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Factor Number 14

## **Free Trade and Food Security in Panama**

Food security is a major problem found in many parts of the world. At the world food summit, food security was defined as “when all people, at all times, have access to sufficient, safe, nutritious food to maintain a healthy and active life.” This statement is based on three main ideas that are what many consider the requirements for food security. These three pillars are sufficient quantities of food, having the resources to obtain food, and having the knowledge of basic care and nutrition of food. While these three ideologies are essential to maintaining food security, other factors also affect it.

Throughout the world, there are many factors that affect food security. Climate and environmental factors often alter a nation’s ability to provide sufficient quantities of food. Limited education can affect an individual’s or a family’s ability to obtain and care for food resources. Perhaps the greatest barrier to food security of entire nations is that of political structure. Within the realm of political limitations, tariffs and associated trade agreements are perhaps the most important factor. Tariffs are defined by Webster’s New World Dictionary as “a list or system of taxes placed by a government upon exports or, especially, imports.” Tariffs are generally associated with the concept of protectionism, that is to say, an ideological system of government where a nation places a tax on incoming goods to protect the resources produced within its own borders. When tariffs are used this way, it is to restrict trade for political reasons or to promote products produced in that country. Tariffs can also be used to tax goods as a form of income for government function. While protectionism in developed nations can be a positive economic stimulus, in Panama it serves to starve the poor.

Panamanian trade has been unbalanced for many years. In recent years, it has become ever more unbalanced. While their exports have stayed about one billion dollars per year, the imports have increased four hundred percent from about two and a half billion to about ten billion dollars yearly (UN Comtrade). The exports that Panama delivers to other countries are food products that come from poor farmers. These food products include fruits, vegetables, and fish. Panama’s number one import by dollar value is petroleum oil, and their second is motor vehicles (UN Comtrade). Tariffs placed on these already expensive items increase the price even more. Agricultural vehicles could help increase the money made by poor farmers by allowing them to move crops to markets and improve productivity which would allow for a larger profit margin.

In rural Panama lives the Alvarado family, a relatively small family of five: two parents and three children. They are poor, but luckily not one of the almost thirty percent of Panamanians who are in extreme poverty. They own a small coffee farm of about eight hectares, about twenty acres. This year, weather delayed the planting of their neighbor’s rice crop (Muzzi, Doreen). This was not a problem until the father, Carlos, went to market to buy food for his family. When he arrived at the small market to buy staples, he realized he did not have enough money because the food now had to be imported from around the world. Because the Panamanian government currently charges tariffs on imported products, the price of food is now dramatically increased. To protect Panamanian farmers, the government put tariffs of up to 260% on imported products.

The Alvarado family lives in rural Panama where ninety-five percent of the native Meso Americans are in poverty, and almost fifty-nine percent of all rural Panamanians are in poverty (World Food Bank Study, p.3). Women are not typically at greater risk, but certainly the native populations face the greatest challenges of all peoples in Panama (Espindola, Ernesto, et. al.). Nearly seventy-five percent

of the population is either indigenous or African, with the rest being Caucasian (U.S. Department of State). Panama has a very small middle class; the wealthy are very wealthy, and the poor are largely very poor. Since most of the poor live in rural areas, cities have a lower poverty rate at fifteen and three-tenths percent. One-half of all the children in Panama are in poverty, including the three Alvarado children (World Food Bank Study, p. 4). Now little three-year-old Jorge is part of the sixteen percent of children under five who suffer from malnutrition (World Food Bank Study, p. 7), because the coffee they sell cannot raise enough money to buy corn and wheat to make bread.

The tariffs imposed by the government of Panama and the nations with whom they trade both reduce the profit of the small coffee crop raised by the Alvarado family and make the imported grain staples more expensive. The locally produced rice, that is still available to them duty free, does not provide enough nutritional content to meet their daily needs and is becoming more difficult to obtain due to the additional expense of imported food staples. The late planting has made rice more difficult to obtain, and imported rice is very expensive due to import costs and high tariffs, this year as high as ninety percent according to the World Trade Organization.

Fortunately the Alvarado family owns the bit of land where they grow their crops. The poor own less than one-third of rural land, and only sixteen percent of the land they own is titled (World Food Bank Study, p. 18). This makes it extremely difficult to gain credit to develop more land or to purchase more seed to plant or equipment to make improvements. Even though the Alvarado family has the bit of titled land, they only have eight hectares, while the average land ownership is closer to ten.

