



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

Arkansas

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 Arkansas' 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 Arkansas' 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 Arkansas' Businesses to Participate in the Panama Canal Expansion Project

The U.S.-Panama TPA will ensure that Arkansas' 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 Arkansas' 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.

Arkansas Depends on World Markets

Arkansas' export shipments of merchandise in 2007 totaled \$4.9 billion. This is an increase of 65 percent, or \$1.9 billion, over the 2003 value of \$3.0 billion.

Export shipments of merchandise from Arkansas to Panama totaled \$4.6 million in 2007, up 167 percent since 2003.

Exports Support Jobs for Arkansas' Workers –

Export-supported jobs linked to manufacturing account for an estimated 5.0 percent of Arkansas total private-sector employment. One-ninth (10.7 percent) of all manufacturing workers in Arkansas depend on exports for their jobs. (2006 data are the latest available.)

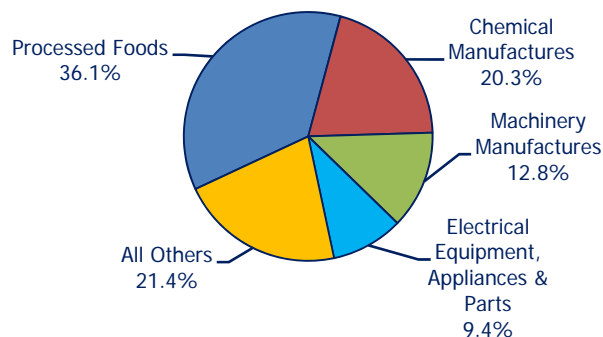
Exports Sustain More than a Thousand Arkansas Businesses –

A total of 1,383 companies exported goods from Arkansas locations in 2006. Of those, 1,048 (76 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.

Arkansas Exported \$4.6 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.

Arkansas' SMEs Will Benefit from U.S.-Panama TPA Provisions

SMEs generated nearly one-sixth (16 percent) of Arkansas' total exports of merchandise in 2006. 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 Arkansas' Exports

Transportation Equipment – The state's leading export category is transportation equipment, which alone accounted for 27 percent, or \$1.3 billion, of Arkansas' total merchandise exports in 2007. Arkansas' exporters of transportation equipment including aircraft, autos, and other transportation equipment, will benefit from U.S.-Panama TPA tariff reductions. One hundred percent of U.S. aircraft and related equipment exports will receive duty-free treatment immediately upon entry into force of the agreement. For motor vehicles, 55 percent of U.S. industrial exports will receive duty-free treatment immediately upon implementation of the agreement, including road tractors, trucks under five metric tons, SUVs, and shock absorbers. For other transportation equipment, certain U.S. industrial exports will receive duty-free treatment immediately upon entry into force of the Agreement, including high-value added products such as sea vessels, and trailers and semi-trailers, which currently face Panamanian tariffs averaging 13.9 percent.

Machinery Manufactures – In 2007, Arkansas companies exported \$509 million in machinery manufactures. Arkansas' exporters of machinery will benefit from U.S.-Panama TPA tariff reductions. Certain U.S. exports of machinery manufactures will receive duty-free treatment immediately upon entry into force of the Agreement, including turbines, machine tools, sewing machines and office machines. 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.

Chemical Manufactures – Another leading merchandise export category for Arkansas is chemical manufactures, with global exports valued at \$563 million in 2007. Arkansas' exporters of chemicals and related products, including pharmaceuticals, cosmetics, fertilizers, and agro-chemicals, will benefit from U.S.-Panama TPA tariff reductions. Eighty percent of U.S. chemical exports will receive duty-free treatment immediately upon entry into force of the Agreement, including fertilizer, resins, and soda ash. Remaining tariffs will phase out within ten years. Current Panamanian tariffs average 3.5 percent and can be as high as 15 percent.

The U.S.-Panama TPA Creates Opportunities for Arkansas' Agriculture

In 2006, Arkansas' agricultural exports to the world amounted to \$1.9 billion (latest data available). Despite high tariffs and other barriers on agricultural products, including key Arkansas farm products such as poultry, soybeans, and rice, 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 Arkansas' Exporters

Since the U.S.-Jordan FTA took effect in 2001, Arkansas' exports to Jordan have grown 3,692 percent. Since the North American Free Trade Agreement (NAFTA) entered into force in 1994, Arkansas' combined exports to Canada and Mexico have increased 216 percent and since the U.S.-Singapore FTA entered into force in 2004, the state's exports to Singapore have grown 144 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.