



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

Rhode Island

www.export.gov/fta/panama/state

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

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

The U.S.-Panama TPA will ensure that Rhode Island'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 Rhode Island'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.

Rhode Island Depends on World Markets

Rhode Island's export shipments of merchandise in 2007 totaled \$1.6 billion, up 40 percent from the \$1.2 billion exported in 2003.

Export shipments of merchandise from Rhode Island to Panama totaled \$2.2 million in 2007.

Exports Support Jobs for Rhode Island's Workers

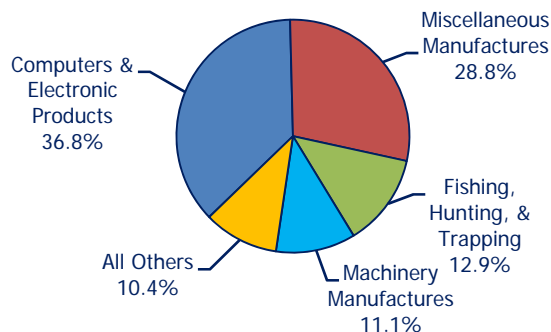
- Export-supported jobs linked to manufacturing account for an estimated 3.8 percent of Rhode Island's total private-sector employment. Over one-sixth (17.9 percent) of all manufacturing workers in Rhode Island depend on exports for their jobs. (2006 data are the latest available.)

Exports Sustain Thousands of Rhode Island's Businesses – A total of 1,337 companies exported goods from Rhode Island locations in 2006. Of those, 1,162 (87 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.

Rhode Island Exported \$2.2 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.

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

SMEs generated 47 percent of Rhode Island's total exports of merchandise in 2006, the fourth largest share among the states, and well above the national 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 Rhode Island's Exports

Computers and Electronic Products – Computers and electronics products are a leading global manufactured export category for Rhode Island as well as Rhode Island's number one manufactured export to Panama. The state's global export shipments of these products totaled \$214 million in 2007. Rhode Island'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.

Miscellaneous Manufactures – Another of the state's leading global manufactured export categories is miscellaneous manufactures, which alone accounted for \$202 million, or 12 percent of Rhode Island's total export shipments in 2007. Rhode Island's exporters of miscellaneous manufactures will benefit from the U.S.-Panama TPA. This sector includes medical equipment, recreation equipment, and toys. Ninety-seven percent of U.S. exports of medical equipment, including tomography and electro-diagnostic apparatuses, will receive duty-free treatment immediately upon implementation of the Agreement. Current Panamanian tariffs on medical equipment average 8.6 percent and range as high as 15 percent. Panama also will eliminate tariffs on 92 percent of U.S. toy exports and 83 percent of U.S. recreational goods exports immediately upon entry into force of the Agreement.

Machinery Manufactures – Rhode Island companies exported \$179 million in machinery manufactures globally in 2007, an increase of 46 percent from 2003. Rhode Island's exporters of machinery will benefit from U.S.-Panama TPA tariff reductions. Ninety-four percent of U.S. exports of infrastructure and machinery products will receive duty-free treatment immediately upon entry into force of the Agreement, including oil filters, electrical panels, refrigeration compressors, and roller bearings. Current Panamanian tariffs on these products average of 5.1 percent, but can range as high as 15 percent. 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 Rhode Island's Agriculture

Despite high tariffs and other barriers on agricultural products, including key including key U.S. farm products such as poultry, wheat, and corn, 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 Rhode Island's Exporters

Rhode Island's combined exports to Canada and Mexico have grown by 84 percent. Since entry into force of the Australia Free Trade Agreement in 2005, Rhode Island exports to Australia grew 155 percent and following entry into force of the U.S.-Chile FTA in 2004, the state's exports to Chile have grown 485 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.