



# The U.S.-Panama Trade Promotion Agreement

## Opportunities for the U.S. Footwear and Travel Goods Sector

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

- The footwear and travel goods sector accounted for **over \$14 million** in U.S. exports to Panama over 2008-10 (average).
- Estimated duties paid on exports of U.S. footwear and travel goods to Panama from 2008 to 2010 were **over \$4.8 million**.
- **Over 54 percent** of U.S. exports of footwear and travel goods to Panama would receive duty-free treatment immediately upon implementation of the U.S.-Panama Trade Promotion Agreement.

### Footwear and Travel Goods Sector Overview

- The footwear and travel goods sector accounted for over \$14 million in U.S. exports to Panama over 2008-10 (average).<sup>1</sup>
- Top U.S. footwear and travel goods exports to Panama include leather hand bags, rubber shoes, and leather boots and shoes.
- In 2009, U.S. production of footwear and travel goods was over \$2.4 billion.<sup>2</sup>
- The U.S. footwear and travel goods sector employed over 29,000 workers in the United States in 2009.<sup>3</sup>

### Improved Market Access for U.S. Footwear and Travel Goods Exporters to Panama

- Panama's footwear and travel goods tariffs average 11.4 percent, ranging from 0 to 15 percent.
- Over 54 percent of U.S. footwear and travel goods exports<sup>4</sup> to Panama would receive duty-free treatment immediately upon implementation of this Agreement.
- Tariffs on the remaining 45 percent would be eliminated in 10 years.

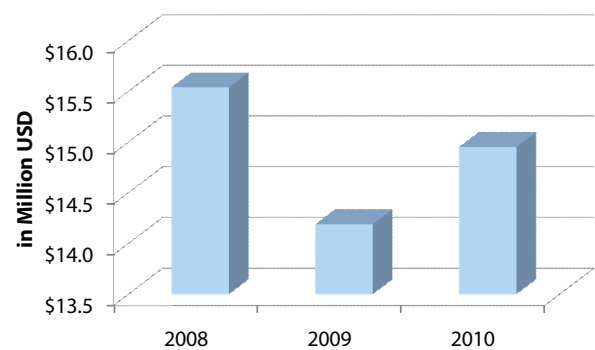
#### Selected Sub-sectors:

- **Footwear:** Panama will eliminate tariffs on 40 percent of U.S. footwear exports immediately upon implementation of the Agreement. Tariffs on the remaining 60 percent will be eliminated over ten years.
- **Travel Goods:** Panama will eliminate tariffs on all U.S. travel goods exports immediately upon implementation of the Agreement.

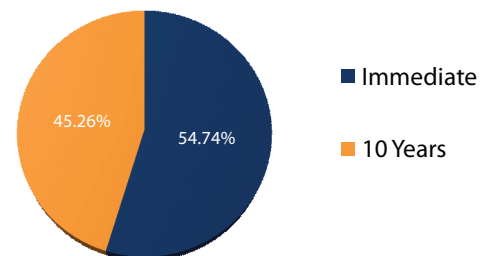
### U.S. Footwear Industry Concerns Addressed by the U.S.-Panama Trade Promotion Agreement

- U.S. tariffs on sensitive rubber/fabric and plastic/protective footwear items imported from Panama would be eliminated in ten non-linear annual stages following implementation of the U.S.-Panama TPA.

**U.S. Footwear and Travel Goods Exports to Panama Averaged \$14 Million**



**Over 54% of U.S. Footwear and Travel Goods Exports to Panama Would be Duty-Free Immediately**



<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 footwear and travel goods used in this report, unless otherwise cited, is based on HS chapters 42 and 64.

<sup>2</sup> U.S. Department of Commerce, U.S. Census Bureau, within NAICS 316. Shipments used as best proxy for production.

<sup>3</sup> U.S. Department of Labor, Bureau of Labor Statistics, within NAICS 316 (non-seasonally adjusted).

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

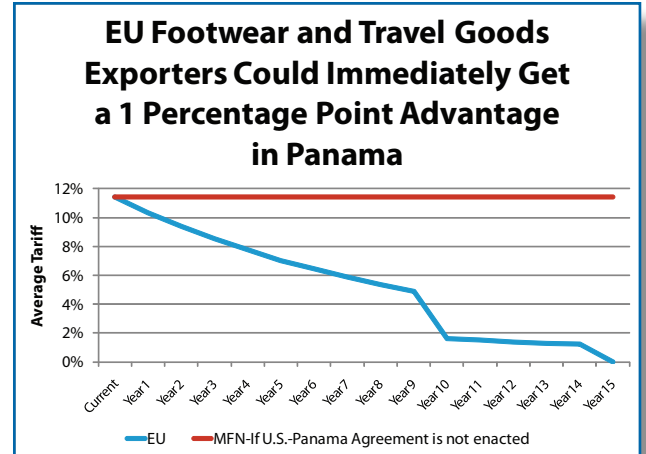
- Tariff elimination under the non-linear ten-year staging category will proceed with a 3 percent cut in the tariff in years one and two, a 5 percent cut in years three through six, an 18 percent cut in years seven and eight, and a 19 percent cut each in years nine and ten.

## Key States Exporting to Panama

- Top U.S. states exporting footwear and travel goods to Panama include: California, Virginia, Wisconsin, Florida, New York, and Ohio.

## 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 footwear and travel goods exporters will immediately enjoy an average tariff of 10.3 percent upon implementation of the EU-Central America Association Agreement, while U.S. exporters will face an average MFN tariff of 11.4 percent until implementation of the U.S.-Panama Trade Promotion Agreement.



## Other Key Commitments by Panama for the Footwear and Travel Goods Sector

### 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.

### 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.