

Joint Press Statement on the Panama-Singapore FTA, 17 February 2004

Visiting Panamanian Vice-President Arturo Vallarino and Minister of Commerce and Industry, His Excellency Joaquin Jacome Diez, met with Minister for Trade and Industry George Yeo today in Singapore. During this meeting, both parties agreed to initiate negotiations for a bilateral Free Trade Agreement (FTA). Negotiations are expected to be completed within a year.

The Panama-Singapore FTA will be a valuable platform from which to unlock the benefits of deeper economic ties between two strategically located trading centres, one serving the Americas and the other, the Asia-Pacific. Beyond promoting trade and investment flows, an FTA will promote greater synergy between two economies with complementary strengths in the logistics, transport and maritime sectors.

Both sides are committed to negotiating a high-standard and WTO-consistent FTA, which will further liberalise trade in goods, services and investments, as well as generate business opportunities in the area of government procurement. This FTA will be the first between Singapore and a Central American country and between Panama and a Southeast Asian country.

For this visit to Singapore, Vice-President Vallarino and Minister Jacome are accompanied by a delegation of officials and key members of statutory boards in Panama. During their visit, the delegation will visit various facilities, including Changi Airport and the PSA Terminals.

This trip comes soon after a visit to Panama by a Singapore delegation in December 2003, led by then Non-Resident Ambassador to Panama, His Excellency Lee Ying Cheun. During the visit, the Singaporean business delegation visited the Panama Canal Authority, Colon Free Zone, various Port Terminals and the Interoceanic Regional Authority (which is in charge of the reverted land turned over under the Panama Canal Treaty) to explore the potential for cooperation between Singapore and Panama.

Background to Panama economy

The Republic of Panama has a surface area of 75,520 square kilometers with a population of approximately 2.9 million and a Gross Domestic Product (GDP) of US\$12.3 billion as of 2002. The economy structure is 77% based on services, while industry represents 16% and agriculture 6.9%.

Notwithstanding the above, it is important to highlight that the agricultural sector accounts for approximately 17% of employment and therefore, it constitutes a fundamental sector of the Panamanian economy structure. Panama's economy reflects unique characteristics, resulting from its strategic geographical position, having a strong modern financial sector, including a vast number of international banks, the Panama Canal, the Colon Free Zone and logistic based exports services and the use of the dollar as legal tender for more than 100 years.

The Republic of Panama has one of the most open economies of the region with an average tariff of 8% for goods and significant market access in sectors, such as: finance, ports, energy and telecommunications. As a result of the nature of the economy, the Panamanian inflation rate has mirrored that of the United States. For the year 2002, the inflation rate was approximately 1.4% with an income per capita of US\$4,000.

During the third quarter of 2003, the Panamanian economy registered a growth of 4.2% compared to the previous year. The Ministry of Economy and Finance (MEF) of the Republic of Panama is anticipating that the growth of the Panamanian economy will be in the range of 3.9% to 4.2% for the year 2003.

Background to Singapore economy

The Republic of Singapore is a small, open economy with a land area of 685 square kilometres and a population of 4 million. Singapore's GDP amounted to US\$91.6 billion in 2002. Its manufacturing sector and the services sector accounted for 26.4% and 62.8% of GDP respectively.

Thus, Singapore has an outward oriented trade policy, and places the highest priority on the multilateral trading system embodied by the WTO. Singapore also believes that regional and bilateral free trade agreements can accelerate the momentum of trade liberalisation and strengthen the multilateral trading system.

Singapore has in force FTAs with ASEAN, New Zealand, Japan, the European Free Trade Association, Australia and the US, and is currently negotiating FTAs with Mexico, Canada, the Pacific Three (with New Zealand and Chile), South Korea, India, Jordan and Sri Lanka.

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