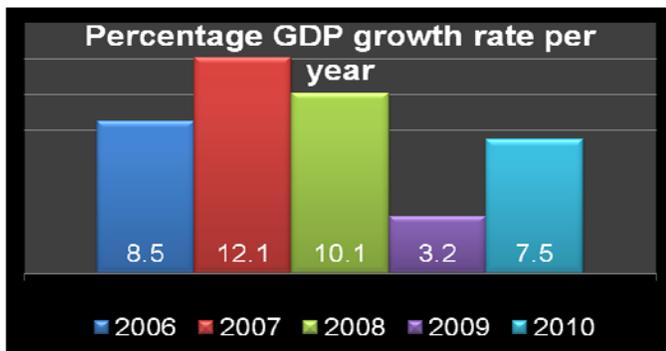


U.S. - Panama Economic Ties

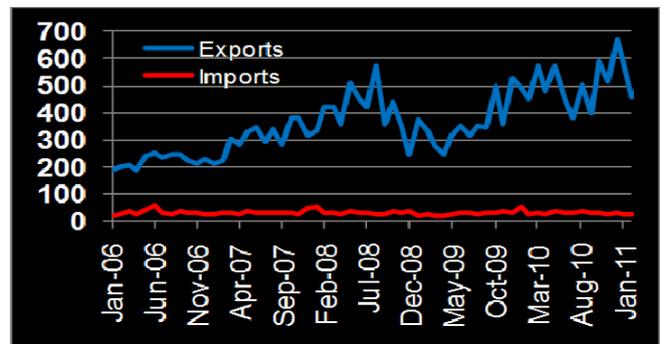
Economic Overview

Panama has enjoyed some of the highest economic growth in Latin America in the past decade, averaging six percent growth since 1997, and eight percent since 2006. Similar to the United States, the Panamanian economy is dominated by services, which accounted for 80% of its economy. The U.S. has long been Panama's leading economic partner, however, Panama's recent signature of free trade agreements with Canada and the EU means we face increasing competition in this growing market. U.S. ratification of the free trade agreement will help consolidate Panama's remarkable economic transformation while facilitating commercial opportunities for U.S. exporters.



Free Trade Agreement

The United States had \$6.1 billion in exports resulting in a \$5.7 billion trade surplus in 2010. The U.S. accounted for 27% of all imports into Panama through the first half of 2010, by far the largest supplier to Panama. Exports of American agricultural products have captured two-thirds of the Panamanian market. However, Panama currently levels an average tariff of 7% on U.S. goods, so U.S. exports and employment are likely to increase when the FTA eliminates tariffs on 88% of U.S. made consumer goods. Also under the FTA, U.S. service providers will obtain substantial access to the market, and exporters will have greater access to government procurement.



Panama Mega Projects

The largest and best known mega project is the \$5.25 billion Panama Canal expansion project to build a third set of locks. Panama also continues to grow in importance as a regional air hub, as indicated by the November 2010 announcement in that Copa Airlines is purchasing \$2 billion in Boeing aircraft, and the Government is investing \$800 million in facility construction and flight line infrastructure to further expand Tocumen International Airport's passenger and cargo capabilities. In addition to the Canal and the air connections, the Martinelli Administration outlined in its Five Year Plan almost \$10 billion in domestic infrastructure investments to be completed before 2014. Its signature project is the construction of a 13-station, 13-kilometer, Metro system, currently estimated to cost \$1.8 billion. Approving the trade agreement will help U.S. exporters sell to this growing market.

