



Summary of the U.S.- Panama Trade Promotion Agreement

****The information presented on this website is meant to serve as a guide.
Only the agreement text and the customs regulations issued to implement the
agreement are definitive.**

If you have any questions about this Agreement, please contact Laurie Mease,
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Status: The Agreement was signed on June 28, 2007, ratified by the U.S. Congress on October 12, 2011, and signed by the President on October 21, 2011. Implementation - October 31, 2012

How U.S. Textile and Apparel Companies Benefit

Similar to the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR), the provisions of the U.S.-Panama Trade Promotion Agreement (USPTPA) were crafted to promote increased textile and apparel trade. Ninety-nine percent of U.S. textile and apparel exports that meet the rule of origin will qualify for immediate duty-free access upon implementation of the TPA, further improving market access for U.S. exporters. Similarly, due to the favorable conditions created by the TPA, apparel products made in Panama are duty free under the U.S.-Panama TPA if they use U.S. or Panamanian fabric or yarns, thereby supporting U.S. fabric and yarn exports and jobs.

Key benefits to U.S. textiles and apparel manufacturers include:

- Yarn forward rule of origin– The U.S.-Panama FTA adheres to a yarn-forward rule of origin, meaning that qualifying textile and apparel products must be made using U.S. or Panamanian yarns and fabrics. Goods that meet the rule of origin qualify for immediate duty-free market access upon entry into force of the Agreement.
- Regional Elastomeric, Pocketing, Thread, and Visible Lining Requirements – Consistent with other free trade agreements, elastomeric yarns, narrow elastic fabrics, pocketing fabric, thread, and visible linings must be sourced from the region for use in apparel products that qualify for duty free entry.
- Anti-Circumvention Provision – The agreement contains strict customs enforcement provisions. U.S. and Panamanian customs authorities may conduct surprise site visits to Panamanian producers and the United States is authorized to undertake a variety of enforcement actions (up to and including denying entry for suspect goods).
- Streamlined Short Supply Process – Similar to CAFTA-DR, a streamlined commercial availability (short supply) determination process will allow fibers, yarns or fabrics that are deemed not commercially available in the region to be used in the production of apparel.
- Safeguards – A textile-specific safeguard mechanism allows for temporary MFN tariffs if a surge in imports threatens to cause serious damage to domestic industry.

Tariff Elimination

Nearly all textile and apparel products that meet the rule of origin of the Agreement have immediate duty-free market access (note the information about socks below).

[Panama Industrial & Textile Tariff Schedule](#) (Chapters for Textiles and Apparel begin on Page 57)

Also see [ITA's FTA Tariff Tool](#) to determine current and future tariffs for qualifying products, as well as the date on which products are duty-free.

Qualifying Products/Rules of Origin

In order for textiles and apparel to receive duty-free entry, products must qualify as "originating" under the terms of the Agreement. "Qualifying" or "originating" goods are goods that meet the Rules of Origin of the Agreement. The textile and apparel Rule of Origin is commonly known as the "yarn-forward" standard, which requires that the yarn production and all operations "forward" (i.e. fabric production through apparel assembly) occur in either the United States and/or Panama ('the region'). However, there are some exceptions to be the yarn-forward rule of origin as noted below. The Textile and Apparel Rules of Origin of the Agreement are found in Chapter 3 on pages 11-27 of the Agreement.:

- Guayabera shirts and certain woven dresses follow a 'cut-and-sew' rule of origin: The apparel can be assembled in Panama using fabrics sourced from anywhere. [Article 3.28: Duty-Free Treatment for Certain Guayabera-Style Dresses and Shirts](#) (Page 3- 25).
- Socks: Socks assembled in Panama, of U.S. fabric of U.S. yarn and use U.S. thread, enter the U.S. duty free - [Article 3.29 Duty-Free Treatment for Certain Socks](#) (Page 3-26). All other socks that meet the regional yarn forward rule of origin have a 10-year tariff phase out.
- Regional Elastomeric Requirement: Elastomeric yarns must be sourced from the region for textile and apparel products to qualify for duty free.
- Nylon Filament Yarn: U.S. and Panamanian fabric and apparel makers may source nylon filament yarn, other than elastomeric nylon filament yarn, from Mexico, Canada, and Israel for use in qualifying products.
- De Minimis: 0% (by weight) of the fibers or yarns of a qualifying product (with an elastomeric exception - all elastomeric content - spandex - must be sourced from the region) may be sourced from outside the region.
- Short Supply: Fibers, yarns, and fabrics on the "short supply list" (Annex 3.25) have been determined to not be currently available in the U.S. or Panama, and therefore may be sourced from outside the region for use in qualifying cut-and-assembled into a garment in Panama and imported into the U.S. duty-free. Products may be added to or removed from the short supply list.

