

BENEFITS OF THE U.S.-PANAMA TRADE PROMOTION AGREEMENT

The U.S. –Panama Trade Promotion Agreement (the “Agreement”) will support American jobs, expand markets and enhance U.S. competitiveness.

- Panama is one of the fastest growing economies in Latin America, expanding 6.2 percent in 2010, with similar annual growth forecast through 2015. This comprehensive Agreement will eliminate tariffs and other barriers to U.S. exports, promote economic growth, and expand trade between our two countries.
- U.S. industrial goods currently face an average tariff of 7 percent in Panama, with some tariffs as high as 81 percent. U.S. agricultural goods face an average tariff of 15 percent, with some tariffs as high as 260 percent.
- The Agreement guarantees access to Panama’s \$20.6 billion services market, including in priority areas such as financial, telecommunications, computer, distribution, express delivery, energy, environmental, and professional services.
- Panama’s strategic location as a major shipping route also enhances the importance of the Agreement. Approximately two-thirds of the Panama Canal’s annual transits are bound to or from U.S. ports.

The Agreement will remove barriers to U.S. goods entering Panama’s market.

- Over 87 percent of U.S. exports of consumer and industrial products to Panama will become duty-free immediately, with remaining tariffs phased out over ten years. U.S. products that will gain immediate duty-free access include information technology equipment, agricultural and construction equipment, aircraft and parts, medical and scientific equipment, environmental products, pharmaceuticals, fertilizers, and agro-chemicals.
- U.S. agricultural exports will also benefit. Nearly 56 percent of current trade will receive immediate duty-free treatment, with most of the remaining tariffs to be eliminated within 15 years. Panama will immediately eliminate duties on high-quality beef, frozen turkeys, sorghum, soybeans, soybean meal, crude soybean and corn oil, almost all fruit and fruit products, wheat, peanuts, whey, cotton, and many processed products. The Agreement also provides duty-free access for specified volumes of standard grade beef cuts, chicken leg quarters, pork, corn, rice, and dairy products through tariff rate quotas.

The Agreement is key to maintaining U.S. market share in this important market.

- The United States faces strong competition as Panama’s other trading partners increase their share of Panama’s total imports.
- In 2010, Panama finalized a trade agreement with Canada. Many Canadian goods and services directly compete with those of the United States in Panama. U.S. products, such as pork and frozen french fries, will be at a significant competitive disadvantage if they continue to face duties while Canadian products enjoy preferential access.

- The European Union (EU) has negotiated an Association Agreement with the Central American countries, including Panama, which was initiated on March 22, 2011. Machinery and transportation equipment, chemicals and metals are the leading exports from the EU to Panama.

The Agreement provides significant infrastructure opportunities.

- In addition to the ongoing \$5.25 billion Panama Canal expansion project, the Government of Panama has identified almost \$10 billion in other significant infrastructure projects.
- Construction equipment and infrastructure machinery used in such projects accounted for \$280 million in U.S. exports to Panama in 2010. Tariffs for this sector average 5 percent with almost all being eliminated upon entry into force.

Other benefits of the Agreement Include:

A Level Playing Field for U.S. Investors: The Agreement ensures that U.S. companies in Panama are protected against discriminatory or unlawful treatment, and provides a neutral and transparent mechanism for settlement of investment disputes.

Greater Protection for Intellectual Property Rights: The Agreement provides for improved standards for the protection and enforcement of a broad range of intellectual property rights, which are consistent with both U.S. standards of protection and enforcement, and with the standards increasingly embraced by our trading partners. Such improvements include state-of-the-art protections for digital products such as software, music, text, and videos and stronger protections for patents, trademarks and test data, including an electronic system for the registration and maintenance of trademarks.

Commitments to Protect Labor Rights and the Environment: The Agreement commits both Parties to adopt and maintain in their laws and practice the five fundamental labor rights as stated in the 1998 ILO Declaration on Fundamental Principles and Rights at Work. Both Parties are also required to effectively enforce – and may not waive – labor laws related to fundamental labor rights. Both Parties also commit to effectively enforce their own domestic environmental laws and adopt, maintain, and implement laws, regulations, and all other measures to fulfill their obligations under covered multilateral environmental agreements. All obligations in the labor chapter and the environment chapter are subject to the same dispute settlement procedures and enforcement mechanisms as the Agreement’s commercial obligations.

Fair and Open Government Procurement: Under the Agreement, U.S. suppliers are granted rights to non-discriminatory treatment in bidding on procurement by a broad range of Panamanian government ministries, agencies, regional governments, and public enterprises. For procurement covered by the Agreement, it requires the use of fair and transparent procurement procedures, such as advance notice of purchases and timely and effective bid review procedures.

An Open and Competitive Telecommunications Market: Panama has agreed to a pro-competitive regulatory framework that builds upon the WTO Basic Telecommunications Reference Paper and guarantees competitive access to Panamanian telecom networks on reasonable and non-discriminatory terms. U.S. telecommunications companies are ensured the right to interconnect with Panamanian dominant carriers’ fixed networks at non-discriminatory and cost-based rates.