



Trade Policy Framework: Panama



The Trade Policy Framework review, requested by the Ministry of Trade and Industry of Panama, focuses on agriculture, fisheries, agribusiness and industrial sectors. This is to address the inequality that remains high between competitive sectors linked to the Panama Canal and the interoceanic logistics cluster and, on the other hand, the primary and manufacturing sectors. Trade can positively impact the selected sectors through a coherent policy framework to build productive and export capacity. The review also focuses on the logistics sector, which is important in itself as well as an enabler of connections between Panamanian value added and foreign markets.

At the sectoral level, when it is unfeasible to find direct connections between specific products and international markets, it is important to link such products to regional and global value chains by connecting them to activities that are export-oriented. Supply side measures presented include strengthening regulatory frameworks, facilitating trade and business environment, improving networks of producers, developing infrastructure, and improving labour skills. Options for agriculture include developing a multimodal centre and cold chains, certifying production and sanitary processes, and reinforcing policies for land management. Options in fisheries comprise considering aquaculture and mariculture to diversify and upgrade, investing in docks and storage with cold chain management, and improving reporting on fishing activities. In industry, measures include improving transport and logistics outside the interoceanic cluster, enhancing energy and environmental services, achieving a single window

for industrial processes and improving irrigation systems and cold chains for agribusiness. For logistic services, options encompass developing enabling infrastructure such as ICT services and generating greater administrative efficiency in custom processes.

Overall recommendations consider the need to establish a development-led trade policy capable of catalysing growth and reducing poverty and inequality. This requires coherence among different dimensions of trade policy, for example negotiations, market intelligence and trade promotion. Institutional coordination, at national and sub-national levels, is increasingly important to address behind-the-border limitations. The institutional empowerment of the trade and investment promotion function is a key element of this comprehensive approach. With lower tariffs throughout, trade policy needs to be more focused on policy and regulatory frameworks, evidence-based decisions, and use of regional regulations as a stepping stone to comply with international requirements.

The study stresses that trade policy needs to connect with industrial policy towards a development model based on innovation and competitiveness. This calls for capitalising areas where the country reveals comparative advantages, for instance transport and logistics, as sources of income and backward and forward linkages. It is also necessary to defy existing comparative advantages and provide forward-looking policy support to the sectors and value chains that can potentially contribute more to development goals by favouring inclusion, diversification or upgrading.

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