

# U.S.-Panama Free Trade Agreement Market Access Results

## Autos and Auto Parts

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### Trade and Tariffs

The automotive sector covers motor vehicles and parts.

Automotive products accounted for 4 percent of U.S. 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 of 10.5 percent in 2005.

Panamanian exports to the United States totaled \$307 thousand in 2005 or less than 1 percent of total industrial exports to the United States. Top Panamanian exports were engines, radio broadcast receivers, and safety glass. U.S. tariffs applied to the automotive sector range from zero to 25 percent, with an average of 2.4 percent. All Panamanian exports in this sector enter the United States duty-free under the Caribbean Basin Economic Recovery Act (CBERA) and Caribbean Basin Trade Promotion Act (CBTPA) tariff preferences.

### Tariff Elimination

Tariffs will be phased out according to four tariff elimination categories: immediate elimination, equal cuts over five years, equal cuts over ten years, and unequal cuts over ten years. Tariff elimination under the unequal ten-year staging category will proceed with a 3 percent cut in the tariff in years one and two, a 5 percent cut in years three through six, an 18 percent cut in years seven and eight, and a 19 percent cut each in years nine and ten.

For motor vehicles, 55.2 percent of U.S. industrial exports will receive duty-free treatment immediately upon implementation of the Agreement. Tariffs on another 15.6 percent of exports will be eliminated over five years. Duties on the remaining 29 percent of U.S. exports will be eliminated over ten years. For auto parts, 97 percent of U.S. industrial exports will receive duty-free treatment immediately upon implementation of the Agreement with remaining 3 percent eliminated over ten years.

Tariffs on priority automotive products, including road tractors, trucks under 5 metric tons, passenger motor vehicles, shock absorbers, and other auto parts will be phased out immediately upon implementation of the Agreement.

The United States agreed to consolidate all CBERA and CBTPA tariff preferences into the final tariff elimination schedules, therefore all auto and auto parts exports from Panama will continue to receive duty-free treatment.

### Non-Tariff Barriers

Panama will eliminate its prohibition on the importation of remanufactured automotive equipment, as defined in Chapter Four - Rules of Origin, on entry into force of the Agreement.