



## The Case for the U.S.-Panama Trade Promotion Agreement *Strengthening Partnerships for Prosperity*

*“The United States and Panama enjoy an excellent bilateral relationship. Perhaps it is exemplified best by the fact that we continue to improve our relations and we do look forward to Congress's ratification of the free trade agreement which would put our economic relations on an even more sound footing.”*

-- Secretary of State Condoleezza Rice, June 7, 2007

***More than 5,600 U.S. companies export to Panama, and more than 80 percent of those are small and medium-sized firms.***

Source: Latin America Trade Coalition

**1. Open a significant new export market.** America's two-way trade with Panama topped \$4.1 billion in 2007, with U.S. goods exported to Panama reaching \$3.7 billion. Major U.S. goods exported to Panama include petroleum products, aircraft, and medicaments. The U.S.-Panama Trade Promotion Agreement will further open this growing market to American goods and services. It will provide particular benefits for American farmers and ranchers by immediately eliminating Panama's duties on more than half of current U.S. agriculture exports. Principal U.S. products include high quality beef, cotton, wheat, soybeans and many fruits, vegetables and processed food products.

**2. Level the playing field for American businesses, farmers, ranchers, and workers.** America's market is already largely open to imports from Panama. In 2007, for example, roughly 96 percent of U.S. imports from Panama entered the United States duty-free under our most-favored nation tariff rates and various preference programs, such as the Caribbean Basin Initiative. However, only 30 percent of U.S. exports to Panama are duty-free. As a result, the current average Panama tariff on U.S. goods is currently over 7 percent, whereas the tariff we apply on Panamanian goods entering the US is close to zero. The U.S.-Panama trade agreement will give American businesses, farmers, ranchers and workers similar access to this growing Central American market. Immediately upon entry into force of the agreement, 88 percent of U.S. industrial and commercial goods exports to Panama will enter duty-free, while more than 60 percent of U.S. current agricultural trade value will become duty-free; remaining duties will be phased out over 15 years. The agreement will also provide fair and transparent opportunities for American firms to compete in the \$5.25 billion Panama Canal expansion project, spur vital reform of Panama's domestic legal and business environment, and strengthen protections for workers and the environment.

**3. Strengthen freedom and democracy.** Approval and implementation of the U.S.-Panama trade agreement will demonstrate strong U.S. support for a country and a people who share our values of economic freedom and democracy. Panama restored democracy in 1989 and has had a succession of peaceful and democratic elections ever since. Panama joined the WTO in 1997 and has concluded several free trade agreements with other countries.

**4. Promote economic development and poverty reduction.** An increasingly open market has given the people of Panama strong economic growth (2007 real GDP grew 9.5 percent) and one of the highest per-capita incomes in Latin America. Unemployment has come down in recent years from double digits to 6.3 percent. Further connecting trade with Panama's own economic development and poverty reduction programs, the U.S.-Panama trade agreement will help this country add to already impressive results and ensure the gains of growth are broadly shared.

**5. Anchor longstanding ties with a vital regional ally.** Since construction of the Panama Canal in 1914, the United States and Panama have built a strong friendship and strategic partnership. Close cooperation has yielded many successes including steadily increasing narcotics seizures, and an enhanced ability to combat money laundering and other illicit financial flows. Approval and implementation of the U.S.-Panama trade agreement will be a critical signal of America's support for the Panamanian people, who have chosen to strengthen ties with the United States in the belief that reciprocal market access will contribute to the overall growth and development of their nation. Panama has managed the Canal safely and effectively since the handover on December 31, 1999. In 2006, Panamanians voted overwhelmingly (78 percent to 22 percent) to expand and modernize the Canal. The Canal remains a vital U.S. security and commercial interest as two-thirds of its 14,000 annual transits are bound to/from U.S. ports.

For more information, visit the State Department's FTA webpage  
at <http://www.state.gov/e/eeb/tpp/c22883.htm>

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