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WASHINGTON, D.C. – U.S. Trade Representative Susan C. Schwab and Panamanian Minister of Commerce and Industry Alejandro Ferrer today signed the United States – Panama Trade Promotion Agreement, a comprehensive trade agreement that will eliminate tariffs and other barriers to the trade in goods and services between the United States and Panama.

“Today’s signing marks the beginning of a new era in the long-standing, yet still evolving commercial partnership between the United States and Panama. This is an historic agreement between two countries that for over a century have been joined by bonds of shared values, community, and friendship,” said Ambassador Schwab. “This agreement includes important commitments on market access as well as ground-breaking labor and environment provisions, a result of the bipartisan agreement between the Bush Administration and Congressional leadership. This agreement will promote increased economic growth and prosperity for both of our nations and will generate significant economic opportunities for U.S. workers, consumers, manufacturers, farmers and ranchers by leveling the playing field for U.S. exports to Panama. In turn, the agreement will serve as a catalyst to further develop and diversify Panama’s economy and promote investment between the two countries.”

Minister Ferrer stated, “This agreement reinforces the shared vision of both countries that trade can become a major tool for economic and social growth.” He continued by saying, “This is really a partnership for growth and we are confident it will create significant opportunities, and new jobs, especially for small and medium Panamanian companies and in our rural areas; as well as promote entrepreneurship, innovation, and competition necessary to succeed in the 21st century economy.”

“This agreement with Panama is instrumental in our strategy to advance democracy, the rule of law, security, and market-based development within our hemisphere,” Ambassador Schwab continued. “Panama is a valued partner of the United States on many fronts – from counternarcotics to antiterrorism – and we will work with Panama to enhance its role as a commercial and financial crossroads in today’s global economy. We look forward to continuing to build bipartisan support for the United States – Panama Trade Promotion Agreement in the U.S. Congress in order to quickly approve this agreement.”

Background

The United States and Panama launched negotiations on a free trade agreement in April 2004 and have incorporated amendments derived from the bipartisan trade agreement between the Bush Administration and Congressional leadership. The United States had a goods trade surplus with Panama of \$2.3 billion in 2006, and is Panama’s largest trading partner. Total goods trade between the United States and Panama was \$3.1 billion in 2006. Panama is a growing market for U.S. products. U.S. goods exports to Panama increased 25 percent from 2005 to 2006.

Panama is predominantly a services-based economy, with services accounting for about 80 percent of economic activity. The Panama Canal is the focal point of Panama's economy, with much of the country's economic activity tied to the canal's infrastructure and to the logistics and financing of international shipping. The trade agreement will provide U.S. exporters significant opportunities to participate in the \$5.25 billion expansion plan for the Panama Canal, which is due to begin in 2008 and is expected to be completed by 2014.

Like many other developing countries, Panama already enjoys broad duty-free access to the U.S. market through various trade preference programs designed to promote economic development, such as the Caribbean Basin Initiative (CBI) and the Generalized System of Preferences (GSP). In 2006, 96 percent of U.S. goods imports from Panama entered the U.S. duty-free under current preference programs and our most-favored nation duty-free rates. Meanwhile, only 25 percent of U.S. industrial exports and 34 percent of U.S. agricultural exports entered Panama duty-free. The trade agreement will eliminate tariffs on U.S. exports to Panama and secure permanent duty-free access for exports from Panama to the United States. In addition, the agreement will help support democratic and economic reforms undertaken by Panama's leaders and spur additional reforms of Panama's domestic legal and business environment that are important to encourage investment, enhance regulatory transparency, and strengthen protections for workers and the environment.

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