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Panama's trade policies: reactivation of the sectors of the economy. (2009-2019)

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Abstract

Panama is a country that has managed to position itself as one of the countries with the highest economic growth in Latin America thanks to its activities, which have focused on maritime services, telecommunications, logistics, banking services, legal services, etc., which has allowed it to have more productivity, but this is also counterproductive because it is focusing most of its capacity and capital in the shipping canal, which implies that it is leaving aside industries, agriculture, and education, affecting the country, its economy, and population in the long term.

If the largest source of income in Panama (the canal) loses its balance or begins to have competition, such as a shipping canal in Nicaragua, the country would experience a slowdown, reducing FDI and creating unemployment; thus, affecting Panama, since the aforementioned scenarios generate several consequences such as a reduction in national income, a reduction in real wages, a reduction in trade, income inequality, a reduction in productivity, and if it is not prepared for these events, its recovery will be very slow and not very bearable.

Throughout the work, it will be possible to observe what are the characteristics of Panama that lead it to make the decision of strengthening the canal, leaving other sectors so unprotected. The weaknesses and threats that the country is experiencing due to this situation have also been identified, and a series of strategies have been proposed to counter it. In addition, strategies are being implemented to increase its strengths and to seize opportunities.

Key Word: economic development, Panama Canal, slowdown, exports, service sector.

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Introduction

The Panamanian economy has experienced an average annual growth of 7.6% in the last decade, strengthening itself as the most dynamic economy in Latin America and the Caribbean. This sustained growth has led to the creation of thousands of jobs, has increased foreign investment, and has become a strong economy that leads in the world. However, this successful trajectory of the Panamanian economy has had ups and downs over the years, and, in the same way, the country's social performance is still facing significant challenges in terms of reducing poverty and inequality. In a context of global economic slowdown, these challenges imply the need of strengthening the country in different economic sectors, not just the service sector (which is also important for the growth of a country), to acquire the foundations for a stable, inclusive, steady, and equal growth.

This research compiles characteristics and variables of the country of Panama in different aspects, such as political, economic, sociocultural, and technological, which will provide greater knowledge about its decisions and actions regarding the sectors of the economy. Firstly, a PEST analysis will be carried out, in which each of the aforementioned aspects will be clearly and precisely addressed, and the main aspects of the national economic environment will also be briefly described, referring to some indicators to obtain a clear idea of the current state of the Panamanian economy and of the most important sectors, around which the main economic activities of the country have developed over the years.

Emphasizing the levels of inequality, education, poverty, health and social security, a general description of the social situation of the country is made, not losing sight of the social progress that has been experienced in Panama in recent decades, the objectives, and strategic guidelines of the current social policies of the State.

Subsequently, a selection of the weaknesses and threats that Panama has and that must be improved is made. For this, a series of strategies that counteract these actions were carried out, as well as a selection of the main strengths and opportunities of the country to find out what it should take advantage of externally, and how it should continue to increase its strengths. Consecutively, the risks that Panama would face with another shipping canal in

Central America, such as the Nicaragua Canal, are analyzed and the consequences of leaving most of its economy in this activity are examined.

The objective of the present study is to be able to know which are the commercial policies that have tried to be implemented in Panama for the primary and secondary sectors that have not been carried out in the last decades, and to have a more precise idea of why its greater investment is for the shipping canal, leaving many other important areas in the country neglected.

To direct the research and give it a definite course, several important sources were used, which include, for instance, '*Economía y género en Panamá*' and '*Elecciones: Crisis mundial y movimientos sociales*'. In these studies, the subject of imports and exports of Panama is mainly addressed, and the crises that Panama has had to go through to recover and achieve the highest economic growth in Latin America are also discussed.

To conclude, an economy that focuses on the services sector performs very well and will experience high economic growth. It is not disputed that Panama is one of the best countries in Latin America in terms of growth, but throughout history, it is observed that the times that its economy has slowed down have also been related to the Canal, since they are so dependent on it that everything that happens with the Canal will affect them either positively or negatively. In order to boost economic growth and make it more stable, it was concluded that productivity in key sectors should be increased. More specifically, it is essential to increase the performance and competitiveness of the industrial sector, mainly in those activities related to exports. It is also important to foster the technification of agricultural activity, stress advances on education quality, and strengthen programs of professional formation to increase the skills and competitiveness of the national workforce in a way that ensures that the country will count with high qualified human capital to grow in an inclusive manner.

1. Project formulation

1.1 State of the art

Research is an important process that allows gathering information on different topics to obtain more knowledge. The state of the art was carried out in order to obtain an amount of knowledge about the behavior of trade policies in Panama and also to fill investigative gaps. The state of the art was executed using academic google by filtering scientific journals and journal articles to have truthful data and variables. The information consulted will not only allow to carry out a more meaningful analysis, but points that were not found in other articles will be addressed.

One of the most important scientific studies of the compilation was the article called '*Economía y género en Panamá*' (de León, Ríos, Atencio, & Barrios, 2005), which aims to describe how the evolution of the economy in Panama has been, how has been this process regarding exports and imports in the country. It also addresses the development of information technologies, communication, science, the framework of globalization and how this has affected people's lives.

This article has very relevant data about the history of how the economic sectors perform in the Panamanian economy. The most important sector is the tertiary sector, in which warehousing, transport and communications stand out.

Entre los sectores con mayores posibilidades de dinamizar la economía nacional, se destacan el turismo, las telecomunicaciones, transporte (actividades marítimas y portuarias, transporte multi-modal) y actividades productivas que se fomenten en las áreas revertidas. Entre estas últimas se encuentra el fomento de los sectores de alta tecnología, centro de operaciones de las compañías de carga y transporte aéreo, empresas de logística a terceros y operadores de carga marítima, además de operaciones de mantenimiento reparación y reconversión de aviones y otros servicios comerciales e industriales. [Among the sectors with the greatest possibilities of boosting the national economy, tourism, telecommunications, transport (maritime and port activities, multimodal transport) and productive activities that are promoted in reversed areas stand out. Among the latter is the promotion of high-tech sectors, the operations center of cargo and air transport companies, third-party logistics companies

and maritime cargo operators, as well as maintenance, repair and reconversion operations of airplanes and other commercial and industrial services] (León, Ríos, Atencio, & Barrios, 2005, p. 48).

This article also deals with the role of women throughout history in Panama and how the roles of both men and women in society, the economy, and culture influence a certain country. A very interesting point is mentioned, and it is the right to equality between men and women throughout history.

However, regarding the social, economic, and cultural spheres, the difference between both genders is very large, involving more disadvantages for women. Despite the educational levels, the wages that women earn are lower than men's wages, and the participation of women is very limited in terms of politics.

This article can contribute to the research regarding the evolution of trade policies over the years, whether it has been favorable or unfavorable for Panama and what variables had the greatest impact for Panama to grow as such as a country, but regarding the issue of participation of different genders, for this research it will be indifferent whether the people who participate the most in trade policies are men or women, what this research is looking for are concrete results of what has been said and implemented in the last decade.

Another study was the article called '*Panama 2009: Elecciones, Crisis Mundial y Movimientos sociales*' (Gandásegui, 2009). Starting in 2009, where the world economic crisis affected several economic sectors, thus, Panama. But this did not prevent it to continue with its growth activities, especially with the expansion of the canal, which, although managed to hit the country's economy, served at the same time to continue expanding its international agreements, which generate in this a great movement of goods from all over the world, especially from Europe, which motivated Spain to offer its financial support.

With the new president Ricardo Martinelli, a new element to leadership and style of government was introduced, and he is the BUSINESSMAN in search for better alternatives, since the GDP decreased from 9 percent in 2008 to at least 3 percent in 2009, the real estate sector lost strength although trying to maintain itself, in addition to the good commercial relations between this country and China and the USA.

This would be a common denominator of what was found on trade policies in Panama, where its largest and most notable investments are the expansions of the canal, which at the same time generates collateral damage throughout the nation, such as the disappearance of productive sectors such as the agriculture, livestock, and manufacturing sectors, the creation of unemployment, criminal gangs, money laundering, illicit trafficking, and corruption, and the generation of crises in the health care, security and education sectors.

Another source of research was the article called '*Panamá: El Crecimiento Económico a Expensas de la Política*' (Araúz & Luna Vázquez, 2013), that mentions that Panama is a country of many nuances, which generates in much of the population dissatisfaction, since the governments made up of business politicians, of which it could be said that they are good administrators for themselves, but at the same time they are creating economic inequality in the country and a notorious political exclusion, resulting in massive mobilizations by the population where it is believed that it is the policy that affects the policy, which is contrary since it is the economy that injures the country.

In 2012, the Panamanian economy experienced a great performance and a great boom, thanks to sectors such as construction, communications, and interpretation of financial statements, among others. Thus, decreasing unemployment and improving the conditions of citizens, but that according to their background, it may last a short time due to the bleeding that the administrators themselves carry out for their own benefit, but as we can see, mechanisms such as those already mentioned are promoted to improve the conditions of the country without being dependent on the canal and having different alternatives for its progress.

Decreasing Foreign Investment, limiting tourism and being dependent on only one income for the country, such as the canal, gives the Panamanian people disagreement and mistrust towards its managers, creating blood loss to the treasury and all this leading to poverty in a country with many resources to excel.

This literature research allows us to reflect on how much the range of consultation has been broadened with respect to the topic of the project's start and to think of different alternatives to maximize the performance of Panama without limiting itself only to the income that the canal manages to provide, but also focusing on manufacturing, agriculture, recreational, educational and cultural tourism sectors, all this managing to integrate the different private

and public entities with local personnel and labor, training people, generating a sense of belonging and a positive ambition to be more visited every day in order to generate better income and growth for the country and each of its inhabitants.

