

The Importance of the U.S.-Panama Free Trade Agreement to U.S. Economic Growth and Job Creation

Enactment of the U.S.-Panama Free Trade Agreement (FTA) will play an important role in boosting U.S. economic growth and job creation through exports. Panama has become an increasingly important market for U.S. goods and services, and bilateral trade relations have continued to expand – benefiting exporters, workers and consumers in both countries.

- **In 2010, U.S. exports to Panama accounted for \$6.1 billion – creating a \$5.7 billion trade surplus for the United States.**

The U.S.-Panama FTA will help to promote U.S. economic growth, increase exports and support jobs by reducing or eliminating tariff and non-tariff barriers to trade.

- The United States is Panama’s largest trading partner, and upon implementation of the agreement, 88 percent of U.S. goods exports will receive duty-free treatment. Top U.S. exports to Panama include aircraft, machinery, mineral fuel (oil), corn, soybean meal, wheat and rice.

U.S.-Panama FTA Highlights:

- **Agriculture** – The United States exported an estimated \$362 million worth of agricultural products to Panama in 2009. Currently, less than 40 percent of U.S. agricultural exports receive duty-free treatment in the Panamanian market, while more than 99 percent of Panama’s agricultural exports are imported into the U.S. duty free. The trade agreement will help to level the playing field by immediately eliminating tariffs on 56 percent of U.S. agricultural exports and phasing out the remaining tariffs within 15 years.
- **Services** – The U.S.-Panama FTA will provide increased access for U.S. firms to Panama’s growing services sector. Panama agreed to eliminate measures that restrict investment in retail trade, to provide improved access in sectors like express delivery and to grant new access in professional services that previously were reserved exclusively for Panamanian nationals.
- **Intellectual Property** – The agreement will improve protections for U.S. intellectual property rights in Panama, including state-of-the-art protections for digital products such as U.S. software, music, text and videos and stronger protection for U.S. patents, trademarks and test data.

... [T]he President has directed me to immediately intensify engagement with Colombia and Panama with the objective of resolving the outstanding issues as soon as possible this year and bringing those agreements to Congress for consideration immediately thereafter.

USTR Ron Kirk
Congressional Testimony
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- **Additional Benefits** – The agreement also ensures that U.S. firms will have an opportunity to participate on a competitive basis to provide goods and services, including construction for the Panama Canal modernization project, which is scheduled for completion in 2014.

Tax Transparency – In December 2010 the Panamanian Government signed a Tax Information Exchange Agreement (TIEA) with the United States, which will increase transparency and openness between both countries. When the TIEA enters into force, it will afford the United States and Panama access to information needed to enforce tax laws, collect taxes and investigate or prosecute individuals involved in criminal tax matters. The tax information to be exchanged will include national, income, employment and real estate taxes, among others.

What's at Stake?

If Congress fails to approve the agreement, U.S. market share in Panama will undoubtedly fall – as American goods and services are replaced by providers from other countries who enjoy preferable market access – hurting U.S. exporters and workers.

- Panama already has a FTA with the European Union and Taiwan, and the Panama-Canada FTA is in the process of being approved.
- Panama also recently launched FTA discussions with the European Free Trade Association (Iceland, Lichtenstein, Norway and Switzerland).