



The U.S.-Panama Trade Promotion Agreement

Opportunities for the U.S. Machinery Sector

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

- The machinery sector accounted for **over \$227 million** in U.S. exports to Panama over 2008-10 (average) or 10 percent of total U.S. industrial exports to Panama.
- Estimated duties paid on exports of U.S. machinery to Panama from 2008 to 2010 were **over \$29 million**.
- **Over 96 percent** of U.S. machinery exports to Panama would receive duty-free treatment immediately upon implementation of the U.S.-Panama Trade Promotion Agreement.

Machinery Sector Overview

- The machinery sector accounted for over \$227 million in U.S. exports to Panama over 2008-10 (average) or 10 percent of total U.S. industrial exports to Panama.¹
- Top U.S. machinery exports to Panama include pumps, compressors, valves, piston engines and engine parts, and marine engines and machinery parts.
- In 2009, U.S. production of machinery products was over \$293 billion.²
- The U.S. machinery sector employed over 500,000 workers in 2009.³

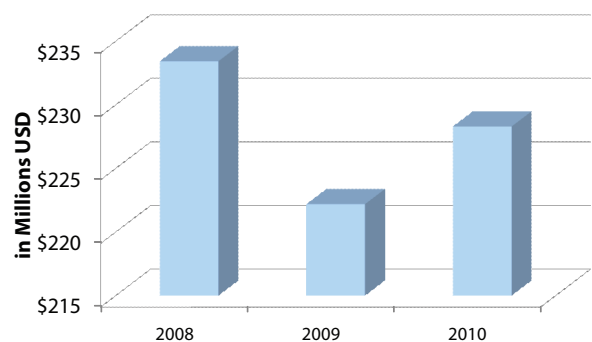
Improved Market Access for U.S. Machinery Exporters to Panama

- Panama's machinery tariffs average 4.7 percent, ranging from 0 to 15 percent.
- Over 96 percent of U.S. machinery exports⁴ to Panama would receive duty-free treatment immediately upon implementation of this Agreement.
- Tariffs on the remaining 4 percent would be eliminated in 5 to 10 years.

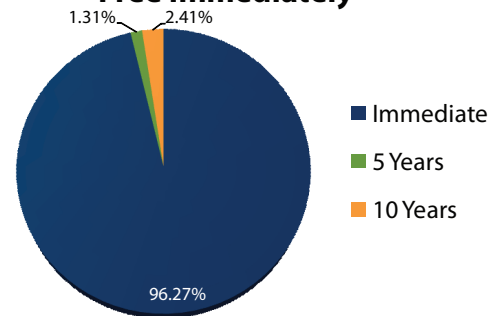
Selected Sub-sectors:

- **Energy Equipment:** Panama will eliminate tariffs on 98.2 percent of U.S. energy equipment exports immediately upon implementation of the Agreement. Tariffs on another less than one percent will be eliminated over five years. Duties on the remaining 1.2 percent will be eliminated over ten years.
- **Hand and Power Tools:** Panama will eliminate tariffs on 92 percent of U.S. tool exports immediately upon implementation of the Agreement. Tariffs on another 2.5 percent of U.S. exports will be eliminated over five years. Duties on the remaining 5 percent of U.S. exports will be eliminated over ten years.

U.S. Machinery Exports to Panama Averaged \$ 227 Million



More than 96% of U.S. Machinery 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 machinery used in this report, unless otherwise cited, is based on products within HS chapters 73, 83 to 85, 87 and 89 to 91.

2 U.S. Department of Commerce, U.S. Census Bureau, within NAICS 331 to 335. Shipments used as best proxy for production.

3 U.S. Department of Labor, Bureau of Labor Statistics, within NAICS 331 to 335 (non-seasonally adjusted).

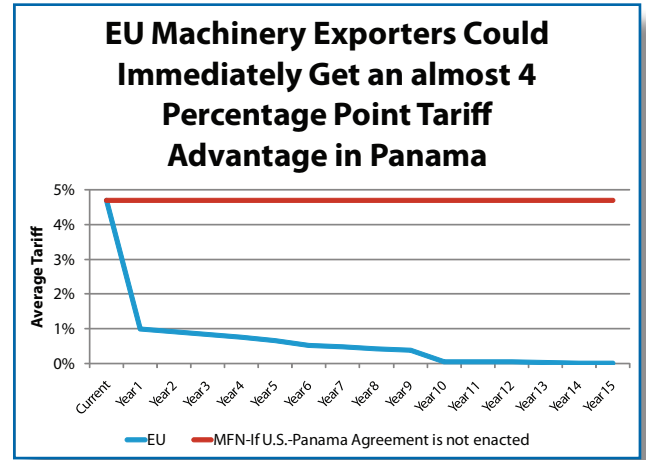
4 Data based on three-year average for 2008 to 2010.

Key States Exporting to Panama

- Top U.S. states exporting machinery to Panama include: Florida, California, Georgia, Washington, Tennessee, South Carolina, Missouri, Minnesota, Michigan, Iowa, Wisconsin, Louisiana, New York, New Jersey, Texas, Pennsylvania, Ohio and North Carolina.

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 machinery exporters will immediately enjoy an average tariff of one percent upon implementation of the EU-Central America Association Agreement, while U.S. exporters will face an average MFN tariff of 4.7 percent until implementation of the U.S.-Panama Trade Promotion Agreement.



Other Key Commitments by Panama for the Machinery 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.

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.

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.