There is a lot of talk about Panama and the first thing is the canal, but where is the rest? Who is responsible for making reforms to the laws that limit progress? In what legal way can you act and start with these new projects? Is it economically viable and in when can this be achieved? There are many questions that arise and that motivate to research about these specific topics to find out what can be done and what needs to be improved.

Carrying out the state of the art allowed us to understand that on this topic there are still many research gaps, since when filtering the necessary words, not enough information was found to have more varied data, but even so with the articles from the scientific journals that were found, it was possible to complete the information.

Between what was consulted and our research topic, there is a lot of information that makes it confusing and at times repetitive, which makes it not be very objective, and serves as a complement to some of the structures, not being the most exact, as well as guiding the research to improve the initially chosen approach.

1.2 Problem Statement

Panama has been one of the countries in constant growth, thanks to its public and free trade policies, which led it to become a key player in international trade. The most recognized characteristic of this country is its canal, which is an important communication channel between America and the world, Panama being an important exporter of financial, transport, port, warehousing, distribution and transit services, that is, its economy is based on the tertiary sector, more specifically 75% of it.

In this order of ideas, Panama experienced in 2015 an economic slowdown. This slowdown was caused when the expansion of the canal took place, since much of the country's GDP was invested on it (Hausmann & others, 2017, p. 10). This is the result of neglecting its other economic sectors, which has generated collateral damage that caused unemployment, corruption, insecurity, and poverty, resulting in inequality within the Panamanian territory,

which led to administrative and political disorders within of the government of the country, thus, not allowing progress in its trade policies.

Taking into account each weakness that this country has, it faces a not very encouraging future, since it only depends, as mentioned above, on services. However, if it potentiates its production and manufacturing, it will notably be led to its growth, or in the future, at the time of a slowdown in the economy, any negative impact it may have will be cushioned. In addition, other diversification alternatives are being considered for possible problems with the canal or future competition on the continent with a new canal that will significantly reduce costs for importers and exporters, thus weakening maritime traffic through Panama and preventing its economy from being more prosperous. However, if Panama's economy is strengthened in agriculture (banana, coffee, melon, watermelon, unrefined sugar, pineapple, among others) and in production such as processed food, plastic, textiles, petroleum goods, and also the services it provides are strengthened, it will be in a few years one of the countries with a very strong emerging economy.

Specifically, the first source of income for the country of Panama is its canal, but it is also plausible that it can contribute to its economy with the primary and secondary sectors as well. Then, why have the other economic sectors of Panama been neglected? And what is Panama's economic policy doing to reactivate the other economic sectors?

2. Objectives

2.1 General objective

Determine the proposals and strategies that Panama's trade policy has implemented to reactivate the sectors of the economy (2010-2019).

2.2 Specific objectives

- a) To characterize in political, economic, sociocultural, and technological terms the State of Panama.
- b) Identify Panama's weaknesses, opportunities, threats, and strengths.
- c) Define the risks that Panama would face with the existence of a new canal in Central America.
- d) Determine which have been the alternatives of the secondary sector in Panama in recent years that have not been implemented in the country.

3. Justification

This research will focus on determining and understanding what are those trade policies that Panama has and has been considering implementing in the country beyond its canal. Thus, the present work would make it possible to show what has been developed in recent years. It will also have information on the FDI that is coming to Panama and the theoretical knowledge on progress in terms of primary and secondary sectors will be deepened.

Taking into account the importance of the location of Panama, we can say that it is a very attractive country for anyone who wants to make short or long-term investments. It is a country that focuses most of its production on areas regarding the canal, not only the direct fee for the collection of its use, but also because most of its tourism is concentrated in its representative work and by which everyone knows about the country.

The idea of carrying out this work is to get to know Panama beyond the canal and what are the alternatives that this country can offer for its inhabitants and for people who are outside of it that consider it as an attractive investment destination, to know what policies have been applied seeking to diversify the activities that generate income in the country and that does not depend only on the canal.

Agriculture, livestock, and the exploitation of natural resources are also highlighted as fields that have been practically forgotten by its inhabitants due to the great influence of the canal, since the benefit that is obtained from these factors is practically nil and if we consider that its topography is very good thanks to its location near the meridian of the equator, which in the agricultural part is very good, since it allows them to have a wide diversity of products that could be exported and thus improve their balance of trade.

This research aims to highlight the importance of not depending only on an economic sector, since the development of a country is facilitated by having diversification in its economy, providing a basis for companies and inhabitants to benefit from this because there will be other important sectors to participate in. Therefore, it is convenient to reactivate the primary and secondary sectors to improve the conditions of the country, its economy and therefore all its trade policy. With this, the main objective is to have new income alternatives for the

country and to end the dependence on the canal, pushing other economic sectors to its strengthening always aiming at the search of alternatives to progress, considering that in the same way, other countries also wish and are searching for ways to compete building a new canal. Currently, that is what can be seen, and it should be well prepared to counter it.

This research will provide new knowledge, since it is a topic that has many research gaps. Here, all the information will be as clear as possible so that readers can have an idea and understand what has happened regarding these Panama policies that have been suggested, but that have not been taken into account in the economy since the canal entered.

It was decided to research on this topic because, as mentioned above, it is something that has not had deep research. With the consultations that were made it can be seen that there is still a lot to research and thanks to this, this research will reflect those proposals and commercial strategies that have been thought during the past years to increase the growth of the economy of Panama and why they have not been successfully implemented. As a result, it will be possible to find alternative solutions according to the needs of Panama and adjusting them to its economy.

On a personal level, this research provides new meanings, new knowledge, deepens concepts, and also grants the opportunity to go to an internship, getting to know the country further, and taking advantage of the information collected to the fullest.

3.1 Frame of Reference

The frame of reference is made up of the theoretical framework, the conceptual framework, and the methodological framework. Having a well-structured frame of reference contributes to the research coordination and coherence of concepts and propositions.

3.1.1 Theoretical framework

In order to theoretically support the research, two theories will be considered, the first one proposed by the author Albert Otto Hirschman (1958) in his theory of productive diversification. He called the risk of structural stagnation, which refers to the risk of

abandoning the productive diversification process and stagnate at an intermediate level of development.

El estancamiento es una situación característica de sociedades atrasadas, con escaso desarrollo tecnológico y baja calificación de la mano de obra; también se produce cuando las cargas impositivas son muy altas y se genera una fuerte presión fiscal, o cuando por diversas circunstancias específicas – económicas o extraeconómicas – se reducen drásticamente las inversiones: políticas de expropiaciones, inestabilidad política aguda, etc. [Stagnation is a characteristic situation of backward societies, with little technological development and low qualification of the workforce; It also occurs when tax burdens are very high and a strong fiscal pressure is generated, or when investments are drastically reduced by various specific circumstances - economic or extra economic - expropriation policies, acute political instability, etc.] (Eco-finance, sf)

Hirschman also talks about productive diversification, especially the diversification of the manufacturing industrial sector; he indicates that this is the productive asset that has the most impact on an economy. This impact is due not only to the ability to enhance the systemic productivity of the economy but also to the ability to activate other productive assets that also act as engines of economic growth (the appropriation of technological knowledge, technological education, learning in practice, public investment in productive infrastructure, and the expansion of the scale of industrial production and the use of economies of scale through the virtuous effect of market expansion and aggregate demand).

The previous theory has a lot of impact on the proposed work, because Panama is a country that has its economy concentrated in only one productive asset and if this does not improve it will have shortcomings as a country and structural stagnation, as the author Hirschman's theory says .

The following theory is proposed by the author Dani Drodrik, it is the theory of economic diversification, with which he wants to verify that the countries that only specialize in a single field, are not always those that obtain better results, in fact, he thinks that this theory is obsolete and that, on the contrary, countries must diversify their export basket in order to obtain better results in their long-term economy.

“La estructura económica de un país es muy importante: que lo que produce un país, ya sea que se especialice en industria primaria o manufacturas, es un factor que influye notablemente en el desempeño económico” [The economic structure of a country is very important: that what a country produces, whether it specializes in primary industry or manufacturing, is a factor that significantly influences economic performance] (Prebisch, 2012, p. 12). The author quotes this important writer, since he thinks that the policies used by the government of a country directly influence the type of exports and the growth of a country.

It is observed that this developed theory applies in this research’s intention to know what the commercial policies applied by Panama have been to diversify its exports and stop being largely dependent on what the canal produces. As time passes, Panama may be included among the group of countries that have specialized in the provision of services, which has been practically focused on the service provided by the canal and in recent years has had a small diversification towards the banking system. In fact, it has been attractive to companies and people who do not want their income to be known, becoming a tax haven.

On the other hand, the author recommends that countries should try to specialize in products that are required by developed countries and not only specialize in products that are in the region, since it is important to make investments and open policies to products with greater added value or technological content. This can be seen in China since it was a poor country and its growth was very slow until they began to produce goods with a high technological content and that were required by developed countries.

It is also recommended that countries should be very careful in exchange rate policies, since undervaluing their currency is one of the most frequently used mechanism to accelerate the growth of a country that generates a good basket of exports.

Taking into account all the points that the author addressed, an idea of what should be considered in the research can be identified, and thus, allowing to better understand the policies that have been applied by the last governments of Panama seeking to improve and diversify its export basket.

