

Union Calendar No. 567

106TH CONGRESS
2D SESSION

H. R. 3673

[Report No. 106–803, Part I]

To provide certain benefits to Panama if Panama agrees to permit the United States to maintain a presence there sufficient to carry out counternarcotics and related missions.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 16, 2000

Mr. GILMAN introduced the following bill; which was referred to the Committee on International Relations, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

JULY 27, 2000

Reported from the Committee on International Relations

JULY 27, 2000

Referral to the Committee on Ways and Means extended for a period ending not later than September 22, 2000

SEPTEMBER 21, 2000

Referral to the Committee on Ways and Means extended for a period ending not later than October 6, 2000

OCTOBER 6, 2000

Additional sponsors: Mr. ROGAN, Mr. CUNNINGHAM, Mr. NETHERCUTT, Mr. COOK, Mrs. THURMAN, Mr. COOKSEY, Mr. COX, Mr. DREIER, Mr. STUPAK, Mr. GOSS, Mr. SPENCE, Mr. HYDE, and Mr. BURTON of Indiana

OCTOBER 6, 2000

Committee on Ways and Means discharged; committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To provide certain benefits to Panama if Panama agrees to permit the United States to maintain a presence there sufficient to carry out counternarcotics and related missions.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “United States-Panama
5 Partnership Act of 2000”.

6 **SEC. 2. FINDINGS.**

7 Congress makes the following findings:

8 (1) Since Panama gained its independence in
9 1903, the United States and Panama have main-
10 tained extremely close relations, resting primarily on
11 the shared interest of both countries in the smooth
12 operation and defense of the Panama Canal.

13 (2) In order to defend the Panama Canal, the
14 United States maintained a military presence in
15 Panama for over 90 years.

16 (3) In recent decades, the mission of United
17 States military forces stationed in Panama evolved
18 to include significant responsibilities for the conduct
19 of counter narcotics operations in Latin America
20 and the Caribbean, and for the provision of logistical

1 support to such operations by other countries and
2 other agencies of the United States Government.

3 (4) In accordance with the Panama Canal Trea-
4 ty of 1977, the United States withdrew all United
5 States military personnel from Panama by Decem-
6 ber 31, 1999, and turned over all United States
7 military facilities to the Government of Panama.

8 (5) Under the terms of the Treaty Concerning
9 the Permanent Neutrality and Operation of the Pan-
10 ama Canal of 1977, the United States retains re-
11 sponsibilities for the defense of the Panama Canal.

12 (6) A 1977 protocol to the Treaty Concerning
13 the Permanent Neutrality and Operation of the Pan-
14 ama Canal provides that “Nothing in the treaty
15 shall preclude the Republic of Panama and the
16 United States from making . . . agreements or ar-
17 rangements for the stationing of any United States
18 military forces or the maintenance of defense sites
19 after [December 31, 1999] in Panama that Panama
20 and the United States may deem necessary or ap-
21 propriate”.

22 (7) Public opinion surveys in Panama in recent
23 years consistently have shown that approximately 70
24 percent of the population of Panama support a
25 United States presence in Panama.

1 (8) On September 6, 1995, during an official
2 visit of Panama's President Ernesto Perez
3 Balladares to the United States, it was announced
4 that Presidents Clinton and Perez Balladares had
5 agreed to begin informal consultations on the pos-
6 sible extension beyond December 31, 1999, of a
7 United States presence in Panama.

8 (9) Early discussions pursuant to the announce-
9 ment of September 6, 1995, were very encouraging,
10 but the discussions foundered after the United
11 States refused to consider providing any form of
12 compensation to Panama in exchange for an exten-
13 sion of the United States presence in Panama.

14 (10) After it became clear that no agreement
15 could be reached on extending the United States
16 presence in Panama past 1999 in its customary
17 form, Panama proposed negotiations on the estab-
18 lishment of a Multinational Counternarcotics Center
19 (MCC), which would permit the continuation of a
20 limited United States presence in Panama past 1999
21 and for which no compensation would be expected.

