

## Canada-Panama Exploratory Discussions Towards Possible Free Trade Agreement Negotiations

The Government has agreed to participate in exploratory discussions on the possibility of free trade agreement (FTA) negotiations with Panama. The first meeting will take place on May 6-7, 2008 in Ottawa. Depending on the outcome of the exploratory talks, the government would embark on comprehensive consultations with stakeholders across Canada before any decision is taken on the launch of FTA negotiations.

### Background

Panama is an established market for Canada and the bilateral trade and investment relationship has strong potential for long-term growth. In 2007, bilateral merchandise trade between Canada and Panama totalled \$115.1 million, with Canadian exports accounting for \$86.4 million and imports totalling \$28.7 million. From 2005 to 2007, Canadian merchandise exports to Panama grew by 43.7%.

In 2007, Canada's top exports to Panama consisted of pharmaceutical products, machinery, electrical and electronic equipment, malt and barley, vegetables and meats. Imports from Panama included mineral fuels, fruits and nuts, fish and seafood, spices, coffees and teas, fats and oil products and wood products. The stock of Canadian direct investment in Panama reached \$149 million at the end of 2006, and there is a heightened level of Canadian interest and activity that points to the likelihood of significant growth for Canadian service providers and investors over the next few years. Several Canadian investors and service providers are currently present in the Panamanian market (e.g. banking and financial services, construction, mining). Canada has a [Foreign Investment Promotion and Protection Agreement](#) (FIPA) (pdf) with Panama, which was signed in 1998.

The strength of Panama's economy is evidenced by the fact that Panama's real GDP growth rate in 2007 was 11.2%, the highest rate among all Latin American and Caribbean countries. According to the United Nations' Economist Intelligence Unit, Panama is currently the world's second-fastest growing economy (after China). The Panamanian economy is based primarily on a well-developed services sector, which accounts for approximately 80 percent of its GDP.

Panama occupies a unique place in the international trading system. As home to the Panama Canal, Panama plays a pivotal role in the flow of goods around the world. The Panama Canal is an important stimulus for this service-oriented economy. Canada is currently the 8th most important user of the Canal. The expansion of the Panama Canal is currently underway and is slated to be completed by 2014. The projected cost is US\$5.3 billion.

Panama has FTAs in force with Taiwan (2004), El Salvador (2002), Singapore (2006) and Chile (2008). Panama has also negotiated an FTA with the United States (US-Panama Trade Promotion Agreement) which is pending U.S. Congressional approval.