3.1.2 Conceptual framework

Following, a series of concepts will be presented, which to a large extent come from or are part of the theories explained:

The first of them is the concept of, Economy of Scale. According to the author Dennys Andrade, it refers to the power that a company has when it reaches an optimal level of production to produce more at a lower cost, that is, as production at a company grows, its costs per produced unit are reduced. The more you produce, the less it costs you to produce each unit. (Andrade, sf). Now, the next concept is that of Productive Diversification, that is defined by Niehof (2004), as the process by which households build their lifestyle, using various resources and goods. (Lopez, 2011).

Likewise, there is the concept of Specialization, that under the concept of division of labor and specialization for economic growth and development formulated by Adam Smith and the Heckscher-Ohlin Samuelson (HOS) international trade model, states that countries must specialize in production of assets for which they have a comparative advantage. On the contrary, recent studies have found that countries seem to diversify their production and exports as they grow. (Sannasee, Seetanah, & Lamport)

On the other hand, the concept of the Export Basket is described by the authors Daniel Lederman and William Maloney, as follows: “Cuanto más crecen las exportaciones en el margen intensivo, más amplia es la canasta de exportaciones. Una canasta exportadora más amplia reduce los riesgos de una crisis de balanza de pagos y grandes fluctuaciones de la producción nacional luego de shocks que pueden afectar negativamente el desempeño del sector externo, tales como fluctuaciones en los mercados internacionales – si los precios de los productos no están correlacionados entre si – o grandes cambios en la producción de los socios comerciales.” [The more exports grow in the intensive margin, the broader the export basket. A broader export basket reduces the risks of a balance of payments crisis and large fluctuations in domestic production aftershocks that can negatively affect the performance of the external sector, such as fluctuations in international markets - if product prices do not they are correlated with each other - or major changes in the production of trading partners.] (Lederman & Maloney, 2003)

To finish, the concept of Tax Haven, is defined by the author and economics professor Javier Sanchez Galán, as a geographical area, usually a State, whose tax regime imposes much lower tax burdens compared to the rest of the world. Intuitively, tax havens are considered to be those places where very little tax on certain economic activities compared to other countries are paid. (Sánchez, 2016)

3.2 Methodology

3.2.1 Research method

The work will be carried out under the Deductive Method, since a series of premises can be determined which range from general to particular matters. The information presented will be one hundred percent legitimate, so the conclusions will be true.

- **Research focus**

The research will have a mixed focus, that is, both qualitative and quantitative information will be presented since exploratory and descriptive information about Panama will be presented; and additionally, numerical and statistical data will be presented as well, regarding the economy and productivity of the country, that is, a process in which the collection, analysis and linkage between quantitative and qualitative data in the same study will be carried out to respond to an approach. In this research, the quantitative approach is applied when determining numerical results using the technique of statistics and reports from scientific documents and journals are taken into account so that the information never loses its veracity.

- **Type of study**

The type of research of the present investigation is applied since several studies, knowledge and theories have been compiled to create a new research. On the other hand, it is applied because it has a theoretical framework on which the investigation is based to solve the posed concern. The focus of the study will be descriptive because it will be detailed in a much more open way, this implies observing the object of study in a systematic way, evaluating deeper

the situations in particular and the population, as well as describing the behavior of the variables to study.

3.2.2 Investigative methodology

The research methodology will focus on the techniques or instruments that will be used to collect the information, on the selection of that information and on the control of bias.

- **Information gathering techniques and instruments.**

Both qualitative and quantitative information will be needed, which will be sought from reliable sources; these sources will later be discriminated. Information will also be obtained through documentary techniques, such as written studies, videos, conferences, among others. Likewise, interviews and questionnaires already carried out with experts in the subject will be sought in order to obtain information from a target audience.

- **Selection and analysis of information**

The information to be analyzed will be presented in pie charts, figures, timelines. Tables to summarize the information and concept maps so that readers can better visualize the concepts and timelines will also be made. In these, it will be possible to observe the trade policies that have passed from 2009 to 2019. On the other hand, the SWOT and PESTEL analysis will be carried out in order to meet the expected objectives and also this will allow the understanding of the points for and against that Panama possess as a country.

- **Bias control**

The information that will be presented in the investigation will be reliable, legitimate, impartial and will be collected from sources that can verify its provenance, with the aim that the information is not contaminated with unreliable concepts or information and thus the research is not distorted. The sources to be used are:

- Google Scholar
- Scientific Electronic Library Online (SciELO)

- Red de Revistas Científicas de América Latina y El Caribe, España y Portugal (Redalyc)
- Web of science

Information will be also gathered from:

- The International Monetary Fund (IMF)
- National Bank of Panama
- LegisComex

Among other sources that specialize in the subject of international relations and trade policies.

3.3 Scope

The scope of the research will be temporary since information from the last decade on Panama's trade policies will be collected, more specifically from 2009 to 2019. On the other hand, in terms of sector or subject of study, the scope will be in the primary and secondary sectors, because to analyze the reactivation of the sectors of the economy, focusing in these two sectors is fundamental for the research. Finally, at the geographical level, the research is focused on the country of Panama since the entire country is being taken as a reference, and the risks that Panama would suffer with the existence of another canal in Central America are also mentioned.

4. Research development

Panama is a country that has been growing economically more and more thanks to its shipping canal, which has made it a key country for international business, but it is a country that has increasingly focused on the canal, leaving the agriculture sector and the industry sector aside. Throughout the development of the research, characteristics of Panama will be observed to know more deeply how it is as a country, as well as its strengths, weaknesses, threats and opportunities, and what are those risks that it faces directing all its efforts in the canal and how has been its participation in the industry sector.

4.1 Political, economic, sociocultural, and technological characterization of Panama

To learn more about the environment of Panama in terms of its politics, economy, the sociocultural scenario, and its technology, key points will be mentioned to understand how the country is progressing and due to which relevant situations or aspects, decisions are made in the country as for the economic sectors.

4.1.1 Political

As is common in Latin American countries and Panama is no exception, corruption by those who govern the country is one of the main problems that must be directly addressed and counteracted. The accelerated growth of the country has been largely based in some of the policies adopted in the financial sector and in foreign investment, which have been negatively reflected in recent years and have predicted that for the next few years, this growth may be diminished. The loss of confidence coming from the foreign companies with the revelation of the Panama Papers and the problems generated by the contracting of public works with companies like Odebrecht, are some of the factors that reveal the level of corruption that exists in the country and that generally damages the credibility of the governments. For 2019, Panama ranked 93 worldwide in the Corruption Perceptions Index carried out each year by the international non-governmental organization Transparency International.

Illustration 1: Corruption Perceptions Index (2019).

Judicial Branch: this is made up of the Supreme Court of Justice, the courts, and tribunals, and has the highest hierarchy. Its main function is to exercise justice on a permanent basis. Its legal system is civil.

Executive Branch: it is made up of the President and the ministers; the President and the vice president are elected for a period of 5 years and have no possibility of immediate re-election. Its current president is Laurentino Cortizo, who has been elected for the period 2019-2024.

Legislative Branch: it is made up of the General Assembly that is composed of 78 seats and are popularly elected for a period of 5 years. Their main function is to issue laws.

Organizations to which Panama belongs

- (AEC) Association of Caribbean States
- (CEPAL) Economic Commission for Latin America
- (CAF) The Andean Development Corporation
- (OEA) Organization of American States
- (UN) United Nations Organization
- (INTERPOL) International Criminal Police Organization
- (WTO) World Trade Organization
- (UNESCO) Food and Agriculture Organization of the United Nations

4.1.2 Economic

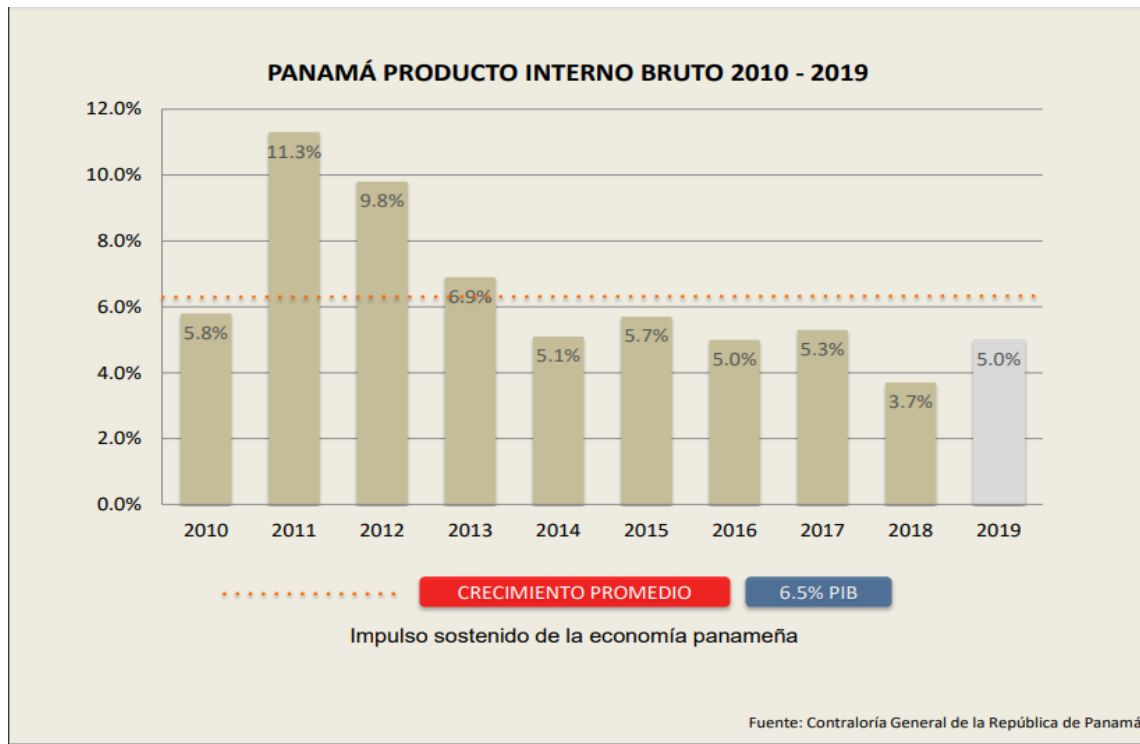
Panama is one of the few countries in the Americas that has achieved significant growth in the last two decades, this is due to the growth in some sectors of the economy, which has encouraged employment. The sectors that have mainly contributed to this are the water supply, energy, and gas services. The construction, financial services, and tourism sectors have also been important; this has been reflected in the GDP that has experienced a significant growth at a very stable rate (2014 – 4.8%, 2015 – 5.9%, 2016 – 4.9%, 2017 – 6.1%, 2018 – 6.2%), and in the life quality of its inhabitants. Out of some of the most important projects that are expected to contribute to continue with this good rhythm of the

economy, it can highlighted the construction of the second subway line, the canal expansion, and some other private investments such as the creation of a copper mine, the construction of new hotels, and the construction of office and commercial buildings. (Tuñón, p. 1)

