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

Louisiana

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 Louisiana'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 Louisiana'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 Louisiana's Businesses to Participate in the Panama Canal Expansion Project

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

Louisiana Depends on World Markets

Louisiana's export shipments of goods in 2007 totaled $30.4 billion, the tenth highest total among the states. Louisiana increased its merchandise exports $12.0 billion (65 percent) from 2003 to 2007, the tenth largest dollar figure among the 50 states over that period.

Export shipments of merchandise from Louisiana to Panama totaled $627 million in 2007, a surge of 293 percent since 2003.

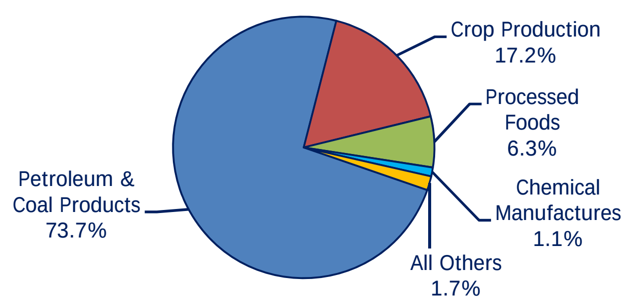
Exports Support Jobs for Louisiana's Workers – Export-supported jobs linked to manufacturing account for an estimated 5.7 percent of Louisiana's total private-sector employment. Nearly one-seventh (13.1 percent) of all manufacturing workers in Louisiana depend on exports for their jobs. (2006 data are the latest available.)

Exports Sustain Thousands of Louisiana's Businesses – A total of 2,371 companies exported goods from Louisiana locations in 2006. Of those, 1,998 (84 percent) were small and medium-sized enterprises (SMEs), 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.

Louisiana Exported $627 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.

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

SMEs generated over one-third (35 percent) of Louisiana's 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 Louisiana's Exports

Petroleum and Coal Products – Petroleum and coal products were Louisiana's leading merchandise export to the Panamanian market in 2007, totaling $463 million. The state's exports of these products to Panama have jumped 734 percent since 2003. The U.S.-Panama TPA will eliminate duties on key products such as marine diesel fuel and lubricating greases. Currently, Panamanian tariffs in this sector range as high as 30 percent.

Chemical Manufactures – Louisiana's exports of chemical manufactures to the Panamanian market totaled $6.9 million in 2007. Louisiana's 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.

Paper Products – In 2007, Louisiana companies exported $5.0 million in paper products to the Panamanian market, up 99 percent since 2003. Louisiana's exporters of paper and paper products will benefit from the U.S.-Panama TPA tariff reductions.

For paper products, 82 percent of U.S. industrial exports will receive duty-free treatment immediately upon implementation of the Agreement including newsprint, kraft liner, paper cups and trays, and sanitary paper goods. Current Panamanian tariffs average 7.3 percent and can be as high as 15 percent.

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

In 2006, agricultural exports from Louisiana to the world amounted to $641 million (latest data available). Despite high tariffs and other barriers on agricultural products, including key Louisiana farm products such as rice, cotton, 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 Louisiana's Exporters

In the first four years (2004-2007) of the U.S.-Chile FTA, Louisiana's exports to Chile increased by 188 percent. The state's exports to Morocco have jumped 283 percent since that FTA took effect in 2006 and since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, Louisiana's combined exports to Canada and Mexico have grown by 447 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.