22 (11) On December 24, 1997, the United States
23 and Panama announced that preliminary agreement
24 had been reached on establishment of the MCC, but
25 the Government of Panama subsequently reopened a

1 number of issues on which preliminary agreement
2 had been reached.

3 (12) Following rejection by the voters of Pan-
4 ama on August 30, 1998, of a proposed constitu-
5 tional amendment to permit President Perez
6 Balladares to seek reelection, the United States and
7 Panama announced on September 24, 1998, that the
8 MCC negotiations had failed and would be termi-
9 nated.

10 (13) Panama and the United States continue to
11 have a strong shared interest in maintaining a
12 United States presence in Panama and both coun-
13 tries should seek to agree on an appropriate package
14 of benefits to facilitate such a presence.

15 **SEC. 3. CERTIFICATION AND REPORT REGARDING AGREE-**
16 **MENT TO MAINTAIN A UNITED STATES PRES-**
17 **ENCE IN PANAMA.**

18 (a) SUBMISSION OF CERTIFICATION AND REPORT.—
19 At any time after the date of the enactment of this Act,
20 the President may submit to the Committee on Inter-
21 national Relations of the House of Representatives and
22 the Committee on Foreign Relations of the Senate the cer-
23 tification described in subsection (b) and the report de-
24 scribed in subsection (c).

1 (b) CONTENT OF CERTIFICATION.—The certification
2 referred to in subsection (a) is a certification by the Presi-
3 dent that the United States and the Government of Pan-
4 ama have reached an agreement permitting the United
5 States, for a period of not less than 15 years, to maintain
6 a presence, alone or in conjunction with other friendly
7 countries, sufficient to carry out necessary counter-
8 narcotics, search and rescue, logistical, training, and re-
9 lated missions at Howard Air Force Base, Fort Kobbe,
10 Rodman Naval Station, and Fort Sherman, under terms
11 and conditions substantially similar to those applied to the
12 United States presence at those facilities during the period
13 beginning on October 1, 1979, and ending on December
14 31, 1999.

15 (c) CONTENT OF REPORT.—The report referred to
16 in subsection (a) is a report containing the following:

17 (1) The text of the agreement described in sub-
18 section (b) that has been reached between the
19 United States and the Government of Panama.

20 (2) A detailed explanation of the manner in
21 which the agreement ensures that the United States
22 will be able to use the facilities subject to the agree-
23 ment under terms and conditions substantially simi-
24 lar to those that applied during the period beginning

1 on October 1, 1979, and ending on December 31,
2 1999.

3 (3) If the agreement provides for a United
4 States presence at the facilities subject to the agree-
5 ment for a period longer than 15 years, a statement
6 of the date on which that presence expires under the
7 agreement.

8 (d) SUBMISSION IN CLASSIFIED FORM.—To the de-
9 gree necessary, the report under subsection (c) may be
10 submitted in classified form.

11 **SEC. 4. BENEFITS.**

12 (a) IN GENERAL.—If the President submits the cer-
13 tification and report under section 3, then the provisions
14 of subsections (b) through (h) apply.

15 (b) ASSISTANCE FOR BRIDGE PROJECT IN PAN-
16 AMA.—

17 (1) ACTION BY TRADE AND DEVELOPMENT
18 AGENCY.—The Director of the Trade and Develop-
19 ment Agency shall consider a grant or grants to as-
20 sist in the design, financial planning, training, and
21 other preparatory steps for the construction of a
22 new bridge across the Panama Canal.

23 (2) REPORTING REQUIREMENT.—Not later than
24 1 year after the date on which the President submits
25 the certification and report under section 3, the Di-

1 rector of the Trade and Development Agency shall
2 submit a report to the Committee on International
3 Relations of the House of Representatives and the
4 Committee on Foreign Relations of the Senate re-
5 garding the steps taken pursuant to paragraph (1)
6 and the status of planning for construction of a new
7 bridge across the Panama Canal.

