



The U.S.-Panama Trade Promotion Agreement

Opportunities for the U.S. Automotive Sector

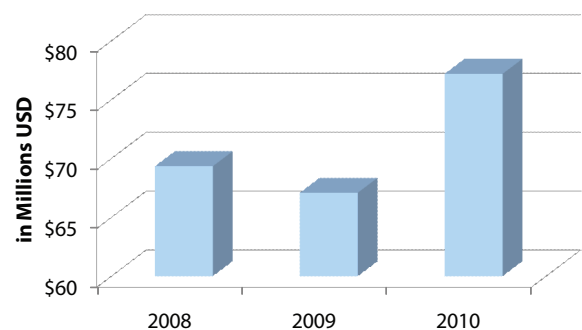
The U.S.-Panama Trade Promotion Agreement would provide significant commercial opportunities for U.S. exporters:

- The U.S. automotive sector accounted for **\$71 million** in U.S. exports to Panama over 2008-10 (average) or 3 percent of total U.S. industrial exports to Panama.
- Estimated duties paid on exports of U.S. autos and auto parts to Panama from 2008 to 2010 were **over \$23 million**.
- **Over 88 percent** of U.S. exports of autos and auto parts to Panama would receive duty-free treatment immediately upon implementation of the U.S.-Panama Trade Promotion Agreement.

Automotive Sector Overview

- The U.S. automotive sector accounted for \$71 million in U.S. exports to Panama over 2008-10 (average) or 3 percent of total U.S. industrial exports to Panama.¹
- Top U.S. automotive exports to Panama include passenger motor vehicles, shock absorbers, fuel pumps and suspension systems, and compression ignition internal combustion engines.
- The U.S. automotive industry accounts for over 4 percent of U.S. GDP through intricate supply chains that range from raw materials to advanced technology inputs.
- In 2009, U.S. production of automotive products was about \$206 billion.²
- The U.S. automotive sector employed approximately 666,400 workers in 2009, providing jobs in all 50 states.³

**U.S. Automotive Exports to Panama
Averaged \$71 Million**



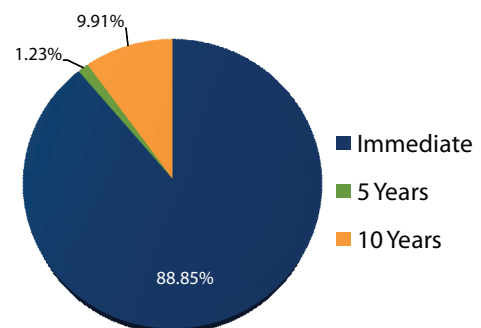
Improved Market Access for U.S. Autos and Auto Parts Exporters to Panama

- Panama's automotive sector tariffs average 12.7 percent, ranging from 0 to 20 percent.
- Over 89 percent of U.S. autos and auto parts exports⁴ to Panama would receive duty-free treatment immediately upon implementation of this trade Agreement.
- Tariffs on the remaining 11 percent would be eliminated in 10 years.

Selected Sub-Sectors:

- For motor vehicles, 78 percent of U.S. industrial exports will receive duty-free treatment immediately upon implementation of the Agreement. Tariffs on another 3 percent of exports will be eliminated over five years. Duties on the remaining 19 percent of U.S. exports will be eliminated over ten years.
- For auto parts, 96 percent of U.S. industrial exports will receive duty-free treatment immediately upon implementation of the Agreement with remaining 3.6 percent eliminated over ten years.

**Over 88% of U.S. Automotive Exports to
Panama Would be Duty-Free Immediately**



1 Global Trade Atlas. Calculations by the U.S. Department of Commerce based on import data as reported by Panama. The definition for autos in this report, unless otherwise cited includes products within HS headings 8701, 8702, 8703, 8704, and 8706. The definition for auto parts, unless otherwise cited, includes products within HS Chapters 68, 70, 83, 84, 85, 91 and 94 and HS headings 8707, 8708 and 8716.

2 U.S. Department of Commerce, U.S. Census Bureau, within NAICS 336. Shipments used as best available proxy for production.

3 U.S. Department of Labor, Bureau of Labor Statistics, within NAICS 336 (non-seasonally adjusted).

4 Data based on three-year average for 2008 to 2010.

Key States Exporting to Panama

- Top U.S. states exporting automotive products to Panama include: California, Georgia, Illinois, Florida, South Carolina, Texas, Ohio, Michigan, North Carolina, Maryland, Alabama, New York and Minnesota.

Foreign Competition in Panama's Market

- Since the conclusion of negotiations with the United States, Panama has concluded separate negotiations with Canada and the EU. The EU-Central America Association Agreement which includes Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama successfully completed negotiations in May 2010. This agreement will provide the EU with increased regional opportunities in Central America through lower tariffs, increased government procurement market access and elimination of certain non-tariff barriers. Panama also concluded free trade agreement negotiations with Canada in May 2010. As part of this agreement, Panama will eliminate tariffs immediately on 90 percent of Canada's exports.

Other Key Commitments by Panama for the Automotive Sector

Remanufactured Goods:

Currently, remanufactured equipment could be treated as a "used good" and face possible import prohibitions and restrictions in Panama. Upon entry into force of the Agreement, U.S. remanufacturers of many products, such as engines, radiators, and alternators for construction equipment and transportation machinery, will gain access to export their remanufactured products to Panama without being unjustified prohibitions and restrictions.

Investment:

The U.S.-Panama TPA establishes a strong and predictable legal framework for U.S. investors for all forms of investment. Under the Agreement, Panama will provide U.S. investors substantive protections and due process rights that are consistent with U.S. legal principles and practice. The Agreement establishes an impartial dispute settlement mechanism for investors to pursue damages for breaches of these protections.

Intellectual Property Rights:

The U.S.-Panama TPA requires high levels of intellectual property protection, consistent with U.S. standards of protection, and will support the growth of trade in digital and other intellectual property-based products. This Agreement provides protection for copyrighted works, stronger protection for patents and trade secrets and the high level of enforcement required provides tough penalties for piracy and counterfeiting.