



# The U.S.-Panama Trade Promotion Agreement

## Opportunities for the U.S. Chemicals Sector

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

- The chemicals sector accounted for **\$254 million** in U.S. exports to Panama over 2008-10 (average) or 11 percent of total U.S. industrial exports to Panama.
- Estimated duties paid on exports of U.S. chemical products to Panama from 2008 to 2010 were **over \$34 million**.
- **Almost 80 percent** of U.S. exports of chemical products to Panama would receive duty-free treatment immediately upon implementation of the U.S.-Panama Trade Promotion Agreement.

### Chemicals Sector Overview

- The chemicals sector accounted for \$254 million in U.S. exports to Panama over 2008-10 (average) or 11 percent of total U.S. industrial exports to Panama.<sup>1</sup>
- Top U.S. chemicals exports to Panama include polyethylene, plastics, tires, fertilizer and cosmetics.
- The U.S. chemicals sector, which is highly integrated into the world economy and global supply chains, accounted for 18 percent of U.S. manufacturing production in 2009.<sup>2</sup>
- The U.S. chemicals sector employed over 1.4 million workers in the United States in 2009.<sup>3</sup>

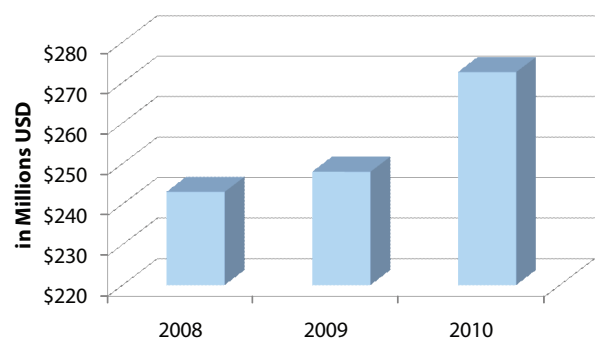
### Improved Market Access for U.S. Chemicals Exporters to Panama

- Panama's chemical tariffs average 3 percent, ranging from 0 to 15 percent.
- Almost 80 percent of U.S. chemicals exports<sup>4</sup> to Panama would receive duty-free treatment immediately upon implementation of this Agreement.
- Tariffs on the remaining 20 percent would be eliminated in 5 to 10 years.

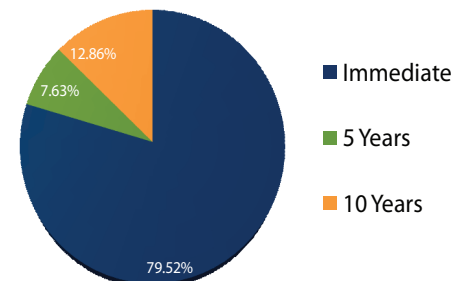
#### Selected Sub-Sectors:

- **Pharmaceuticals:** Panama will eliminate tariffs on 99 percent of U.S. pharmaceutical exports immediately upon implementation of the Agreement and the remaining less than one percent will be eliminated over ten years.
- **Cosmetics:** Panama will eliminate tariffs on 77 percent of U.S. cosmetics exports immediately upon implementation of the Agreement, and 13.3 percent within five years. Duties on the remaining 9.8 percent of exports will be eliminated over ten years.
- **Fertilizer & Agro-Chemicals:** Panama will eliminate tariffs on 100 percent of fertilizer and agro-chemical exports immediately upon implementation of the Agreement.

**U.S. Chemicals Exports to Panama Averaged \$254 Million**



**Almost 80% of U.S. Chemicals 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 chemical used in this report, unless otherwise cited, is based on HS chapters 28 to 40.

2 U.S. Department of Commerce, U.S. Census Bureau, NAICS 325 and 326. Shipments used as best available proxy for production.

3 U.S. Department of Labor, Bureau of Labor Statistics, NAICS 325 and 326 (based on non-seasonally adjusted).

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

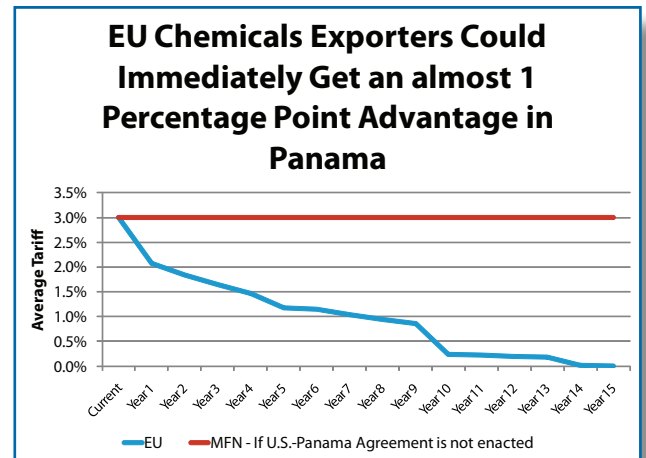
- **Plastics:** Panama will eliminate tariffs on 79.5 percent of resin and manufactured plastic exports immediately upon implementation of the Agreement. Tariffs on another 8.5 percent of exports will be eliminated over five years, and tariffs on 12 percent will be eliminated over ten years.
- **Rubber:** Panama will eliminate tariffs on 51 percent of rubber and rubber product exports immediately upon implementation of the Agreement. Tariffs on another 20.7 percent of exports will be eliminated over five years and tariffs on the remaining 28.1 percent will be eliminated over ten years.

## Key States Exporting to Panama

- Top U.S. states exporting chemicals to Panama include: Florida, Georgia, Maryland, Minnesota, Texas, North Carolina, Illinois, Ohio, California, Michigan, South Carolina, Tennessee, North Carolina, Missouri, Texas, Virginia, Puerto Rico, and Pennsylvania.

## 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.
- EU chemicals exporters will immediately enjoy an average tariff of 2 percent upon implementation of the EU-Central America Association Agreement, while U.S. exporters will face an average MFN tariff of 3 percent until implementation of the U.S.-Panama Trade Promotion Agreement.



## Other Key Commitments by Panama for the Chemicals Sector

### Rules of Origin:

The U.S. Panama TPA rules of origin allow only U.S. and Panamanian originating goods to receive preferential tariff treatment under the Agreement. The trade agreement rules of origin provide clear requirements for a good to be considered originating, including that a good must be wholly obtained or produced entirely in the territory of the United States or Panama, as well as requirements for materials that are used in the production of the good.

### Customs Administration:

The U.S.-Panama TPA requires measures designed to increase transparency and efficiency in administering customs procedures. The Agreement will allow exporters to obtain advance rulings on tariff classification, origin of goods, and other customs matters. The Agreement addresses industry's demand for express delivery services by requiring that, within one year after the date the Agreement takes effect, Panama must provide a separate, expedited customs procedure for express shipments.

### 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.