

PANAMA Country Profile

By Ismahieel Ali, Research Officer , Trade Unit , TTMA

- **Full name:** Republic of Panama
- **Population:** 3.864 million (UN, 2013)
- **Capital:** Panama City
- **Area:** 75,517 sq km (29,157 sq miles)
- **Major languages:** Spanish, English
- **Major religion:** Christianity
- **Life expectancy:** 74 years (men), 79 years (women) (UN 2013)
- **Monetary unit:** 1 balboa = 100 cents
- **Main exports:** Bananas, fish, shrimp, petroleum products
- **GNI per capita:** US\$ 10,700 (World Bank, 2012-13)
- **Internet domain:** .pa
- **International dialling code:** +507

Table 1: Economic Indicators For Panama

GDP	Last	Reference	Previous
GDP	42.65 USD Billion	Dec/13	42.65
GDP Annual Growth Rate	6.3 percent	May/14	6.3
GDP per capita	7740 USD	Dec/13	7740
GDP per capita PPP	18793 USD	Dec/13	18793

Panama is a strong economic powerhouse that is supported by the services provided to the Panama Canal and the country's banking system. Services include operating the Panama Canal, logistics, banking, the Colon Free Zone, insurance, container ports, flagship registry, and tourism. Economic growth will be bolstered by the Panama Canal expansion project that began in 2007 and is estimated to be

completed by 2015 at a cost of \$5.3 billion - about 10-15% of current GDP. The expansion project will more than double the Canal's capacity, enabling it to accommodate ships that are too large to traverse the existing canal. The country's average growth of 8.4% between 2007 and 2013 has made it one of the fastest growing economies in Latin America and one of the more sound economies (the country was able to successfully weather the global economic crisis which began in 2008). The recent elections held this year resulted in an expansion of infrastructural development of roads and the expansion of the metro system.

Situated on the isthmus connecting North and South America, it is bordered by Costa Rica to the west, Colombia to the southeast, the Caribbean to the north and the Pacific Ocean to the south. With the backing of the United States, Panama seceded from Colombia in 1903, allowing the Panama Canal to be built by the U.S. Army Corps of Engineers between 1904 and 1914. In 1977, an agreement was signed for the total transfer of the Canal from the United States to Panama by the end of the 20th century, which culminated on 31st December 1999.

Revenue from canal tolls continues to represent a significant portion of Panama's GDP, although commerce, banking, and tourism are major and growing sectors. Panama has the second largest economy in Central America and it is also the fastest growing economy and the largest per capita consumer in Central America.

According to the last World Trade Organization Review of Panama (2014), the Panamanian economy grew strongly between 2007 and 2013. Gross domestic product rose at an annual average of 8.1% over the period, posting the highest rates in 2011 (10.8%) and 2012 (10.2%). Panama led growth in Latin America during those years and the 8.4% increase in 2013 was the second largest in the region. The most appreciable slowdown during the review period took place in 2009 on the brink of the world

economic crisis, but the economy recovered quickly thanks to the strong boost provided by public and private investment as well as the rise in services exports. The economic activities driving growth have been construction, transport, storage and communications, financial intermediation, hotels and restaurants and the wholesale and retail trade.

According to the Ease of Doing Business Index 2014, Panama ranked 55 out of 189 countries . This index is constructed by measuring ten (10) indicators, one of which is the ease of trading across borders. Economies are ranked on their ease of doing business, from 1–189 countries. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm. The rankings are determined by sorting the aggregate distance to frontier scores on 10 topics, each consisting of several indicators, giving equal weight to each topic. The rankings for all economies are benchmarked to June 2014.

The country's performance in trade remains stable from 2013 at 11th in the world. This means that Panama is considered to be one of the easiest economies to conduct trade with in the world. However, the main areas of concern are paying taxes (165), resolving insolvency (131) and enforcing contracts (85).

Panama is a service based economy heavily reliant on the value chain related to and around the Panama Canal and its operation. Table 2 below demonstrates each sectors contribution to GDP in 2013.

Table 2: Value Added Contribution to GDP (%), 2013.

Year	Agriculture	Industry	Services
2013	3.7%	17.9%	78.4%

The above table reiterates the Services sector's contribution to GDP. Together, the services and Industrial sector comprise over 90% of the country's GDP.

As a Member of the World Trade Organization (WTO) since 1997, Panama follows an open trade policy based characterized as non –discriminatory , encourages fair trade and transparent .

As late as 2007, Panama had new generation trade agreements in force with Chinese Taipei, El Salvador and Singapore. Since their last trade policy review, Panama has implemented nine free trade agreements with countries such as Canada, Chile, Costa Rica, Guatemala, Honduras, Nicaragua, Peru, the United States, and the European Union, and one partial scope agreement with Cuba. In addition, Panama formalized its accession to the Economic Integration Subsystem by means of the Protocol incorporating the Republic of Panama into the Central American Integration System. Panama also became a full member of the Latin American Integration Association (LAIA). The bilateral and regional trade agenda are being followed by Panama and is seen to be vitally important to complement its strategy of integration into international trade, and to consolidate, expand and deepen the trade benefits derived from the WTO multilateral trade negotiations.

A Partial Scope Agreement with Trinidad and Tobago was signed on 3rd October 2013, and the internal procedures are currently in progress in each country with a view to its entry into force (the Cabinet Council of Panama approved the Agreement on 1 April 2014). The entry into force of this Agreement will deepen between both countries .

Panama is seen as the market with potential and can be airmarked for even more success in the future .In the interim of Panama 's new theirtrade development agenda , the Trinidad and Tobago Manufacturers Association (TTMA) will be planning a trade mission to Panama taking place from March 11th to March 14th, 2015.The trade mission is expected to increase the relations between Trinidad and Tobago and Panama .TTMA plans to also participate in Expocomer 2015 which is Panama's leading trade show. Expocomer gives the opportunity to businessmen to network with more than 2,500 companies in order to explore commercial opportunities. Our local manufacturers can use this great opportunity to foster new partnerships and help grow their industry. For more information about the trade mission to Panama , kindly contact the Trade Unit of the TTMA AT 675-8862 ext 248/234/225.

Sources : Trading Economics, BBC Country Profile Panama, Panama WTO Review 2014

World Bank (Panama Overview)