

# U.S.-Panama Free Trade Agreement

## Competitive Opportunities Will Open with Canal Expansion Project

### Summary

#### Background

The Americas are well-developed for trade and investment. The United States has signed and implemented multiple free trade/trade promotion agreements (FTAs) with Latin American nations. Currently, one Central American nation and one South American nation are the focus of the United States for FTAs. In 2005, the United States and Panama began working toward a bilateral free trade pact. President George W. Bush hailed Panama for the strong growth in its economy and its commitment to fighting corruption, combating narco-trafficking and promoting democracy.

#### Current

Passage of the U.S.-Panama FTA will eliminate tariffs and other barriers to trade in goods and services, promote economic growth and enhance trade between the United States and Panama.

In 2008, the United States had a trade surplus with Panama, with exports totaling \$4.9 billion and imports slightly under \$400 million. California exports to Panama totaled \$346 million, making it the state's 39th largest export market.

#### Impact

When the U.S.-Panama FTA enters into force, 88 percent of U.S. consumer and industrial exports to Panama immediately will become duty-free, including: nearly all information technology products; aircraft and related equipment; agriculture and construction equipment; medical and scientific equipment; environmental products; pharmaceuticals; fertilizers; and agro-chemicals. The remaining tariffs will phase out over 10 years. U.S. farmers and ranchers will benefit from immediate duty-free treatment of more than 60 percent of current U.S. agriculture exports, including key exports, such as high-quality beef, other meat and poultry products, soybeans, most fresh fruit and tree nuts, distilled spirits and wines, and many processed food products. Tariffs on most remaining U.S. farm products will be phased out within 15 years.

The U.S.-Panama FTA will ensure that California's firms can participate on a competitive basis in the \$5.25 billion Panama Canal expansion project that will offer many opportunities for U.S. providers of goods and services. Ultimately, the canal expansion will benefit California's exporters by increasing the canal's capacity, which will reduce the costs of transporting goods while keeping up with the demands of a growing global economy.

#### Anticipated Action

The U.S.-Panama FTA must go before the Congress in both countries for approval.

### CalChamber Position

The California Chamber of Commerce, in keeping with long-standing policy, enthusiastically supports free trade worldwide, expansion of international trade and investment, fair and equitable market access for California products abroad and elimination of disincentives that impede the international competitiveness of California business. New multilateral, sectoral and regional trade agreements ensure that the United States may continue to gain access to world markets, resulting in an improved economy and additional employment of Americans.

### Reasons for Position

- This FTA is a critical element of the U.S. strategy to liberalize trade through multilateral, regional and bilateral initiatives.
- Bilateral and regional agreements will complement the possible goal of creating a trade agreement encompassing the Americas.
- This FTA will increase momentum toward lowering trade barriers and set a positive example for other small economies in the Western Hemisphere.

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