Other characteristics of Panama's economy:

- ✓ Dollarized economy.
- ✓ Very high unemployment rate.
- ✓ Inadequate distribution of resources.
- ✓ Inequality in wealth, distributed among the three sectors of the economy:
 - a. Primary: corresponds to the sector in charge of obtaining raw materials, agriculture, livestock, fishing, mining, forestry.
 - b. Secondary: corresponds to the transformation of raw materials and food and beverages through production and industrial processes, such as chemical, textile, mechanical and manufacturing companies.
 - c. Tertiary: corresponds to the services sector, which contributes 80% of GDP to the national economy. It is made up of the Colon Free Trade Zone, the banking area, tourist services, and the most representative, the Panama Canal, which with its expansion seeks to improve its transnational services. (Ábrego, 2018, p. 1)

Figure 1: Panama's Gross Domestic Product (2010 – 2019).



Source: General Comptroller of the Republic of Panama.

Panama experienced an average growth of 6.5% in its GDP (Gross Domestic Product) between 2010-2019, which shows during this decade a sustained economy, with ups and downs at different times; but despite the fact that some of the economic sectors that make up the Panamanian economy are not yet activated as they should be, are slightly behind, that definitely must be integrated and achieve the creation of appropriate strategies for a country that progressively demonstrates with its new economic policies that it wants to measure up to the region and that has great growth opportunities.

Next, graphs of Panama's economic growth over other countries in the region will be presented.

Illustration 1: Economic perspectives of Central America.

Perspectivas económicas de Centroamérica

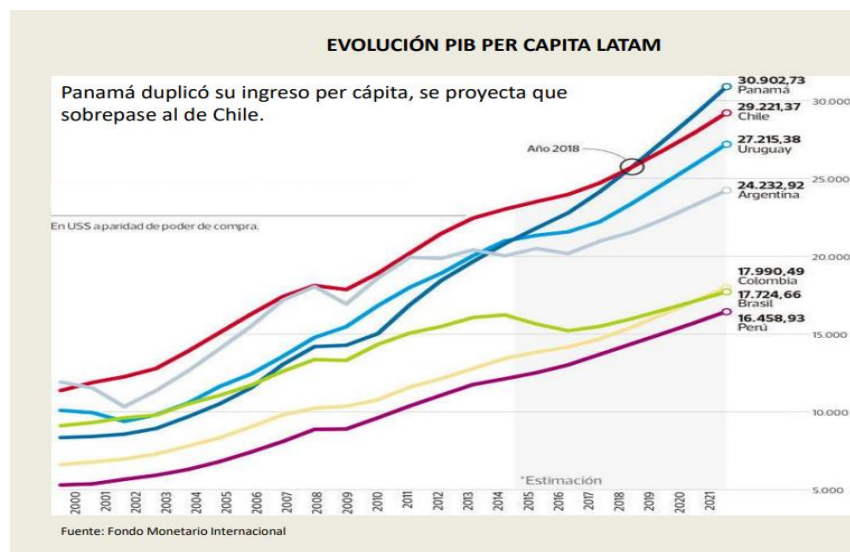
Índice de crecimiento

PAÍS	2016	2017	2018	2019*	2020**	2021**
Costa Rica	4.2	3.2	2.7	2.0	2.5	3.0
El Salvador	2.5	2.3	2.5	2.4	2.5	2.5
Guatemala	3.1	2.8	3.1	3.3	2.8	3.1
Honduras	3.9	4.8	3.7	3.3	3.5	3.5
Nicaragua	4.6	4.7	-3.8	-5.0	-0.5	0.6
Panamá	5.0	5.3	3.7	4.5	4.6	4.6

*Estimado **Esperado

Source: (Gonzalez, 2019)

Figure 1: Evolution of GDP Per Capita LATAM



Source: International Monetary Fund.

As a comment to these graphs, it is possible to see and mention the different moments of growth of Panama, even comparing it with larger economies in the region and how the Panamanian economy remains during the time line; but at the same time as contrasts with the following table which shows us the not very outstanding position three in the GINI index, which reveals an existing reality in the region that is the inequality in Panamanian society with great differences between them, which makes it not difficult to deduce where these

results of inequality come from, and it is the high corruption levels that have led the country to bleed little by little and not to improve the conditions of a high amount of citizens living in serious conditions of poverty.

Panama has maintained some economic pillars that have allowed it to maintain itself, to put it in a certain way, over the years, since it has faced different obstacles since the construction of the railway, which was in charge of an American company, so the wages of workers were in dollars, which was the beginning of the dollarization, taking into account that the Pound sterling, the French franc, and the Colombian peso also circulate in the economy, but then the separation between Panama and Colombia occurs between 1903 and 1904, and that Panama signed the Taf Agreement with the United States, in which other currencies in the country would be gradually withdrawn.

The Mallarino Treaty signed on December 12, 1846 between New Granada and the United States, in which the United States agrees to guarantee the sovereignty of New Granada (Colombia) on the Isthmus of Panama in exchange for free transit through it.

The Hay-Bunau Varilla Treaty was established between Panama and the United States on November 18, 1903, days after the separation of Panama with Colombia, where it gave to the United States the right to protect Panama and take a strip 10 miles wide over which the canal would pass.

These already mentioned pillars or engines of the Panamanian economic growth are:

Construction: the great acceleration of this activity has allowed to improve the development of the country, benefiting many sectors, and generating jobs and local labor, due to the number of office and housing buildings authorized for its construction.

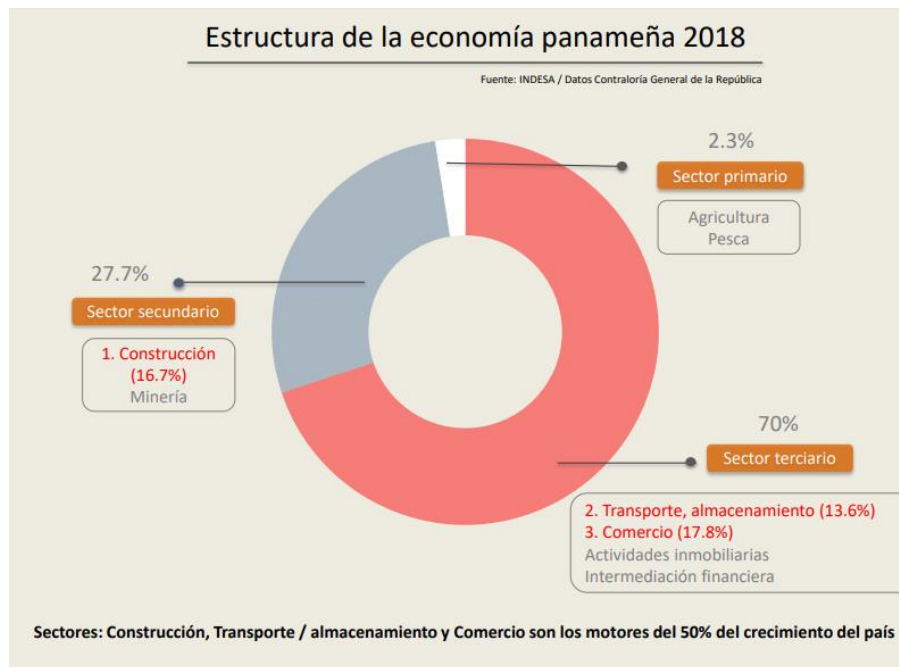
Transportation and Warehousing; these are the consequence of tolls and uses of the passage through the canal, where 6% of world maritime trade moves through. An important fact to take into account is that in the 85 years of management of the United States over the Panama Canal (1914 – 1999), it handed to the Panamanian state the sum of 1,877,000 million dollars. After Panama took possession of the canal (2000 – 2018), during this time Panama received 13,000,000 million dollars, which were reinvested in social programs and multimodal

platforms, in addition to adding to these engines of the Panamanian economy the transportation of air cargo and passenger transportation as well.

Commerce: Panama is consolidated as a shopping destination due to the large number of shopping malls that exist individually there for the large number of tourists arriving in the country and for wholesale sales in the Colon Free Trade Zone, in addition to foreign direct investment where more than 50% of the profits from these sales are reinvested in the country.

Panama is a large importer, but it is not a good exporter; its exports only represented 17.65% of its GDP in 2019 even though exports increased by 4.66% compared to the previous year. This places it in the position 121 among 191 countries. Within the few products it exports are found:

Figure 2: Structure of the Panamanian economy (2018).