8 (c) ASSISTANCE FOR SEWAGE TREATMENT PLANT
9 PROJECT IN PANAMA.—

10 (1) ACTION BY TRADE AND DEVELOPMENT
11 AGENCY.—The Director of the Trade and Develop-
12 ment Agency shall consider a grant or grants to as-
13 sist in the design, financial planning, training, and
14 other preparatory steps for the construction of a
15 new sewage treatment plant for Panama City.

16 (2) REPORTING REQUIREMENT.—Not later than
17 1 year after the date on which the President submits
18 the certification and report under section 3, the Di-
19 rector of the Trade and Development Agency shall
20 submit a report to the Committee on International
21 Relations of the House of Representatives and the
22 Committee on Foreign Relations of the Senate re-
23 garding the steps taken pursuant to paragraph (1)
24 and the status of planning for construction of a new
25 sewage treatment plant for Panama City.

1 (d) SCHOLARSHIP PROGRAM FOR PANAMA.—

2 (1) ACTION BY AGENCY FOR INTERNATIONAL
3 DEVELOPMENT.—The Administrator of the Agency
4 for International Development shall ensure that, for
5 the duration of the agreement period, up to
6 \$2,000,000 of the funds made available each year to
7 the Cooperative Association of States for Scholar-
8 ships program shall be made available for scholar-
9 ships for deserving students from Panama to study
10 in the United States.

11 (2) REPORTING REQUIREMENT.—Not later than
12 1 year after the date on which the President submits
13 the certification and report under section 3, the Ad-
14 ministrator of the Agency for International Develop-
15 ment shall submit a report to the Committee on
16 International Relations of the House of Representa-
17 tives and the Committee on Foreign Relations of the
18 Senate regarding the steps taken pursuant to para-
19 graph (1).

20 (e) TREATMENT OF CERTAIN TEXTILE AND AP-
21 PAREL ARTICLES.—

22 (1) EQUIVALENT TARIFF AND QUOTA TREAT-
23 MENT.—During the transition period—

24 (A) the tariff treatment accorded at any
25 time to any textile or apparel article that origi-

1 nates in Panama shall be identical to the tariff
2 treatment that is accorded at such time under
3 section 2 of the Annex to an article described
4 in the same 8-digit subheading of the HTS that
5 is a good of Mexico and is imported into the
6 United States;

7 (B) duty-free treatment under the Carib-
8 bean Basin Economic Recovery Act shall apply
9 to any textile or apparel article that is imported
10 into the United States from Panama and
11 that—

12 (i) is assembled in Panama, from fab-
13 rics wholly formed and cut in the United
14 States from yarns formed in the United
15 States, and is entered—

16 (I) under subheading 9802.00.80
17 of the HTS; or

18 (II) under chapter 61, 62, or 63
19 of the HTS if, after such assembly,
20 the article would have qualified for
21 treatment under subheading
22 9802.00.80 of the HTS, but for the
23 fact the article was subjected to
24 bleaching, garments dyeing, stone-
25 washing, enzyme-washing, acid-wash-

1 ing, perma-pressing, oven-baking, or
2 embroidery;

3 (ii) is knit-to-shape in Panama from
4 yarns wholly formed in the United States;

5 (iii) is made in Panama from fabric
6 knit in Panama from yarns wholly formed
7 in the United States;

8 (iv) is cut and assembled in Panama
9 from fabrics wholly formed in the United
10 States from yarns wholly formed in the
11 United States; or

12 (v) is identified under paragraph (3)
13 as a handloomed, handmade, or folklore
14 article of Panama and is certified as such
15 by the competent authority of that coun-
16 try; and

17 (C) no quantitative restriction or consulta-
18 tion level may be applied to the importation
19 into the United States of any textile or apparel
20 article that—

21 (i) originates in the territory of Pan-
22 ama, or

23 (ii) qualifies for duty-free treatment
24 under clause (i), (ii), (iii), (iv), or (v) of
25 subparagraph (B).

