

U.S.-Panama Trade Promotion Agreement

ENHANCED MARKET ACCESS TO PANAMA

Over 88 percent of U.S. exports of consumer and industrial products to Panama will be duty-free immediately upon entry into force of the Agreement, with remaining tariffs phased out over ten years. Within each of the following key industrial sectors, almost all products will gain immediate duty-free access to the Panamanian market: information technology equipment; agricultural and construction equipment; aircraft and parts; medical and scientific equipment; environmental products; pharmaceuticals; fertilizers; and agro-chemicals. Key U.S. agriculture exports such as high quality beef, other meat and poultry products, soybeans, most fresh fruit and nuts, distilled spirits and wine, and many processed food products, will receive immediate duty-free treatment.

Best Prospects for Increased Market Growth for Non-Textile Industrial Goods

Information Technology Products

Nearly all U.S. exports of information technology products will be duty-free upon entry into force of the Agreement. Despite tariffs that average about eight percent and range up to 15 percent, U.S. exports of information technology products were \$153 million in 2007, accounting for 5 percent of total U.S. exports to Panama. With the immediate removal of most tariffs, U.S. exports will become much more competitive and affordable to Panamanians.

Average Panamanian Tariffs on Imports of Goods from the United States

Information Technology Equipment	7.7%
Construction Equipment	6.5%
Metals and Ores	7.5%
Infrastructure and Machinery	5.1%
Transportation Equipment	13.9%
Autos and Auto parts	10.5%
Medical Equipment	8.6%
Paper and Paper Products	7.3%
Consumer Goods	10.9%

Construction Equipment, Infrastructure and Machinery

All U.S. exports of construction equipment and over 94 percent of infrastructure and machinery products will be duty-free immediately upon entry into force of the Agreement. Construction equipment and infrastructure and machinery products currently face tariffs as high as 10 percent and 15 percent respectively. 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. U.S. exports of capital goods to Panama totaled nearly \$289 million in 2007.

Panama's commitment to grow its tourism industry, coupled with major infrastructure projects such as the Panama Canal expansion project and growing investment in the energy and construction sectors will continue to fuel demand for specialized machinery. Apart from the massive Canal expansion project other commercial opportunities include the construction of a new oil refinery, a new megaport project, and residential real estate development.

Chemicals (Pharmaceuticals, Fertilizers & Agro-Chemicals, Cosmetics, Plastics)

Chemicals accounted for over 16 percent of U.S. industrial exports to Panama in 2007, totaling \$501 million. Panamanian tariffs range between zero and 15 percent with an average of 3.5 percent. Eighty percent of U.S. chemical exports will receive duty-free treatment immediately upon implementation of the Agreement. The remaining tariffs will be eliminated over five and ten years. Best prospects for U.S. exports in this sector include antibiotics, non-vaccine medicaments, perfumes, and adhesive dressings. Tariffs on 100 percent of U.S. pharmaceutical exports, 100 percent of fertilizer and agro-chemicals exports, 77 percent of cosmetics exports, and 83 percent of plastics exports will all be duty-free immediately upon implementation of the Agreement.

Autos and Auto Parts

Fifty-five percent of U.S. exports of motor vehicles and 97 percent of auto parts will receive duty-free treatment immediately upon implementation of the Agreement, with the remaining duties phased out over five and ten years. Automotive products accounted for three percent of U.S. industrial exports to Panama in 2007, totaling \$122 million. The top U.S. exports to Panama in this sector were road tractors, trucks, and passenger motor vehicles. Panamanian tariffs range between zero and 20 percent with an average tariff of 10.5 percent.

Remanufactured Equipment

For the first time, U.S. exporters will be able to sell high-quality remanufactured equipment in Panama. Currently, remanufactured equipment faces an import ban. Upon implementation of the Agreement, U.S. remanufacturers of many products, such as engines, radiators, and alternators for construction equipment and transportation machinery, will be able to export their products to Panama without non-tariff barriers. Remanufacturing is a labor-intensive activity that allows the recycling of discarded or used “cores,” which are normally the heaviest basic parts, such as an engine or radiator. The industry employs tens of thousands of U.S. workers. Under the U.S.-Panama TPA, most remanufactured products will have no tariffs, while tariffs on the remaining products will be phased out over ten years. This is an excellent opportunity for U.S. exporters of remanufactured equipment, including computers, cellular telephones, construction and medical equipment, and auto parts.

Medical Equipment

Ninety-seven percent of U.S. medical equipment exports to Panama will receive duty-free access immediately upon entry into force of the Agreement. Duties on the remaining three percent of U.S. medical equipment products, including orthopedic and fracture appliances and medical furniture will be phased out over ten years. Medical equipment accounted for one percent of U.S. industrial exports to Panama in 2007, totaling nearly \$45 million. The top U.S. exports in this sector included x-ray machines, tomography and electro-diagnostic apparatuses, medical sterilizers, and MRI machines. Panamanian tariffs range between zero and 15 percent,

with an average of 8.6 percent.

Electrical and Electronic Equipment

Eighty-six percent of U.S. exports of electrical and electronic equipment will receive duty-free treatment immediately upon implementation of the Agreement, with the remaining duties phased out over five and ten years. Electrical and electronic equipment accounted for 1.4 percent of U.S. industrial exports to Panama in 2007, totaling \$44 million. The top U.S. exports in this sector were television receivers, generators, photographic equipment, television cameras, and parts. Demand for electrical equipment will continue to rise as the Government develops new power generation projects to meet the growing demand for electricity and to avoid possible energy shortages in the future. Panamanian tariffs on electrical and electronic equipment range between zero and 15 percent with an average of 8.8 percent.

Environmental Products

Nearly 100 percent of U.S. environmental products exports will receive duty-free treatment immediately upon implementation of the Agreement. Duties on the few remaining products will be phased out over ten years. Environmental products accounted for 2.2 percent of U.S. industrial exports to Panama in 2007, totaling \$8 million. The top U.S. exports in this sector included water filtration equipment, combustion engine parts, and surveying instruments and parts. Panamanian tariffs on environmental goods range from zero to 15 percent, with an average of 5.7 percent. The expected demand for environmental products and services for such projects as the Panama Bay clean-up project will offer many opportunities for U.S. companies.