Source: Ingesa / Data comptroller General of the Republic.

Figure 3: Evolution of Foreign Direct Investment in Panama.



Source: ECLAC / MEF Panama.

Panama has several Free Trade Agreements (FTA) and international economic relations, which are:

1. Central American Integration System (SICA)
2. Central American Common Market (CACM)
3. Latin American and Caribbean Economic System (SELA)
4. Association of Caribbean States (ACS)
5. Mesoamerica Project
6. Free trade agreements (FTA) with Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua), Chile, Singapore, the United States, Canada, and Taiwan.
7. Partial scope agreements with Colombia, Mexico, and the Dominican Republic.
8. Association Agreement European Union – Central America
9. Relations Andean Community – Panama

Panama has four free trade agreements in force:

1. Central America - Panama Free Trade Agreement, Panama – El Salvador Bilateral Protocol (2003)
2. Panama – Taiwan Free Trade Agreement (2004)
3. Panama – Singapore Free Trade Agreement (2006)
4. Panama – Chile Free Trade Agreement (2008)

Free trade agreements under negotiation: Canada and the United States.

Partial scope trade agreements:

1. Panama – Colombia Trade Agreement
2. Panama – Cuba Trade Agreement
3. Panama – Mexico Trade Agreement
4. Panama – Israel Agreement on Trade and Economic Cooperation
5. Panama – Dominican Republic Trade Agreement (EENI Global Business School, n.d.)

4.1.3 Sociocultural

Taking into account the growth of the Panamanian economy, this has been reflected in the decrease in poverty in the country, which has gone from 26.2% to 18.6% between 2008 and 2014, and a reduction in extreme poverty in the 14.5% to 10.2% in the same period. Social investments have not only been economic, investments have also been made in the area of education, especially for the most remote regions, where the indigenous population and the most vulnerable and with the highest percentage of poverty (70%) and extreme poverty (40%) is located. The elderly population has also benefited in this period thanks to some aid they have received from the government to improve their life quality. Therefore, we can see that the government has made great efforts in social investment and in the continuous improvement of the life quality of its inhabitants, but this has been insufficient to reduce the social inequality that occurs in the country, which is quite wide, thanks to the fact that the personal interests of the great families that govern the country still prevail.

Panama, with the support of the World Bank, has made loans to invest in the following aspects:

- In the proper distribution of income.
- Changes in the lifestyle of its inhabitants.
- Attempts to increase consumer activity among locals and visitors.
- Remarkably improve educational levels.
- Lack of sense of belonging on the part of the Panamanian population for what they have. (World Bank, 2019)

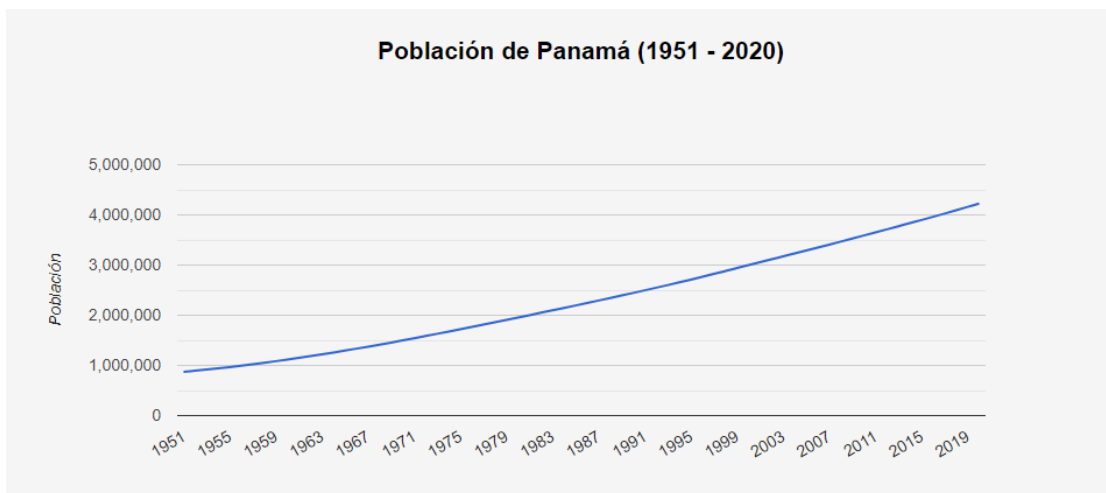
Panama social data:

Current population: 4,249,605

Male population: 2,140,746

Female population: 2,108,849

Figure 4: Population of Panama (1951 – 2020).



Source: (Country Meters, 2019)

Panama is a country where the vast majority of its population belongs to Catholicism, who, like all Latin American countries, have great influence in the political sector.

Illustration 2: Religion in Panama.

Religion	Numero de seguidores	Porcentaje de la población total
Cristianismo	3 952 147	93.0 %
Sin religión (Ateísmo)	203 982	4.8 %
Islam	29 747	0.7 %
Otros	21 248	0.5 %
Religiosidad popular	16 998	0.4 %
Judaísmo	16 998	0.4 %
Budismo	8 499	0.2 %

Fuente: Pew Research Center. The Global Religious Landscape [↗](#).
 Numero de seguidores (25.04.2020 - Countrymeters.info [↗](#)).

Source: Pew Research Center the Global Religious Landscape

Taking into account the number of births, the number of deceased, and the number of immigrants, Panama has the following projection for the growth of its population for the end of the century:

Illustration 3: Projection of the Panamanian population (2020-2100).

Año	Población	Tasa de crecimiento
2020	4 289 326	N/A %
2025	4 596 061	7.15 %
2030	4 884 306	6.27 %
2035	5 151 316	5.47 %
2040	5 399 088	4.81 %
2045	5 625 560	4.19 %
2050	5 827 108	3.58 %
2055	6 000 888	2.98 %
2060	6 146 712	2.43 %
2065	6 266 926	1.96 %
2070	6 363 387	1.54 %
2075	6 438 568	1.18 %
2080	6 494 369	0.87 %
2085	6 531 586	0.57 %
2090	6 550 988	0.30 %
2095	6 553 463	0.04 %
2100	6 539 834	-0.21 %

Source: The United Nations Department of Economic and Social Affairs

Thanks to the growth of the Panamanian economy, this has been reflected in the decrease in poverty in the country, which has gone from 26.2% to 18.6% between 2008 and 2014, and a

reduction in extreme poverty in the 14.5% to 10.2% in the same period. Social investments have not only been economic, investments have also been made in the area of education, especially for the most remote regions, where the indigenous population and the most vulnerable and with the highest percentage of poverty (70%) and extreme poverty (40%) is located. The elderly population has also benefited in this period thanks to some aid they have received from the government to improve their life quality. Therefore, we can see that the government has made great efforts in social investment and in the continuous improvement of the life quality of its inhabitants, but this has been insufficient to reduce the social inequality that occurs in the country, which is quite wide, thanks to the fact that the personal interests of the great families that govern the country still prevail.

4.1.4 Technological

Panama, being a country with high income in its economy thanks to what is generated by the canal and financial services, has a significant backwardness in the technological part, since it cannot be understood that in a country with such important sources of means (resources), a large part of its population does not have basic services, and the investments made in technology have basically all been in the canal, leaving aside all kinds of investments such as research in the areas of health, development, road infrastructure, etc.

4.2 Weaknesses, opportunities, threats, and strengths of Panama

Seeking to understand and know a little more about why despite its privileged location and the great income it receives from the canal and the financial sector, Panama has not been able to develop policies that generate a significant increase in its exports, taking into account that poverty is one of the major problems the country faces and that there are sectors of the economy that, if given a significant boost, can achieve this significant change from being a highly importing country to one with a higher rate of exports and reducing the balance of trade a little. This second objective is realized.

In this chapter, the second specific objective of the research will be analyzed, which consists of the SWOT matrix of Panama and each of the strategies implemented to reduce possible risks and threats as well as delve into the strengths and opportunities.

4.3.1. Identification of Panama's weaknesses, opportunities, threats, and strengths

Next, the SWOT analysis of Panama will be presented, where several strengths, opportunities, weaknesses, and threats will be identified and will give an idea of why they have based their economy more on the shipping canal.

Table 1: SWOT matrix of Panama.

<p>STRENGTHS</p> <ol style="list-style-type: none"> 1. Having a shipping canal to promote maritime transport and foster the economy of Panama. 2. Geographical position which favors the transport of cargo and passengers influencing world trade. 3. It has the second largest Free Trade Zone in the world, called the Colon Free Trade Zone. 	<p>WEAKNESSES</p> <ol style="list-style-type: none"> 1. Panama bases the country's economy on the canal. 2. Inequality in the distribution of the country's wealth. 3. The country is used as a bridge for drug trafficking since it is considered a tax haven. 4. Lack of skilled labor. 5. Poor road and hotel infrastructure. 6. Destruction of ecosystems, flora, and fauna by mining activities.
<p>OPPORTUNITIES</p> <ol style="list-style-type: none"> 1. Increase activities in the primary and secondary economic sectors. 2. The good geographical position of the country offers the possibility of exploiting tourism to a greater extent. 3. Legal facilities for companies to settle, generating more foreign investment. 	<p>THREATS</p> <ol style="list-style-type: none"> 1. Entry of new competitors regarding the shipping canal such as the Nicaragua Canal. 2. Climatic problems such as El Niño natural phenomenon appear. 3. Possible political changes constantly.

4. Possibility of bank loans for investment.	
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Source: own elaboration.