1 (2) TREATMENT OF OTHER NONORIGINATING
2 TEXTILE AND APPAREL ARTICLES.—

3 (A) PREFERENTIAL TARIFF TREAT-
4 MENT.—Subject to subparagraph (B), the
5 President may place in effect at any time dur-
6 ing the transition period with respect to any
7 textile or apparel article that—

8 (i) is a product of Panama, but

9 (ii) does not qualify as a good that
10 originates in the territory of Panama or is
11 eligible for benefits under paragraph
12 (1)(B),

13 tariff treatment that is identical to the in-pref-
14 erence-level tariff treatment accorded at such
15 time under Appendix 6.B of the Annex to an
16 article described in the same 8-digit subheading
17 of the HTS that is a product of Mexico and is
18 imported into the United States. For purposes
19 of this subparagraph, the “in-preference-level
20 tariff treatment” accorded to an article that is
21 a product of Mexico is the rate of duty applied
22 to that article when imported in quantities less
23 than or equal to the quantities specified in
24 Schedule 6.B.1, 6.B.2., or 6.B.3. of the Annex

1 for imports of that article from Mexico into the
2 United States.

3 (B) LIMITATIONS ON ALL ARTICLES.—Tar-
4 iff treatment under subparagraph (A) may be
5 extended, during any calendar year, to not more
6 than 6,750,000 square meter equivalents of cot-
7 ton or man-made fiber apparel, to not more
8 than 225,000 square meter equivalents of wool
9 apparel, and to not more than 3,750,000 square
10 meter equivalents of goods entered under sub-
11 heading 9802.00.80 of the HTS.

12 (C) PRIOR CONSULTATION.—The Presi-
13 dent may implement the preferential tariff
14 treatment described in subparagraph (A) only
15 after consultation with representatives of the
16 United States textile and apparel industry and
17 other interested parties regarding—

18 (i) the specific articles to which such
19 treatment will be extended, and

20 (ii) the annual quantities of such arti-
21 cles that may be imported at the pref-
22 erential duty rates described in subpara-
23 graph (A).

24 (3) HANDLOOMED, HANDMADE, AND FOLKLORE
25 ARTICLES.—For purposes of paragraph (1), the

1 United States Trade Representative shall consult
2 with representatives of Panama for the purpose of
3 identifying particular textile and apparel goods that
4 are mutually agreed upon as being handloomed,
5 handmade, or folklore goods of a kind described in
6 section 2.3 (a), (b), or (c) or Appendix 3.1.B.11 of
7 the Annex.

8 (4) BILATERAL EMERGENCY ACTIONS.—(A)
9 The President may take—

10 (i) bilateral emergency tariff actions of a
11 kind described in section 4 of the Annex with
12 respect to any textile or apparel article im-
13 ported from Panama if the application of tariff
14 treatment under paragraph (1) to such article
15 results in conditions that would be cause for the
16 taking of such actions under such section 4
17 with respect to an article described in the same
18 8-digit subheading of the HTS that is imported
19 from Mexico; or

20 (ii) bilateral emergency quantitative re-
21 striction actions of a kind described in section
22 5 of the Annex with respect to imports of any
23 textile or apparel article described in clauses (i)
24 and (ii) of paragraph (2)(A) if the importation
25 of such article into the United States results in

1 conditions that would be cause for the taking of
2 such actions under such section 5 with respect
3 to a like article that is a product of Mexico.

4 (B) The requirement in paragraph (5) of sec-
5 tion 4 of the Annex (relating to providing compensa-
6 tion) shall not be deemed to apply to a bilateral
7 emergency action taken under this paragraph.

8 (C) For purposes of applying bilateral emer-
9 gency action under this paragraph—

10 (i) the term “transition period” in sections
11 4 and 5 of the Annex shall be deemed to be the
12 period defined in subsection (h)(8); and

13 (ii) any requirements to consult specified
14 in section 4 or 5 of the Annex are deemed to
15 be satisfied if the President requests consulta-
16 tions with Panama and Panama does not agree
17 to consult within the time period specified
18 under such section 4 or 5, whichever is applica-
19 ble.

