 17, 2011

Thank you Mr. Chairman. I'd also like to thank the witnesses for appearing today before our committee. It is critical that this congress and the administration support passage of a package deal of all three pending free trade agreements with South Korea, Colombia, and Panama. I stress the word package because of the impact that ALL THREE of these agreements would have on our economy.

Later this week, President Obama will visit Latin America but his trip will not include stops in Colombia or Panama. Once again, this is yet another example of how this administration refuses to stand with some of our best allies in the region.

The President has stated that his trip is meant to provide an opportunity to engage key bilateral partners in the hemisphere and to advance America's efforts to work as equal partners to address economic and trade issues. Yet two allies with which weave Free Trade Agreements pending are ignored? This sends a terrible message to the region.

Passing the Colombia Free Trade Agreement would eliminate trade barriers and immediately boost U.S. exports to Colombia. U.S. GDP would increase by roughly $2.5 billion and exports would increase by over a billion, creating thousands of jobs in the United States.

The United States is Panama's largest trading partner. In 2008, the U.S. had a trade surplus with Panama totaling $4.3 billion, the eighth-largest surplus maintained with any U.S. global trading partner. Panama is also in a strategic global position that is a natural crossroads for commerce, especially between the United States, other Latin American countries, and Asia.

While the administration continues to alienate our best allies, the European Union and Canada have concluded trade deals with Colombia, and China is aggressively courting Colombia. During our delay, the Chinese have tripled their business with Colombia, becoming its second largest trade partner. At the same time, the U.S. has lost a 20% market share in Colombia.

It is crucial to ensure economic stability in Latin America. Approving pending Free Trade Agreements with Colombia and Panama and the extension of the Andean Trade Preference Act, which will especially help Colombia maintain a stable and fully functioning economy, are steps in the right direction to keep trade avenues open between the United States and Latin America.

This administration should be making positive foreign policy gestures to countries like Colombia and Panama; reliable allies that are enthusiastic about doing business with the United States. It is

very disappointing that the White House has decided to ignore these Latin American nations during the President's visit to the region.

The United States, the world's largest economy, should not be falling behind when it comes to trade. The time has come to approve all three pending free trade agreements with Colombia, Panama, and South Korea, not to further delay approval by breaking them up.

Congressman Sires

The Colombia and Panama Free Trade Agreements: National Security and Foreign Policy Priorities:
OPENING STATEMENT:

Thank you Mr. Chairman for holding this very important hearing. In the last decade we have seen both Colombia and Panama transform politically and economically into thriving democracies in a region that has been historically plagued by authoritarianism and organized crime. However, the United States hesitation to implement the free trade agreements does not reflect any recognition of the positive changes underway in these countries or the relationship the United States holds with these important allies. It frustrates me, and other members of Congress, that several years after signing both the Panamanian and Colombian Free Trade Agreements that Congress has yet to pass these treaties. These agreements have the ability to improve investment climates, increase American competitiveness in the region, create and maintain jobs, expand consumer choices and increase security in the region.

As the United States continues to overlook these agreements, both Panama and Colombia continue to make the necessary labor and tax reforms that will make their markets even safer for American foreign investment. In Colombia, labor laws have undergone substantial reform and the Colombian government continues to work with the International Labor Organization (ILO) to identify and implement further reforms. As of June 2010, Colombia was removed from the ILO's list of countries to monitor because of failures to comply with labor laws. Similarly in Panama, the government has made enormous strides in meeting the United States concerns about fiscal transparency with the signing of the Tax Information Exchange Agreement with the United States, which will increase the transparency of fiscal transactions in Panama. These measures

have shown that Colombia and Panama understand the concerns that U.S. policymakers have with these agreements and are taking the necessary steps to address these issues, protect American investors and companies, and protect against human rights and labor rights violations.

I am particularly concerned with the devaluing and belittlement of the relationship between the United States and Colombia. In an increasingly volatile region Colombia has continued on the path towards reform while combating drug trafficking and terrorism, helping to strengthen the security for its people, and the region.

Additionally, Colombia has proven to be a good friend and ally in the international arena. Colombia chairs the U.N. committee implementing sanctions against Iran and has partnered with the United States to provide extensive training and assistance to help the Mexican government defeat violent drug cartels along the U.S. –Mexican border.

In September of 2010 the Department of Commerce's, Trade Promotion Coordinating Committee identified Colombia as a market where U.S. companies have increasing opportunities in the next five to ten years. As we continue to ignore these facts, Colombia has moved forward with other treaties with the E.-U., Canada and Brazil. Additionally, China is increasing its economic presence in Colombia. In the last ten years, China has quadrupled its share of the Colombian market. In terms of Colombia´s imports, China now ranks second after the United States and imports from China increased 40% from January to September 2010. If we do not act soon, we will miss out on much needed American jobs and lose our position in these emerging markets.

The U.S. must act now before the benefits of this free trade agreement are diminished as Colombia and Panama move forward with other trade agreements. Since the beginning of 2011, U.S. exporters have already paid $6 billion in tariffs that would be eliminated upon full implementation of these agreements. These agreements have the ability to diminish these costly tariffs, create trade investment opportunities for American investors, provide security in the region, and ultimately strengthen democratic institutions and countries.

Again I thank the Chairman for holding today's hearing and I look forward to hearing the witnesses' remarks.

○