



INTERNATIONAL  
**TRADE**  
ADMINISTRATION

## Benefits from the U.S.-Panama Trade Promotion Agreement

# California

[www.export.gov/fta/panama/state](http://www.export.gov/fta/panama/state)

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### The U.S.-Panama Trade Promotion Agreement Provides Enhanced Market Access

The U.S.-Panama Trade Promotion Agreement (TPA) offers tremendous opportunities for California's exporters. Panama's strategic location as a major shipping route and the massive project underway to expand the capacity of the Panama Canal enhance the importance of the U.S.-Panama TPA for California's exporters.

When the Agreement enters into force, 88 percent of U.S. consumer and industrial exports to Panama, including nearly all information technology products; aircraft and related equipment; agriculture and construction equipment; medical and scientific equipment; environmental products; pharmaceuticals; fertilizers; and agro-chemicals will become duty-free immediately. The remaining tariffs phase out over 10 years. U.S. farmers and ranchers will also become much more competitive, benefiting from immediate duty-free treatment of more than 60 percent of current U.S. agriculture exports. Key U.S. agriculture exports such as high-quality beef, other meat and poultry products, soybeans, most fresh fruit and tree nuts, distilled spirits and wines, and many processed food products, will be duty-free upon entry into force of the Agreement. Tariffs on most remaining U.S. farm products will be phased out within 15 years.

### Opportunities for California's Businesses to Participate in the Panama Canal Expansion Project

The U.S.-Panama TPA will ensure that California's firms can participate on a competitive basis in the \$5.25 billion Panama Canal expansion project that will offer many opportunities for U.S. providers of goods and services. Ultimately, the Canal expansion will benefit California's exporters by increasing the Canal's capacity, which will reduce the costs of transporting goods while keeping up with the demands of a growing global economy.

### California Depends on World Markets

California's export shipments of merchandise in 2007 totaled \$134.2 billion, ranking California second only to Texas (\$168.2 billion) among the states in terms of total exports in 2007.

Export shipments of merchandise from California to Panama totaled \$260 million in 2007, up 80 percent since 2003.

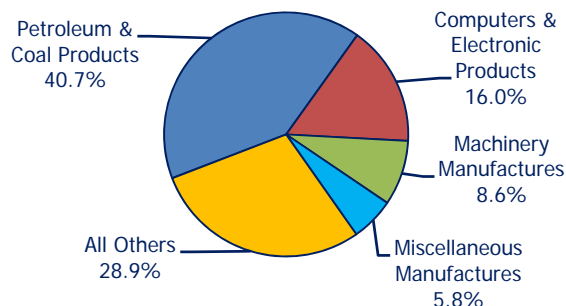
**Exports Support Jobs for California's Workers** – Export-supported jobs linked to manufacturing account for an estimated 5.3 percent of California's total private-sector employment. Over one-fifth (21.9 percent) of all manufacturing workers in California depend on exports for their jobs. (2006 data are the latest available.)

**Exports Sustain Thousands of California's Businesses** – A total of 52,428 companies exported goods from California locations in 2006. Of those, 50,029 (95 percent) were small and medium-sized enterprises with fewer than 500 employees.

### The U.S.-Panama TPA Expands U.S. Services Providers' Access to Panama's Services Market

The U.S.-Panama TPA expands U.S. services providers' access to Panama's primarily service-based economy. The Panama Canal and the Colon Free Zone provide much of the stimulus for Panama's services sector. Key services include banking and financial services, accounting, legal and insurance services, inter-modal transportation services, container ports, flagship registry, tourism, and medical and health services. Panama made substantial commitments to liberalize its services trade. For example, Panama committed to open its telecommunications and financial services sector to U.S. companies, to lift restrictions on investment in retail services trade and to provide new access to professional services that previously had been reserved exclusively to Panamanian citizens.

### California Exported \$260 Million in Goods to Panama in 2007



Source: U.S. Department of Commerce, International Trade Administration

## The U.S.-Panama TPA Moves the Trade Relationship from One-Way Preferences to Reciprocity

In 2007, 91 percent of Panama's exports to the United States entered duty free under unilateral U.S. trade preference programs such as the Caribbean Basin Initiative and Generalized System of Preferences or under zero Normal Trade Relations tariffs. Because of high Panamanian tariffs, U.S. exporters do not have equivalent access to the Panamanian market. The U.S.-Panama TPA levels the playing field and enhances competition because it moves the U.S.-Panama commercial relations beyond one-way preferences to full partnership and reciprocal commitments.

