

# **CANADA – PANAMA FREE TRADE AGREEMENT**

## **BACKGROUND: AGRICULTURE**

On May 14, 2010, Canada and Panama signed a free trade agreement (FTA) along with parallel agreements on the environment and labour cooperation.

In 2009, Canada exported agriculture and agri-food products worth \$23.5 million to Panama (mainly pulses, frozen potato products, pork products, oils and Christmas trees). Canada imported \$4.4 million in agricultural products from Panama (mainly coffee, bananas and melons).

### **Outcome of the Canada-Panama Free Trade Agreement**

Canada negotiated a comprehensive bilateral agreement with Panama that commits both parties to the elimination of the tariffs on nearly all agriculture imports originating from the other party. The text of the FTA also includes provisions calling for the elimination of agricultural export subsidies on bilateral trade, establishing a technical working group to manage future sanitary and phyto-sanitary issues and promoting technical cooperation.

Upon implementation, the FTA with Panama will provide immediate duty-free access for a majority of our agricultural exports to Panama. This FTA will allow Canadian agriculture exporters to remain competitive with other preferential suppliers to Panama.

Products that will receive immediate duty-free access include:

- Beef
  - fresh and chilled offal, animal genetics and live animals
  - high quality beef cuts within a volume of 200 metric tons (MT)
- Pork
  - offal, bacon, pickled pig tails, frozen pig feet
  - fresh and chilled hams, shoulders and other cuts, and sausages within a volume of 200 MT
  - frozen shoulders, hams and other cuts within a volume of 450 MT
- Frozen potato products
- Pulses
  - peas, lentils and nearly all beans
- Malt
- Linseed, canola seed, sunflower seed
- Linseed, crude canola and crude sunflower-seed oil
- Maple syrup
- Christmas trees

Tariffs on the following products will be eliminated over a number of years:

- Beef
  - high quality cuts above the quota – 5 years
  - frozen offal – 5 years
  - salted, dried or smoked beef – 10 years
- Pork
  - pork fat – 5 years
- Refined sunflower seed oil – 15-year phase-out (with reductions starting at year 5)
- Refined canola oil – 15-year phase-out (with reductions starting at year 5)
- Pasta – 10 to 15 years
- Bakery products – 5 to 15 years
- Refined sugar – 15-year phase-out (with reductions starting at year 5)
- Juices and beverages – 10 to 15 years (with reductions starting at year 5)

Panama agreed to a clause that ensures Canada will receive additional improved access once the U.S.-Panama Trade Promotion Agreement enters into force on the following:

- Beef
  - Standard Quality – 17-year phase-out (with reductions starting at year 10)
- Pork
  - Frozen shoulders and hams above the quota – 19-year phase-out (with reductions starting at year 12)
  - Other frozen pork cuts above the quota – 16-year phase-out (with reductions starting at year 7)
  - Fresh and chilled hams, shoulders and other cuts, and sausages above the quota – 15-year phase-out (with reductions starting at year 6)

Annex A provides further details on the tariff treatment that selected Canadian products will enjoy under the FTA.

Panama will establish a transitional volume-based safeguard for frozen hams and shoulders and for other frozen pork cuts with a trigger volume of 585 MT each. When this trigger volume is reached, Panama may apply an additional custom duty.

Panama has excluded some agricultural products from tariff elimination including chicken, onions, fresh potatoes, rice, most dairy products and certain coffee products.

For its part, Canada will immediately eliminate tariffs on nearly all agriculture imports from Panama. Tariff elimination will occur over 5 years on in-quota dairy, poultry and eggs (i.e., supply-managed products already subject to a low duty), selected beef,

tomato ketchup and tobacco products, and 15 years on refined sugar. Canada has also excluded from any tariff reductions over-quota tariffs for supply-managed products.

**ANNEX A**  
**Tariff treatment to be granted to selected Canadian products under the Canada-Panama FTA**

Product	Sub-Product	Base Tariff	Canada-Panama FTA Outcome		Canadian Exports (2007-09 average)
			Upon implementation	Once USPTPA comes into force	
Beef	All high-quality cuts derived from Canada Prime, AAA, AA and A Grades	25-30%	Free immediate within a 200 MT TRQ 5-year phase-out	N/A	\$1.1 Million
	Standard Quality	15-30%	Excluded	17 year phase-out with a 10-year grace period	
	Fresh chilled offal	15%	Immediate duty-free	N/A	
	Frozen offal	10-15%	5 years		
	Salted dried or smoked beef	15%	10 years		
Pork	Fresh and chilled cuts & sausages	15-70%	Free immediate within a 200T TRQ with 2% growth per year	15 year phase-out with a 6-year grace period	\$515,636
	Frozen hams and shoulders		Free immediate within 450 MT of Panama's WTO TRQ	19 year phase-out with a 12-year grace period Safeguard with trigger volume of 585 MT	
	All other frozen pork cuts		(Also includes fresh & chilled cuts, sausages, salted, dried, smoked pork)	16 year phase-out with a 7-year grace period Safeguard with trigger volume of 585 MT	
	Offal, frozen pig feet, bacon, dried, salted and pickled products	10-70%	Immediate duty-free	N/A	\$3.8 Million
	Pork fat	15%	5 years		
Pulses	Peas and Lentils	0-15%	Immediate duty-free	N/A	\$6.3 Million
	Beans	0-15%	Immediate duty-free – 12 years	N/A	
Frozen French Fries		20%	Immediate duty-free	N/A	\$4.5 Million

Product	Sub-Product	Base Tariff	Canada-Panama FTA Outcome		Canadian Exports (2007-09 average)
			Upon implementation	Once USPTPA comes into force	
Maple Syrup		15%	Immediate duty-free	N/A	-
Christmas Trees		5%	Immediate duty-free	N/A	\$926,932
Malt		0-10%	Immediate duty-free	N/A	\$2.1 Million
Linseed		0-15%	Immediate duty-free	N/A	\$8,887
Linseed oil		0-10%	Immediate duty-free	N/A	\$1,549
Canola seed		0-15%	Immediate duty-free	N/A	-
Crude Canola oil		10%	Immediate duty-free	N/A	-
Refined Canola oil		10%	15 years with a 5-year grace period	N/A	\$23,678
Sunflower-seed		0-15%	Immediate duty-free	N/A	\$296,936
Crude Sunflower-seed oil		10%	Immediate duty-free	N/A	-
Refined Sunflower-seed oil		30%	15 years with a 5-year grace period	N/A	-
Pasta		15%	10-15 years	N/A	-
Bakery products		0-15%	5-15 years	N/A	\$86,595

\* Panama agreed to a clause that ensures Canada will receive additional improved access once the U.S.-Panama Trade Promotion Agreement enters into force.

Legend

TRQ Tariff rate quota

Grace period refers to the time during which there will be no reduction in base tariffs.