



# The U.S.-Panama Trade Promotion Agreement

## *Opportunities for the U.S. Construction Equipment Sector*

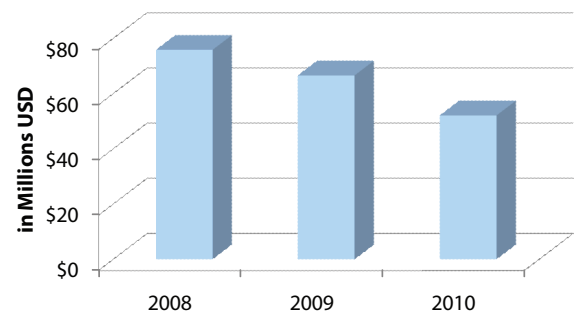
The U.S.-Panama Trade Promotion Agreement would provide significant commercial opportunities for U.S. exporters:

- The construction equipment sector accounted for **\$64 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. construction equipment to Panama from 2008 to 2010 were **over \$10 million**.
- **All** U.S. exports of construction equipment to Panama would receive duty-free treatment immediately upon implementation of the U.S.-Panama Trade Promotion Agreement.

### Construction Equipment Sector Overview

- The construction equipment sector accounted for \$64 million in U.S. exports to Panama over 2008-10 (average) or 3 percent of total U.S. industrial exports to Panama.<sup>1</sup>
- Top U.S. construction equipment exports to Panama include cranes, track laying equipment, front loaders, and mechanical shovels.
- In 2009, U.S. production of construction equipment products was about \$40 billion.<sup>2</sup>
- The U.S. construction equipment sector employed over 130,000 workers in the United States in 2009.<sup>3</sup>

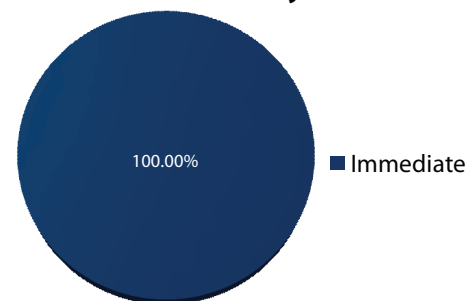
### U.S. Construction Equipment Exports to Panama Averaged \$64 Million



### Improved Market Access for U.S. Construction Equipment Exporters to Panama

- Panama's construction equipment tariffs average 6.5 percent, ranging from 0 to 10 percent.
- All U.S. construction equipment exports<sup>4</sup> to Panama will receive duty-free treatment immediately upon implementation of this trade Agreement.

### All Construction Equipment Exports to Panama Would be Duty-Free Immediately



### Key States Exporting to Panama

- Top U.S. states exporting construction equipment to Panama include: Florida, Georgia, Illinois, California, North Carolina, Pennsylvania, South Carolina, Washington, Iowa, Louisiana, Michigan and Minnesota.

<sup>1</sup> Global Trade Atlas. Calculations by the U.S. Department of Commerce based on import data as reported by Panama. The definition for construction equipment used in this report, unless otherwise cited, includes selected products within HS chapters 84 and 87.

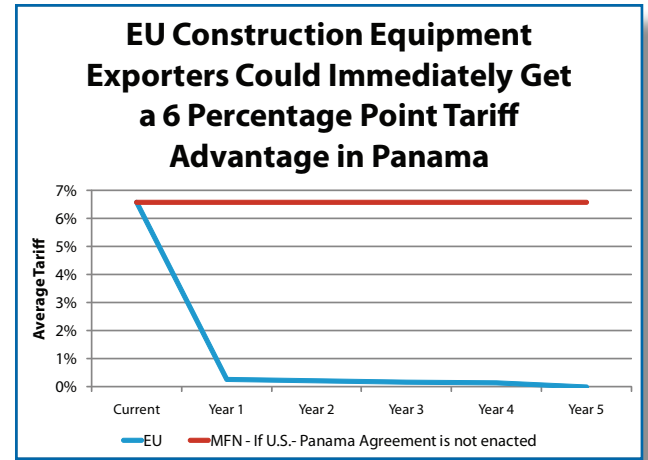
<sup>2</sup> U.S. Department of Commerce, U.S. Census Bureau, NAICS 333120, 333131, 333923 and 333924. Shipments used as best proxy for production.

<sup>3</sup> U.S. Department of Labor, Bureau of Labor Statistics, NAICS 33312 and 33392 (non-seasonally adjusted).

<sup>4</sup> Data based on three-year average for 2008 to 2010.

## 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 construction equipment exporters will immediately enjoy an average tariff of less than one percent upon implementation of the EU-Central America Association Agreement, while U.S. exporters will face an average MFN tariff of 6.5 percent until implementation of the U.S.-Panama Trade Promotion Agreement.



## Other Key Commitments by Panama for the Construction Equipment Sector

### Government Procurement:

The U.S.-Panama TPA government procurement provisions guarantee non-discriminatory access for U.S. goods, services, and suppliers to a broad range of public sector entities in Panama. The Agreement covers purchases of Panamanian central government entities, including all key ministries, and significant government enterprises. In addition to the \$5.25 billion Panama Canal expansion project, the Government of Panama has identified almost \$10 billion in other significant infrastructure projects. The U.S.-Panama TPA also clarifies that build-operate-transfer contracts (BOTs) are within the scope of the government procurement obligations in the Agreement.

### 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.