20 (f) TREATMENT OF CERTAIN OTHER ARTICLES
21 ORIGINATING IN PANAMA.—

22 (1) EQUIVALENT TARIFF TREATMENT.—

23 (A) IN GENERAL.—Subject to subpara-
24 graph (B), the tariff treatment accorded at any
25 time during the transition period to any article

1 referred to in any of paragraphs (2) through
2 (5) of section 213(b) of the Caribbean Basin
3 Economic Recovery Act that originates in Pan-
4 ama shall be identical to the tariff treatment
5 that is accorded at such time under Annex
6 302.2 of the NAFTA to an article described in
7 the same 8-digit subheading of the HTS that is
8 a good of Mexico and is imported into the
9 United States.

10 (B) EXCEPTION.—Subparagraph (A) does
11 not apply to any article accorded duty-free
12 treatment under U.S. Note 2(b) to subchapter
13 II of chapter 98 of the HTS.

14 (2) RELATIONSHIP TO OTHER DUTY REDUC-
15 TIONS.—If at any time during the transition period
16 the rate of duty that would (but for action taken
17 under paragraph (1)(A) in regard to such period)
18 apply with respect to any article under section
19 213(h) of the Caribbean Basin Economic Recovery
20 Act is a rate of duty that is lower than the rate of
21 duty resulting from such action, then such lower
22 rate of duty shall be applied for the purposes of im-
23 plementing such action.

24 (g) CUSTOMS PROCEDURES.—

25 (1) IN GENERAL.—

1 (A) REGULATIONS.—Any importer that
2 claims preferential tariff treatment under sub-
3 section (e) or (f) shall comply with customs pro-
4 cedures similar in all material respects to the
5 requirements of Article 502(1) of the NAFTA
6 as implemented pursuant to United States law,
7 in accordance with regulations promulgated by
8 the Secretary of the Treasury.

9 (B) DETERMINATION.—In order to qualify
10 for such preferential tariff treatment and for a
11 Certificate of Origin to be valid with respect to
12 any article for which such treatment is claimed,
13 there shall be in effect a determination by the
14 President that Panama has implemented and
15 follows, or is making substantial progress to-
16 ward implementing and following, procedures
17 and requirements similar in all material re-
18 spects to the relevant procedures and require-
19 ments under chapter 5 of the NAFTA.

20 (2) CERTIFICATE OF ORIGIN.—The Certificate
21 of Origin that otherwise would be required pursuant
22 to the provisions of paragraph (1) shall not be re-
23 quired in the case of an article imported under sub-
24 section (e) or (f) if such Certificate of Origin would
25 not be required under Article 503 of the NAFTA (as

1 implemented pursuant to United States law), if the
2 article were imported from Mexico.

3 (3) PENALTIES FOR TRANSSHIPMENTS.—If the
4 President determines, based on sufficient evidence,
5 that an exporter has engaged in willful illegal trans-
6 shipment or willful customs fraud with respect to
7 textile or apparel articles for which preferential tar-
8 iff treatment under paragraph (1) or (2) of sub-
9 section (e) is claimed, then the President shall deny
10 all benefits under subsections (e) and (f) of this sec-
11 tion to such exporter, and any successors of such ex-
12 porter, for a period of 2 years.

13 (4) REPORT BY USTR ON COOPERATION CON-
14 CERNING CIRCUMVENTION.—The United States
15 Commissioner of Customs shall conduct a study ana-
16 lyzing the extent to which Panama—

17 (A) has cooperated fully with the United
18 States, consistent with its domestic laws and
19 procedures, in instances of circumvention or al-
20 leged circumvention of existing quotas on im-
21 ports of textile and apparel goods, to establish
22 necessary relevant facts in the places of import,
23 export, and, where applicable, transshipment,
24 including investigation of circumvention prac-
25 tices, exchanges of documents, correspondence,

1 reports, and other relevant information, to the
2 extent such information is available;

3 (B) has taken appropriate measures, con-
4 sistent with its domestic laws and procedures,
5 against exporters and importers involved in in-
6 stances of false declaration concerning fiber
7 content, quantities, description, classification,
8 or origin of textile and apparel goods; and

9 (C) has penalized the individuals and enti-
10 ties involved in any such circumvention, con-
11 sistent with its domestic laws and procedures,
12 and has worked closely to seek the cooperation
13 of any third country to prevent such circumven-
14 tion from taking place in that third country.