Components that determine the tariff classification of an apparel good

In addition to the 'essential character' or outer shell of a garment, the following components are considered for classification purposes:

- Narrow elastic fabrics must be sourced in the region and meet a "fabric-forward" rule of origin.
- Visible lining fabrics: must be sourced in the region and meet a "fabric-forward" rule of origin.
- Regional cotton and filament thread is required in the assembly of qualifying apparel.
- Pocketing fabric used in qualifying apparel must be made in the U.S. or Panama of U.S. or Panamanian yarns.

Documentation Requirements

For information on common export documents, such as transportation documents, export compliance documents, certificates of origin, certificates for shipments of specific goods,

temporary shipment documents, and other export-related documents, see the [Export.gov webpage on Common Export Documents](#).

Measures to Prevent Circumvention of the Agreement's Rule of Origin

Specific textile customs cooperation language will help prevent transshipment and circumvention of the rules of origin of the Agreement.

Intellectual Property Rights

Panama has ratified or acceded to the Berne Convention for the Protection of Literary and Artistic Works, the Convention Establishing the World Intellectual Property Organization (WIPO), the Paris Convention for the Protection of Industrial Property, and the WIPO Copyright Treaty. Under the USPTPA, Panama will be obligated also to ratify or accede to the Patent Cooperation Treaty, and the Trademark Law Treaty by January 1, 2011.

The USPTPA provides for improved standards for the protection and enforcement of a broad range of intellectual property rights, which are consistent with U.S. and international standards of protection and enforcement as well as with emerging international standards. Such improvements include stronger protection for U.S. patents, trademarks, and test data, including an electronic system for the registration and maintenance of trademarks and further deterrence of piracy and counterfeiting.

Implementation of the USPTPA will require Panama: (i) to provide copyright protection for the life of the author plus 70 years (where the term of protection is measured by a person's life) or 70 years (where the term of protection is not measured by a person's life, *i.e.*, for corporate works).

Panama will be required to adjust the patent term for products (other than pharmaceutical products) to compensate for unreasonable delays that occur while granting a patent. The TPA will also require Panama to protect test data submitted to regulators for the purpose of seeking marketing approval for a product; and the country will also be required to protect trademarks and geographical indications, including by refusing protection or recognition of a geographical indication that is likely to be confusingly similar to a preexisting trademark. Panama will also be required to have a system of registration that provides efficient and transparent procedures governing applications to protect trademarks and geographical indications.

Government Procurement

Under the USPTPA, Panama will be required to use fair and transparent procurement procedures, including advance notice of purchases and timely and effective bid review procedures, for procurement covered by the Agreement. U.S. suppliers will be permitted to bid on procurement above certain thresholds of most Panamanian government entities, including key ministries and state-owned enterprises, on the same basis as Panamanian suppliers. In particular, U.S. suppliers will be permitted to bid on procurement by the Panama Canal Authority, including for the \$5.25 billion Panama Canal expansion project. The anti-corruption provisions in the USPTPA require Panama to ensure under its domestic law that bribery in matters affecting trade and investment, including in government procurement, is treated as a criminal offense or is subject to comparable penalties.

Additional Resources

[Text, Legislation, Documents](#)

[Office of the U.S. Trade Representative: Panama Trade Promotion Agreement](#)

[Export.Gov U.S.-Panama Trade Promotion Agreement webpage](#)
Government of Panama: [Ministerio de Comercio e Industrias](#)