According to the strengths raised above, it can be seen that thanks to them, Panama has been a constantly growing country and that the sectors where it has focused (the services sector) has been key to the development of its economy, such as transportation, warehousing, export services, but to the extent that these services are not refocused or lose their balance, the economy of Panama may be seriously affected.

Panama was one of the countries that experienced an economic crisis in 2008-2009; its economy at this time decreased by 6 percentage points, this was due to the global financial crisis, and in 2007 the Panama Canal began its expansion, which led the country to have to make a high investment and to get more and more indebted. Nevertheless, thanks to the expansion of the canal, the country did not last long decreasing, on the contrary, it began to experience a much faster growth, having in 2010 8 percentage points of growth. In addition, private investment began to appear in greater quantities, which allowed the country to have very low unemployment rates and position itself as one of the fastest growing countries in the region in 2011.

The combination of this unemployment rate and high levels of growth and investment, also taking into account that a new tax reform was implemented in the country in which tax collection increased, all of the above caused a high increase in prices, causing an increment on the inflation in the country. But it is to recapitulate, that in Panama there were increases in inflation since 1971, when the United States closed the gold-dollar discount window, allowing the dollar to float in international markets, but especially its inflation increased when since 1972 to 1977 began the petroleum conflicts between the Middle East and Iran, and for Panama, being a net importer of fuel, such clashes and conflicts over petroleum turned into increases in the fuel and its derivatives, which strongly affected Panama in the prices of transportation, energy, and its derivatives (as it has been reiterated throughout the research, Panamá is an economy of services). Later, in the eighties, the inflation started to stabilize.

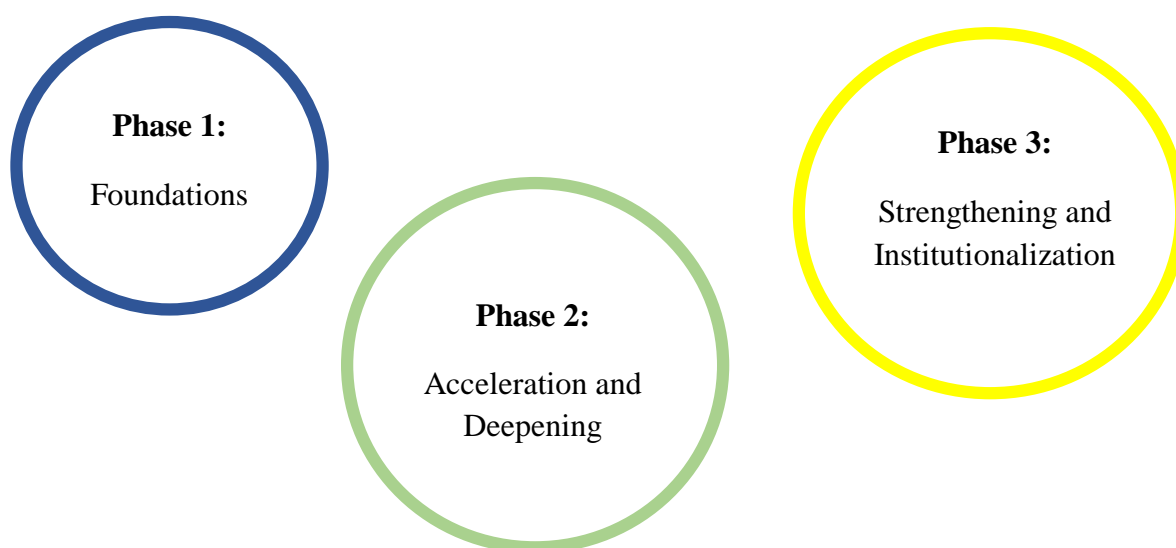
Illustration 4: Description of events for the growth periods of Panama.

Año	Evento
<i>Etapa 1: Creación de las bases del nuevo modelo de crecimiento</i>	
1995	Privatización de puertos y del sistema de telecomunicaciones
1997	Desregulación del sector eléctrico
1999	Creación de la Autoridad del Canal de Panamá
<i>Etapa 2: Aceleración y profundización</i>	
2007	Inicia el proyecto de ampliación del Canal de Panamá.
2008	Aprobación de la Ley 34 sobre Responsabilidad Social Fiscal
2009	Se crea Panamá Pacífico
2010	Panamá consigue el grado de inversión
2011	Inicia el Metro de Panamá

Source: (Fisher, 2015, p. 50)

Above, it is possible to see in the table the key moments for the growth of Panama and its transition. This is worth mentioning because it leads to the good capacity of adaptation and resistance it has. Throughout its history, Panama has had balanced and long-term sustainable growth, which, despite having high levels of inflation, has been able to manage them in a good way to stabilize and adjust them. Additionally, Panama has been implementing a model in its economies focused on strengthening the key sectors for growth, that is, it has focused on invigorating its strengths with these three phases:

Illustration 5: Phases to enhance the growth of Panama's economic sectors.



Source: own elaboration.

In the previous illustration, Phase 1 is the planning of each of the activities that Panama implements to strengthen its most productive sectors; Phase 2 corresponds to the deepening of those bases or plans to further consolidate the strategies that work best for this growth; and in Phase 3, there is a strengthening of what was previously implemented to ensure that growth is strong and that the expected results are achieved.

Table 1: Strategies of the SWOT matrix of Panama.

SO	WO
<p>1. Panama can increase the production of food products and manufacturing to slightly stop depending a on the import of these products and sell its national production in the Free Trade Zone (Colon Free Trade Zone).</p> <p>2. Increase tourism further, thanks to its good geographical position and a country endowed with fauna and flora. If tourism and national production are increased, the consumption of Panamanian products will increase with tourists arriving in the country.</p> <p>3. Companies can take advantage of the facilities offered by the country to obtain credits, they can use these credits to export their products, thus other sectors of the economy begin to grow and the country becomes much stronger and would not fully depend on services.</p> <p>4. By having a shipping canal, transport for export would be greatly facilitated. This can be used by production and export</p>	<p>1. Panama can implement aid so that people are trained, allowing them to create production companies, and thus increase the activities of other economic sectors. If Panama only focuses its activities on the shipping canal and services and these activities become unbalanced, it would be very dangerous for the country's economy; therefore, it must be strengthened in the constitution of production companies.</p> <p>2. Tourism will increase to a greater extent as long as the country invests in the creation and remodeling of hotels, as well as improving its infrastructure on the roads, so that tourists have a good experience when entering the country and this favors the increase in tourists visiting the country.</p> <p>3. Panama must become aware of the destruction of its forests, fauna, and flora, and must recognize that countries and the economy will reach a point where natural resources will be important. Instead of destroying their nature, they can implement</p>

<p>companies to reduce their costs in international logistics.</p>	<p>plans to plant more trees, protect endangered species, and take greater environmental measures so that neither society nor the ecosystem suffers with mining activities.</p>
<p>ST</p> <ol style="list-style-type: none"> 1. With the entry of the new Nicaragua Canal, Panama must find a way to be much more competitive than the other canal. This can be achieved by minimizing its logistics costs. 2. When climate changes occur in the country as strong as El Niño natural phenomenon, tourism decreases; but the country, being so strong in freight transport, can take advantage of this time to export national products. 	<p>WT</p> <ol style="list-style-type: none"> 1. By having the entry of a new shipping canal like that of Nicaragua, Panama must also support its economy in other economic sectors so that its economy does not only depend on the canal. 2. The country can implement aid for low-income citizens, but with the clause that regardless of changes in policy, this aid will not be taken from people who have less than others. 3. Take great care of the environment and nature of both the climatic and societal effects, being able to penalize or sanction people who go against the environment and the ecosystem so that the country is becoming stronger in all aspects.

Source: own elaboration.

4.3. Risks or dangers that Panama would face with the existence of a new canal in Central America

Panama faces an enormous challenge with the plans for a new canal to be carried out in Central America, more specifically in Nicaragua. The third objective is carried out in order to seek and understand those possible risks that Panama will face.

As mentioned before, a new Canal in Central America would bring many consequences to Panama since the majority of its economy is based on the shipping canal. Following, the challenges that Panama faces with the construction of a Canal in Nicaragua will be explained.

The possible implications and influence of the construction of the Nicaragua Canal in the economy and foreign policy of the region are important to be considered, since this construction, in addition to attracting the maritime transport of merchandise and commercial and tourist transport, implies the entry or participation of large international companies and strong economies, due to their influence in the construction of the mega project, that seek their best commercial positioning, taking advantage of every business opportunity, in addition to the most efficient routes from Asia and Europe, where much of the trade reaches America, would be the possible and most constant users of this great work of engineering.

This channel will influence the geopolitics of the region for a time, mainly, and to its neighboring countries especially with Panama, due to the possibility of competition that until now did not exist in the region between two inter-oceanic channels.

The Nicaragua Canal would be 278 kilometers long, between 230 to 520 meters wide, and up to 30 meters deep. It would become the largest infrastructure project in the world and three times as long as the Panama Canal.

Illustration 6: Alternative routes of the Nicaragua Canal.



Source: Canal Interoceánico.

This canal, if completely finished, with the characteristics it has, would be more beneficial for world trade due to the capacity and amount of containers and merchandise that would transit in larger and deeper ships, giving a great advantage to the new canal, in addition to the other very striking sub projects to expand trade in different areas, such as air, land, and obviously maritime, this for the construction of the first sub-project, that is an airport with capacity for 1.05 million people, and a 3,200 meter runway, which would facilitate the transfer to international business conventions and the presence of large businessmen in this territory, in addition to a free trade area (free trade zone) as another sub-project, with at least 3,000 jobs to generate an average of 25 billion dollars a year, taking into account at the same time the Foreign Direct Investment that may arise from such a striking project. Another of the sub-projects that there are, would be two ports of great depth at each side of the canal (one in the Pacific and the other on the coasts of the Caribbean Sea), which notably improves mainly the operations of loading, unloading and storage of merchandise and the eventual transit of passengers on tourist routes. Progressively, this project and its sub-projects seek a greater economic benefit; this is how another sub-project was created, it is a tourist complex along the canal consisting of a nature reserve, hotels to house a large amount of tourists in one of the largest works in the world, in addition to a golf course, it is added a road interconnection that will link the project with the rest of the country, which would be very beneficial for Nicaragua's internal trade.

