

U.S.-Panama Free Trade Agreement

Competitive Opportunities Will Open with Canal Expansion Project

Summary

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. The North American Free Trade Agreement — which includes the United States, Mexico and Canada — has been in place for more than 15 years. The U.S.-Dominican Republic/Central American Free Trade Agreement — which includes the Dominican Republic, El Salvador, Nicaragua, Honduras, Guatemala and Costa Rica — met with U.S. approval in 2005. There is discussion of an eventual Americas Free Trade Agreement (AFTA). Currently, one Central American nation and one South American nation are the focus of the United States for FTAs.

Background

Speaking at a November 7, 2005 press conference in Panama City with Panamanian President Martin Torrijos Espino, President George W. Bush said the United States and Panama had begun working toward a bilateral free trade pact. President Bush has 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 2007, the United States had a trade surplus with Panama, with exports totaling \$3.7 billion and imports slightly under \$400 million. California exports to Panama totaled \$259 million, making it the state's 43rd largest export market.

Impact

The U.S.-Panama FTA offers tremendous opportunities for California's exporters, according to the U.S. Department of Commerce International Trade Administration. Panama's strategic location as a major shipping route and the massive project underway to expand the capacity of the Panama Canal enhances the importance of the U.S.-Panama FTA for California's exporters.

When the agreement 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 also will become much more competitive, benefiting from immediate duty-free treatment of more than 60 percent of current U.S. agriculture exports. Key U.S. agriculture 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, will be duty-free when the agreement goes into effect. 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 their 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.

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- 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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