COMMITTEE ON WAYS AND MEANS
CHAIRMAN DAVE CAMP

U.S.—Panama Trade Promotion Agreement Will Bring New Opportunities and Level the Playing Field for U.S. Exporters

- **The agreement will create new market access for U.S. exports of consumer and industrial products:**
    - 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.
    - The agreement will immediately cut by more than half the average 8 percent tariff faced by U.S. exporters.
    - The agreement will provide U.S. firms with an advantage over major competitors in Europe and Asia. However, because Panama recently signed an agreement with EU, our advantage is dependent on having our agreement enter into force immediately. Key export sectors to receive immediate duty free treatment include: aircraft, construction equipment, fertilizers, and medical and scientific equipment.

- **The agreement will level the playing field for U.S. exports versus imports from Panama**: U.S. exporters currently face Panamanian tariffs up to 260 percent, while Panamanian exporters to the United States generally enjoy duty-free treatment. The agreement will correct this uneven treatment.
    - Under the Caribbean Basin Initiative and the Caribbean Basin Trade Partnership Act, 98 percent of imports from Panama are now duty-free.
    - The average tariff faced by imports from Panama in 2009 was less than 0.1 percent.

- **The agreement will create new opportunities for U.S. farmers and ranchers:** More than half of current U.S. farm exports to Panama will become duty free immediately, giving U.S. farmers an advantage over EU and Canadian competitors.
    - U.S. agriculture exports to Panama now face an average tariff of 15 percent.
    - U.S. exports of pork, rice, soybeans, cotton, wheat, and most fresh fruit will receive immediate duty-free treatment, while competitors in Asia and Europe will continue to face tariffs of as much as 90 percent.

    - The American Farm Bureau estimates that the increase in farm exports to Panama as a result of the agreement could result in total agriculture exports of $46 million per year.

- **The agreement will increase exports, lower the trade deficit, and stimulate U.S. economic growth:** An analysis by the U.S. International Trade Commission estimates that U.S. exports to Panama for key products will increase between 9 and 145 percent.
    - Exports of meat products will increase by 62 percent.
    - Exports of grains will increase by 61 percent.
    - Exports of cars and light trucks will increase by 43 percent.
    - Exports of appliances, HVAC equipment, and parts will increase between 9 and 20 percent.
    - Exports of processed food will increase by 36 percent.

- **The agreement promotes science-based sanitary and phytosanitary (SPS) measures:** As part of the negotiations, the United States and Panama have worked to resolve SPS barriers to agricultural trade.
    - Panama will recognize the equivalence of the U.S. food safety system for meat, poultry, and processed foods.
    - Panama will provide access for all U.S. beef and beef products consistent with international norms.

- **The agreement provides improved U.S. access to Panamanian services markets:** The agreement will provide U.S. service firms with market access, national treatment, and regulatory transparency exceeding that afforded by the WTO General Agreement on Trade in Services.
    - The services sector accounts for 77 percent of Panama's GDP, making improved market access for U.S. services critical.
    - Under the agreement, the United States will receive access for key services markets including retail trade, financial services, and professional services, which are now restricted to Panamanian nationals.
    - The agreement bans the current requirement of having to open a subsidiary in Panama to do business in Panama.
    - The agreement lifts the cap on foreign direct investment in multi-brand retail.

- **Panama has improved tax transparency:** Panama has taken a number of significant steps to address concerns raised by certain critics that it is a "tax haven."
  - Panama and the United States now have an operational Tax Information Exchange Agreement (TIEA) in force. Signed in November 2010, the TIEA has been touted by Treasury Secretary Geithner as an agreement that "usher[s] in a new era of openness and transparency for tax information between the United States and Panama." Panama ratified the TIEA in April and had previously passed the necessary implementing legislation.
  - Over the past year, and apart from the TIEA, Panama has signed numerous double taxation treaties. As a result, the OECD recently removed Panama from its so-called "gray list" to join those countries, including the United States, that meet internationally agreed tax standards. Panama continues to negotiate additional double taxation treaties to further strengthen its transparency regime.
  - In February 2011, Panama passed Law No. 2 of 2011 – the "Know Your Client" law – which allows the better identification of clients and beneficiaries in the issuance of bearer shares.