As you can see, this would be the Nicaraguan dream, since the income from the canal and its sub-projects would be very important for the country and its economy, in addition to promoting the other economic engines, especially tourism, at the same time both the construction and implementation of the project would generate at least 200 thousand jobs and 50 thousand when finished, as well as facilitating the transit of a large amount of global cargo that would be 5% of world shipping, which corresponds to about 400 thousand tons per year.

This work for the Nicaraguan government would be the solution to many if not all of its economic problems, not to mention that the nation would benefit in its entirety, since, as already mentioned, the generation of jobs, direct foreign investment, tourist growth, and the country's infrastructure, would triple the gross domestic product (GDP). These are the most striking factors that this government finds, pushing it to carry out this mega-work on the

Nicaragua Canal, leaving the country well positioned in the region and significantly solving the socioeconomic problems afflicting this Central American country, which is one of the poorest in the region.

This, in the name of progress and economic development, is an important decision that is made by a nation; these mega works have a great influence on society and even though a significant part of the population agrees with the construction of the great canal, as they call it, it can be identified a confrontation that generates and will generate throughout this initiative that for a long time the different nations have been interested in it being carried out for the multiple benefits but mainly for the profits that this would leave to its participants, this confrontation will be consumerism and economic development vs. ecology and the environment. The big question that is generated is what to do when a nation like Nicaragua, where of the 6 million 500 thousand inhabitants, and an extension of 130,370 km, 40% of them lives with 6 córdobas a day, that is, with less than 2 dollars, and in need of this work that generates so many profits to improve their economic situation and, in general, the vast majority of its inhabitants, in terms of their basic needs, but it is necessary to enter to solve the paradigm of the citizens so they don't conflict against what is desired to be achieved and what you have to sacrifice to achieve it, and it is with the environmental destruction they would face, the destruction of their fauna and flora, of vast territories and jungles where indigenous settlements are found, where the construction will take place and where at least 30,000 people live, ending their culture and customs, the displacement of thousands of these and their populations, in addition to the contamination of river waters due to excavations carried out with large machinery, but more specific still is the ecological catastrophe when passing through the largest lake in Nicaragua and one of the largest in America, with 8,600 km of extension and the main source of fresh water in the country and it is Lake Cosibolca or Lake Nicaragua, through which route 4 would pass, which was chosen among six possible routes for the construction of the canal and would cover 105 kms of lake of the 278 kms of the total mega work, compared to the Suez Canal with a length of 163 kms, and with that of its closest neighbor, the Panama Canal, with 82 kms in length and also recently expanded. (National Assembly of the Republic of Nicaragua, 2013).

This process is not easy and therefore there should be no simplistic answers, much less hasty, due to the fact that it is well known of the economic needs, there is much to consider, because in addition to the lands, the jungles and the populations, there are people behind the curtain whose future and integrity would be uncertain.

According to the Government of Nicaragua, the canal is an opportunity to promote development and improve living conditions in Nicaragua, thanks to the generation of new jobs and the expansion of infrastructure.

The Nicaraguan Government was criticized both for the concession of the project and for the approval of Law 840. On the one hand, the considerable lack of transparency during the decision-making process generated mistrust on behalf of the population, on the other hand, said law violates the Political Constitution of the Republic of Nicaragua and international treaties.

Law 840 approved on June 3, 2013, is a special law for the development of Nicaraguan infrastructure and transportation related (referent, associated) to the canal, free trade zones and infrastructure.

This controversial law that was practically imposed by the government of Daniel Ortega, was the trigger and threat for citizen coexistence, especially affecting the peasantry to take it to massive marches against the canal, for this reason the work is still suspended, in addition to the questionable legitimacy of the studies and research carried out on it, and of being a purely private investment project, (HKND Hong Kong Nicaragua Development owned by businessman Wang Jing) and dubious investments made by the former billionaire.

Thus, as can be seen, there are many benefits for Nicaragua, but there is also possible to see many situations against which have already been mentioned, and which is why the recovery of relations between China and Panama has served so that this support from this economic giant gives ease to the administration of the Panama Canal and even more so with the recent expansion, which is giving greater capacity to circulate large ships to transport more containers and therefore more merchandise.

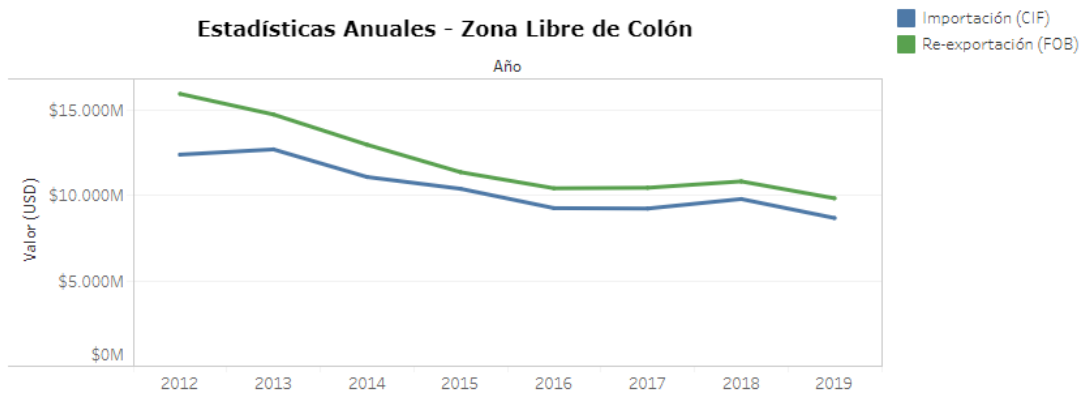
This is how China also took into account the time it has been operating in the market and, as already mentioned, the expansion, and even better, the transit times through it, which would be between 8 and 10 hours compared to what the new canal would be with a total transit of 30 hours, added to this, according to the study of the World Bank to Nicaragua, where the economic projections are not very encouraging, since they show a result of a 5% decrease in its economy, that is, more poverty and unemployment, what generates less income for families. For all these situations is that the continuity and hegemony of the Panama Canal in Central America is strengthened, but it is also a wake-up call for Panama and its economic sectors so that it continues strengthening and finding a Plan B for their sustainability and future growth as a country, avoiding crises and improving the life quality of its citizens.

4.4. Alternatives to the secondary sector in Panama in recent years that have not been implemented in the country

This objective is very important for the investigation because it goes hand in hand with the problem question. Next, those alternatives of the secondary sector that have been mentioned but that have not been implemented or have been replaced will be determined.

In recent years, Panamanian governments have made efforts to make the country a tool for all countries in the world, this is reflected in investment in infrastructure for the provision of services, such as the roads that connect to ports and areas called Logistics parks, these have been created seeking that companies from other countries can establish facilities in Panama, generating greater possibilities of approach to the American continent, in addition to the implementation of laws that allow such companies to have economic benefits, such as the exclusion tax and financial benefits, this in order to diversify the activities inherent to the canal a little more. This strategy worked well at first, but throughout the time, the Colon Free Trade Zone, which is where these companies are mostly located, has been lowering the import and re-export volume year by year, as can be seen in the graph.

Figure 5: Annual statistics - Colon Free Trade Zone.



Source: (GEORGIA TECH PANAMA, 2019)

The canal has also been a priority for governments, which have invested in its expansion to be able to keep up with the manufacturing industry of new ships, which each day have greater capacity. This has allowed them to prepare for new challenges including the one that represents the creation of a new canal in the American continent. The results have exceeded expectations and have reiterated the environmental leadership in the maritime industry, and it has also been possible to reduce the duration of the passage through the canal.

Seeking to subtract the effects that have caused the decrease in companies based in Panama, the government has begun to look more at the agricultural sector, using strategies such as EAT, EAP and EAC, incentivizing farmers with benefits and subsidies. This has allowed this sector to have significant growth, it has even topped the list of generation of higher income from product exports, surpassing even products from the sea, which for a long time represented the highest percentage in the export of products and the largest income generator for the country, this obviously without taking into account the canal and financial services.

The investments made in other sectors of the Panamanian economy have been positive and this has been represented in the increase that the exporting sector has had in recent years. In 2016 exports grew by 3.6% compared to the previous year; for 2017 growth was 3.5%, in 2018 growth continued with 3.6%, but the most remarkable was generated in 2019, which was 6.1%. These data are without taking into account the Colon Free Trade Zone, and this has been very important for the country since during the years 2015 to 2015 exports had a

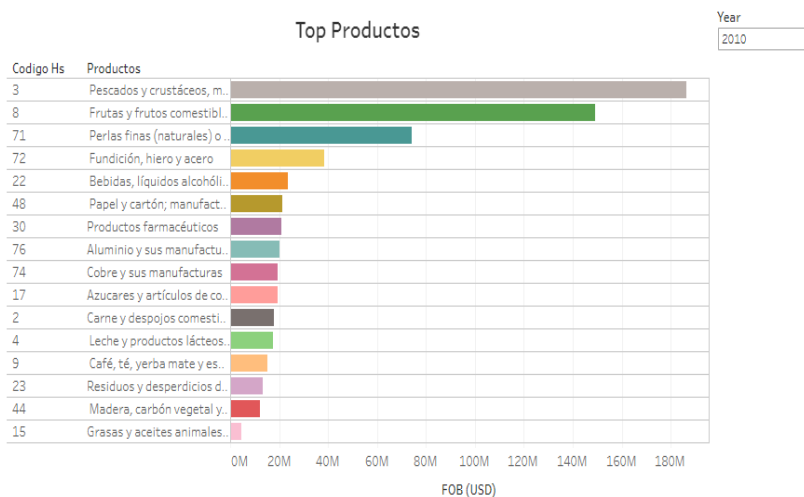
significant drop, this was due to the reverse suffered by the government's strategy regarding the creation of subsidiaries of multinationals in the country.