15 The United States Trade Representative shall sub-
16 mit to the Congress, not later than 1 year after the
17 certification is submitted under section 3, a report
18 on the study conducted under this paragraph.

19 (h) DEFINITIONS.—For purposes of this section—

20 (1) AGREEMENT PERIOD.—The term “agree-
21 ment period” means the period that begins on the
22 date on which the certification is submitted under
23 section 3, and ends on the date that is 15 years
24 after such date, or such later date as is reported to
25 the Congress under section 3(c)(3).

1 (2) ANNEX.—The term “the Annex” means
2 Annex 300–B of the NAFTA.

3 (3) ENTERED.—The term “entered” means en-
4 tered, or withdrawn from warehouse for consump-
5 tion, in the customs territory of the United States.

6 (4) HTS.—The term “HTS” means the Har-
7 monized Tariff Schedule of the United States.

8 (5) NAFTA.—The term “NAFTA” means the
9 North American Free Trade Agreement entered into
10 between the United States, Mexico, and Canada on
11 December 17, 1992.

12 (6) ORIGINATING.—An article shall be deemed
13 as originating in the territory of Panama if the arti-
14 cle meets the rules of origin for a good set forth in
15 chapter 4 of the NAFTA, and, in the case of an ar-
16 ticle described in Appendix 6.A of the Annex, the re-
17 quirements stated in such Appendix 6.A for such ar-
18 ticle to be treated as if it were an originating good.
19 In applying such chapter 4 or Appendix 6.A with re-
20 spect to Panama for purposes of this section—

21 (A) no countries other than the United
22 States and Panama may be treated as being
23 Parties to the NAFTA,

24 (B) references to trade between the United
25 States and Mexico shall be deemed to refer to

1 trade between the United States and Panama,
2 and

3 (C) references to a Party shall be deemed
4 to refer to the United States or Panama, and
5 references to the Parties shall be deemed to
6 refer to Panama and the United States.

7 (7) TEXTILE OR APPAREL ARTICLE.—The term
8 “textile or apparel article” means any article re-
9 ferred to in paragraph (1)(A) that is a good listed
10 in Appendix 1.1 of the Annex.

11 (8) TRANSITION PERIOD.—The term “transi-
12 tion period” means the period that begins on the
13 date on which the certification is submitted under
14 section 3, and ends on the earlier of—

15 (A) the date that is 3 years after such
16 date; or

17 (B) the date on which—

18 (i) the United States first applies the
19 NAFTA to Panama upon its accession to
20 the NAFTA; or

21 (ii) there enters into force with re-
22 spect to the United States and Panama a
23 free trade agreement comparable to the
24 NAFTA that makes substantial progress
25 in achieving the negotiating objectives set

1 forth in section 108(b)(5) of the North
2 American Free Trade Agreement Imple-
3 mentation Act (19 U.S.C. 3317(b)(5)).

4 **SEC. 5. APPLICABILITY OF BENEFITS.**

5 The tariff treatment under section 4 may be accorded
6 to goods of Panama only during such periods as a designa-
7 tion of Panama as a beneficiary country under the Carib-
8 bean Basin Economic Recovery Act is in effect.

9 **SEC. 6. CONFORMING AMENDMENT.**

10 Section 213(a)(1) of the Caribbean Basin Economic
11 Recovery Act is amended by inserting “and except as pro-
12 vided in section 4 of the United States-Panama Partner-
13 ship Act of 2000,” after “Tax Reform Act of 1986,”.

Union Calendar No. 567

106TH CONGRESS
2D SESSION

H. R. 3673

[Report No. 106–803, Part I]

A BILL

To provide certain benefits to Panama if Panama agrees to permit the United States to maintain a presence there sufficient to carry out counter-narcotics and related missions.

OCTOBER 6, 2000

Committee on Ways and Means discharged; committed to the Committee of the Whole House on the State of the Union and ordered to be printed