## California's SMEs Will Benefit from U.S.-Panama TPA Provisions

SMEs generated more than two-fifths (44 percent) of California's total exports of merchandise in 2006. This was the sixth highest percentage among the states, and was well above the 29 percent export share for SMEs nationally. SMEs particularly benefit from tariff-eliminating provisions of free trade agreements (FTAs) and should benefit from significant tariff cuts under the U.S.-Panama TPA. The transparency obligations, particularly those contained in the customs chapter, are also very important to SMEs, which may not have the resources to navigate customs and regulatory red tape.

## The U.S.-Panama TPA Opens New Markets for California's Exports

***Petroleum and Coal Products*** – In dollar terms, a leading growth category among U.S. manufactured exports to Panama is petroleum and coal products. Petroleum and coal products were the leading manufacturing export category from California to Panama, accounting for 41 percent or \$106 million of California's total manufactured exports to Panama in 2007. The U.S.-Panama TPA will eliminate duties on key products such as refined petroleum, asphalt, and lubricating oils. Currently, Panamanian tariffs in this sector range as high as 30 percent.

***Computers and Electronic Products*** – Another of California's leading manufactured export categories to Panama is computer and electronic products, which accounted for \$41 million (or 16 percent) of California's total export shipments to Panama in 2007. California's exporters of computers and other information technology equipment will benefit from U.S.-Panama TPA tariff reductions. Certain U.S. exports of information technology equipment will receive duty-free treatment immediately upon entry into force of the Agreement, including DVDs, telephone and fax equipment, semiconductors, and medical and laboratory instruments.

***Machinery Manufactures*** – California companies exported \$22 million in machinery manufactures in 2007 to Panama, making machinery manufactures California's third leading export category to Panama.

California's exporters of machinery will benefit from U.S.-Panama TPA tariff reductions. Ninety-four percent of U.S. exports of infrastructure and machinery products will receive duty-free treatment immediately upon entry into force of the Agreement, including oil filters, electrical panels, refrigeration compressors, and roller bearings. Current Panamanian tariffs on these products average of 5.1 percent, but can range as high as 15 percent. Tariffs on all U.S. exports of agricultural and construction equipment, which are currently as high as 10 percent, will fall to zero immediately upon entry into force of the Agreement. These tariff reductions will improve U.S. equipment manufacturers access to the Panamanian market, especially during the bidding processes for the Panama Canal expansion project.

## The U.S.-Panama TPA Creates Opportunities for California's Agriculture

In 2006, agriculture exports from California to the world amounted to \$10.5 billion (latest data available). Despite high tariffs and other barriers on agricultural products, including key California farm products such as dairy, fruits, and nuts, U.S. exporters shipped \$304 million in U.S. farm products to Panama in 2007, up \$95 million from 2006. A primary U.S. objective was to change the "one-way street" of duty-free access currently enjoyed by most Panama exports into a "two-way street" that provides U.S. suppliers with access to Panama's market and levels the playing field with competitors. This objective was achieved. The U.S.-Panama TPA also includes far-reaching bilateral provisions concerning sanitary and phytosanitary (SPS) measures and technical standards that will help to eliminate long-standing regulatory barriers faced by a variety of U.S. products in the Panamanian market.

For more information on agriculture exports and U.S.-Panama TPA, see the fact sheets prepared by the U.S. Department of Agriculture at <http://www.fas.usda.gov/itp/us-panama.asp>

## Free Trade Works for California's Exporters

In the first four years of the U.S.-Chile FTA (2004-2007), California's exports to Chile have grown 315 percent. Since the North American Free Trade Agreement (NAFTA) entered into force in 1994, California's combined exports to Canada and Mexico have increased 167 percent.

All state export data in this report are based on an unrevised Origin of Movement (OM) series. This series allocates exports to state based on transportation origin, i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Sources: U.S. Department of Commerce, Bureau of the Census, Origin of Movement Series; U.S. Department of Agriculture.

Prepared by the International Trade Administration, U.S. Department of Commerce.