The execution of new free trade agreements has been another of the strategies used by governments to increase exports of Panamanian products to the world, in an attempt to diversify the country's income and trying not to depend on the canal. Although it has experienced a growth, it cannot yet be said that these products represent a high percentage of growth to replace, at some point, the income generated by the canal and the financial sector, which undoubtedly continue and will continue to be its main source of income for a long time.

As of 2019 and thanks to the foreign investment that has come to the country, Panama has the largest copper mine in Central America, which will allow it to have significant growth in GDP; although mining only represents 2.5% of GDP, the expectation is that this growth will be 3% by 2020 and it is expected that when the mine is at its maximum production, its contribution to GDP will reach 9.5%, which is why despite all the legal problems that the construction of the project has brought, the government has shown its support to the project.

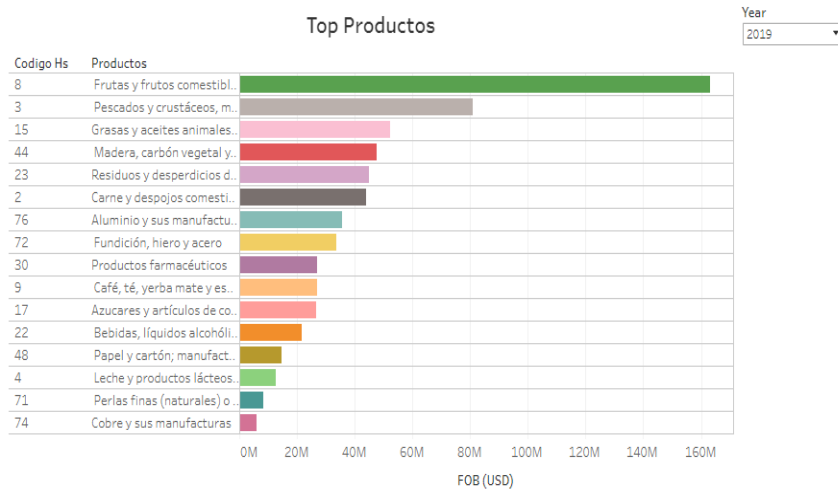
In the following graphs, it can be seen in a more detailed way which are the products that Panama exports the most; those of the year 2010 in relation to the exports of 2019. In figure number 9, it is identified how the exports of Panama have been increasing since 2014, it has had a considerable increase.

Figure 6: Export of products in Panama (2020).



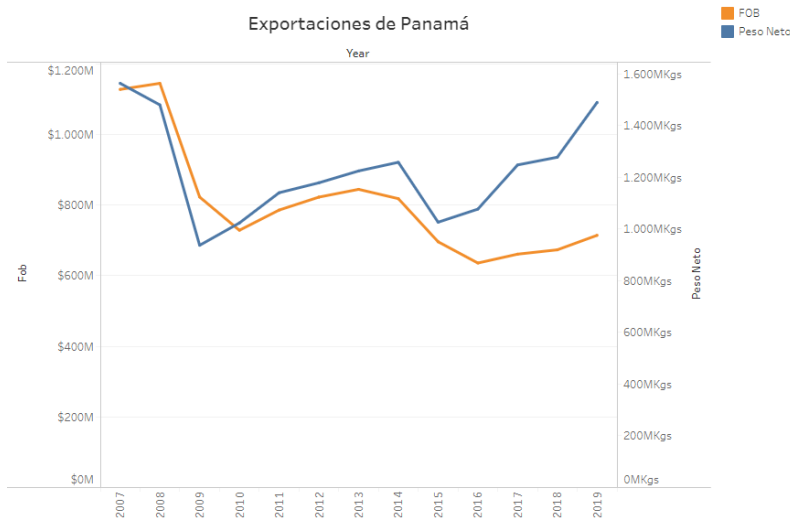
Source: (GEORGIA TECH PANAMA, 2019)

Figure 7: Export of products in Panama (2019).



Source: (GEORGIA TECH PANAMA, 2019)

Figure 8: Panama exports evolution (2007 – 2019).



Source: (GEORGIA TECH PANAMA, 2019)

Panama is choosing to implement these proposed strategies in its economy, betting on investment and industry. By 2020 Panama wants to make an important bet both in tourism and in the implementation of public-private projects, seeking in some way to reduce unemployment and improve the country's economy. For this, one of the most important investments will be the expansion of the Tocumen International Airport, this seeking to

attract tourism to the country. The expansion of the canal has generated a greater expectation in international tourism, which is why the government of Panama expects tourism to have a significant growth in the upcoming years. This work will be precisely one of those carried out between the public and private sectors.

On the other hand, there is an interest in the public and private sectors to carry out construction projects in social interest housing for a value that exceeds US \$ 250 million. This would help not only to generate employment and improve the economy, but also to decrease to a certain extent its poverty index, since if a family is able to possess its own house, it is an indicator that they have emerged from poverty. (AN Panama, 2020)

Another important objective for 2020 is to find ways for MSMEs and small businesses to participate in state purchases, and that is why, with the help of the IDB and the National Bank of Panama, strategies are being created that allow them to also easily have access credits, having as a guarantee the contract made with the state, in order to obtain the necessary funds to carry out the projects, they also seek to guarantee that the payments are not so delayed and that they can be effective between 30 and 45 days, which will allow a better cash flow for this type of companies. In addition, less demanding processes will be implemented when contracting with the state and greater transparency will be sought by government entities and those who make part of them, this aiming at encouraging people to generate more ventures and encourage the creation of new companies in the country, which help to fulfill the main objective, which is to try to find alternatives that allow the economy to depend less on the canal every day.

It is important to highlight that the new government is looking for alternatives to catch up with the private sector, since the debts that the state has with them have in some way hold the entrepreneurs from making new investments for fear of losing them, that is why the Minister of Economy and Finance has made clear the reality of the country's finances and has shown the true situation in which it is found, but he has also urged those who the state has outstanding accounts with them to approach and receive pending payments, this aiming at making new investments and stimulating the growth of the economy. (AN Panama, 2020).

In 2019, the government of Panama made a significant investment in the country's livestock sector, after achieving a negotiation with China in which it was practically established that said country would buy all the beef production that Panama could produce. In 2018, the exports of this product only represented 3% of the country's total exports. According to the growth expectations of said market, for 2019, it is expected to increase by 40% the production of meat in the country, that is why the government has made investments in the sector and has encouraged cattle ranchers to meet that production goal. It is a way of continuing to seek for activities that allow the development of the country, and the diversification and increase of its exports. (AN Panama, 2020)

5. Conclusions and recommendations

Thanks to Panama's strengths, such as its great shipping canal, it has been a country in constant growth, focusing on the canal has been key to the development of its economy and also the focus on other services such as transportation, warehousing, the export of services, but to the extent that these services are not refocused or lose their balance, the economy of Panama may be seriously affected.

Taking into account each one of the economic, political, social and environmental situations, the construction of a new canal in Central America would immediately generate very considerable damage to the environment due to the fact that it would affect a water source such as the great Nicaragua Lake, since 10% of it would disappear to make way for the new canal, in addition to the fauna that it contains, in the same way to those who come for water supply. The communities that are in its surroundings, in addition to being forced to change their customs, many of them would be obliged to move to a place which is not yet defined by the central government, creating even more confusion for society and its well-being.

The creation of new roads and the economic growth that this project can bring will most likely go against the well-being, customs, and culture of the country, as this canal does not guarantee in its entirety that most of the commerce would circulate through it, taking into account that Panama is making improvements so that ships of greater draft and container capacity pass through it each time, which could also create a bilateral conflict between these two countries.

The presence of private capital in this project and even more the presence of businessmen like the one who participates in it raises further doubts for the completion of the construction of this great canal and what would financially be a strong blow to its economy already hit by already known political factors of a government that is not in the capacity to foster other sectors of the economy such as agriculture, manufacturing, tourism and where unemployment is in double-digit, ignorance and lack of management to improve the country's internal problems. The uncertainty lies in the costs that this generates and knowing that it is three times as long as the Panama Canal leaves much to think about its successful completion. Future hiring would be mostly external to the country, being more worrisome, since the

workforce for its construction would be local and when this is finished again, there are no alternative plans for the location of this population.

Therefore, and bearing in mind that the Chinese government formally presented support for the Panama Canal to continue its trade negotiations, it is a great starting point to consolidate the Panama Canal as the first and most important in this part of the world, blocking the Nicaragua Canal which does not have the expertise for its operation in addition to the endless conflicts that are occurring within the country in different communities.

Nor can it be ignored the fact that in the future, with a new administration with financial and technological contributions with solid foundations and aid to the other economic sectors, Nicaragua can build the great canal, grow remarkably, and at the same time have contingency plans for the populations and for the environmental depletion (fauna, flora, natural resources, etc.) and offering the world another good alternative for the circulation of world trade, being all benefited.

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