

Opportunity may be one flight away – Doing business in Panama

Recent news reports over the past few weeks have raised a number of questions and concerns about Panama, following the controversy surrounding the Latin American state. In spite of this, the Panama economy holds much promise for potential investors and business people. The outlook for trade has been so positive that the Trinidad and Tobago Chamber of Industry and Commerce (T&T Chamber) will be conducting a Trade and Investment Mission to the Republic of Panama from June 8-12, 2016. This follows membership surveys conducted over the last two years, through which it was identified that Cuba and Panama were considered the two top markets which local businesses were interested in exploring.

Today, we highlight just five of the many opportunities which T&T companies should seriously consider when exploring opportunities for expanding business activities beyond our shores.

Panama has a strong Investment Climate. Over the past six years Panama has emerged as the top recipient of Foreign Direct Investment (FDI) in Central America. For the first quarter in 2016, FDI has reached an all-time high of US\$1.7Bn. This represents a 32% growth over the same period last year. FDI has been directed mainly to sectors related to logistics, energy, real estate, free zone and financial services. Furthermore, in February of this year, the Financial Action Task Force announced Panama had officially been removed from its money laundering watch list. This is a stellar indicator that the country is taking extensive measures to remove itself from any real or perceived listing as a haven for illicit financial activity.

Panama has a strong legislative framework that encourages investment from both foreign and national investors. Laws that give effect to the Colón Free Trade Zone and the Special Economic Zones offer numerous tax and financial advantages to firms involved in manufacturing, export, tourism and other activities. It should come as no surprise, therefore, that Panama ranks 52nd in the world as at 2015 in the 'Ease of Doing Business' report. Key areas that make Panama extremely favourable for trade and investment are quality of port and airport infrastructure (7th place), access to credit (13th place) and access to financial services (7th place).

In June 2011, negotiations for the Partial Scope Trade Agreement (PSTA) between Trinidad and Tobago and Panama were successfully concluded. The Act is currently awaiting proclamation by the President of Trinidad and Tobago. Once ratified, this PSTA will provide preferential access on 230 important products manufactured in Trinidad and Tobago. Conversely, consumers and distributors alike would be able to benefit from 100% duty free entry of 248 Panamanian imports, including live animals for breeding, fresh and chilled meat, fresh and chilled fish and eggs, among others.

The recent expansions and modifications that have taken place in the Panama Canal will double or possibly triple the volume of products shipped through this one-of-a-kind transshipment hub.

Panama is literally the 'gateway to the world'. It offers exporters market access to 3.5 billion persons located throughout Europe, South America and Asia. Trinidad and Tobago manufacturers are strategically poised to capitalize on larger volumes and a wider range of products that they can export to the rest of the world. A widened Canal also improves the economics of shipping from the Caribbean to Asia. For instance, the export of larger volumes of Liquefied Natural Gas (LNG) to Asia where there is a high demand and higher price, will bring in increased revenue for countries such as ours. Additionally, the larger volumes of goods (particularly raw materials) which will come through the Panama Canal from Asia enables purchases at the Colón Free Zone to be at lower and more competitive prices for Trinidad and Tobago wholesalers, distributors and retailers. This is a win-win situation for all.

Panama has existed as a dollarized economy for more than 90 years. Studies reveal that dollarized economies enjoy a higher level of confidence among international investors, reduced fiscal costs, more investment in the form of foreign direct investment and greater possibilities for economic growth and development. Given our current foreign exchange dilemma, trading with Panama will undoubtedly provide some economic relief in the form of much needed US currency. Moreover, trade with Panama can alleviate some of the fiscal and current account imbalances Trinidad and Tobago now faces. The foregoing issues can be resolved by taking advantage of increased export and investment opportunities with a relatively stable and secure source of foreign exchange, i.e., Panama. On this impending Trade and Investment Mission, the T&T Chamber will also participate in Panama's Expo Invest 2016 from June 9-11. This marks the first time a T&T delegation will be attending such an event.

Although the benefits highlighted above come with certain challenges, Panama still offers fresh and new opportunities for businesses which intend to remain buoyant in the face of the current economic maelstrom. Like many other Latin American countries, the language barrier and the intrinsic web of bureaucratic product registration processes have in the past posed many challenges to Trinidad and Tobago companies. However, many local business people have been trading with their Panamanian counterparts for decades in spite of these obstacles.

Now more than ever the Trinidad and Tobago Chamber of Industry and Commerce is striving to open the gates to greater opportunities for our private sector to develop trading links. This Trade and Investment Mission will, we hope, provide our business people with yet another potential avenue to emerge successfully from the current economic downturn.

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