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

# Florida

***www.export.gov/fta/panama/state*** **May 2008**

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

The U.S.-Panama Trade Promotion Agreement (TPA) offers tremendous opportunities for Florida'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 Florida'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 Florida's Businesses to Participate in the Panama Canal Expansion Project

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

## Florida Depends on World Markets

Florida's export shipments of merchandise in 2007 totaled $44.8 billion, up 80 percent from $25.0 billion in 2003. Florida ranked sixth among the states in terms of total exports in 2007.

Export shipments of merchandise from Florida to Panama totaled $779 million in 2007, the largest amount among the 50 states. Exports were up 130 percent from the 2003 level of $339 million.

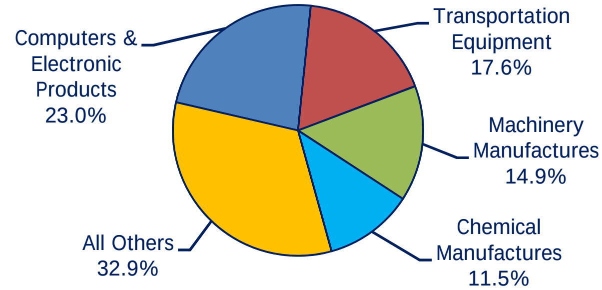
***Exports Support Jobs for Florida's Workers*** – Export-supported jobs linked to manufacturing account for an estimated 1.8 percent of Florida's total private-sector employment. One-ninth (11.7 percent) of all manufacturing workers in Florida depend on exports for their jobs. (2006 data are the latest available.)

***Exports Sustain Thousands of Florida's Businesses*** – A total of 30,313 companies exported from Florida locations in 2006. Of those, 28,775 (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.

**Florida Exported $779 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.

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

SMEs generated nearly two-thirds (63 percent) of Florida's total exports of merchandise in 2006. This was the highest figure among the 50 states, and far above the U.S average of 29 percent. 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 Florida's Exports

***Computers and Electronic Products*** – In 2007, Florida's exports of computers and electronic products to Panama totaled $179 million, increasing 105 percent from 2003 to 2007. Florida'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.

***Transportation Equipment*** – In 2007, transportation equipment was another of Florida's leading manufactured exports to Panama. In 2007, Florida's exports of transportation equipment to Panama totaled $137 million, an increase of 222 percent from 2003. Florida's 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*** – Florida's companies exported $116 million in machinery manufactures to Panama in 2007, increasing 109 percent from 2003 to 2007. Florida's 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.

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

In 2006, agriculture exports from Florida to the world amounted to $1.7 billion (latest data available). Despite high tariffs and other barriers on agricultural products, including key Florida farm products such as fruits and preparations, vegetables and preparations, and beef, 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 Florida's Exporters

In the first four years of the U.S.-Chile FTA (2004-2007), Florida's exports to Chile have grown 99 percent. Since the U.S.-Jordan FTA took effect in 2001, Florida's exports to Jordan have jumped 587 percent. Since the North American Free Trade Agreement (NAFTA) entered into force in 1994, Florida's combined exports to Canada and Mexico have increased 208 percent and since entry into force of the U.S.-Morocco agreement in 2006, the state's exports to that country have grown 86 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.