In the Alvarado home, Carlos, young Jorge's father, returns to tell his family that they did not have enough money to buy the rice. They will have nothing to eat again that night. Later that night, their neighbor comes over to find the family sitting at the dinner table drinking water. He offers them some of his family's rice. This "social capital" is a very common thing in poor, rural Panama. They are very generous, trustworthy, and reciprocal with their skills and goods. They know that to survive, they must work as a close-knit community (World Food Bank Study, p. 21).

Panama's government is set up very much like ours in the United States (United States Department of State); but as a developing nation with a very large poor population, tariffs present a serious economic and political barrier to food security. When the tariffs are in place on imports, the people in poverty and those working poor who make only enough money to meet daily needs cannot afford to purchase imported food and local farming does not provide enough to feed the country's population.

To compare Panama to another Latin American nation similar in natural resources, Costa Rica is a stark contrast to Panama's economy. While Panama has raging poverty, Costa Rica's poverty level has declined in recent years from 31.7% to 22.9% (Encyclopedia of Nations), and they support a thriving middle class. Costa Rica's trade deficit, in contrast to Panama's nearly eight billion dollars, is only one hundred, seventy million dollars (Encyclopedia of Nations). Panama and Costa Rica share many major trade partners and produce similar agricultural products, yet Costa Rica has a more stable economy than does Panama. Panama's economic fragility and food insecurity cannot be blamed solely on resources. Panama's precarious trade policies must be evaluated. Perhaps Panama could consult neighboring Costa Rica for possible ideas for beneficial change.

Foods are being imported into the nation, but only a limited amount of products produced by Panamanians are being exported. The trade imbalance presents a great barrier to those working poor when locally produced food becomes scarce due to climate or disease. Because the Panamanian government imposes tariffs on imports, up to 260% on food items according to the World Trade Organization, these meager exports do not allow enough income for the working poor to improve their status. Panama does

export to many nations, the United States being their chief trade partner receiving 39.2% (Economy Watch) of all exported goods duty free. Unfortunately, Panama's exports are largely products that sell best in times of good economy, such as shrimp and coffee. Given the current global economic crisis, these luxury goods are bringing lower prices than during times of economic growth, causing a greater stress on the ability of Panama's small holders to support their families.

While weather can affect how quickly trade products can get to Panama, climate can also affect the growth of food around the world. Examples of this are everywhere. This year in the Midwestern United States where the bulk of Panama's imported food staples are grown, the abundance of rain reduced the growth or even killed grain crops. This affects the amount of food heading to Panama and other countries and will directly affect the poor and those in poverty. Climate factors will also affect the products produced in Panama for export. Let's say the Alvarado family had their coffee plants near harvest, and a tropical storm destroyed all the crops. They now do not have enough money and cannot buy the expensive imported food.

While both sides of trade can be disrupted by climate, one other major barrier to trade still exists: shortages of food. Whether it be because of climate, reduced numbers of farmers, an increased population, or other numerous reasons, trade is detrimentally affected when there is not enough food to be sold to meet the needs of the world population. This also increases demand and, in turn, prices. The poor in Panama do not have the resources to compete for limited food supplies with their much wealthier compatriots. Trade agreements could also address this factor by negotiating guaranteed deliveries.

The United States delivers 29.6% of Panama's imports, foodstuffs being the primary product sent there (Economy Watch). Some other major products from the United States include oil, capital, and manufactured goods, which face tariffs of up to 15% on fuels and typically 10-15% on manufactured goods (World Trade Organization). Even though these are not food products, they do help to support Panama's agricultural sector. Oil, which is the number one import for Panama, can be used to run pickup trucks and farming equipment to produce and transport food and other agricultural products. The United States exported just under two hundred and nine million dollars of food to Panama in 2006. The United States supports, through food imports, a very large share of the Panamanian agricultural market as well, with about fifty-three percent of the market being exported to the United States (American Farm Bureau Federation).

While the United States would benefit from free trade with Panama, imports from Panama to the United States are not taxed or taxed very little due to the Caribbean Basin Initiative. The CBI is intended to facilitate the economic development and export diversification of the Caribbean Basin economies (Office of the United States Trade Representative: Executive Office of the President). The United States is currently unable to get goods into Panama tariff free. Food security for Panama is at issue in the lack of a free trade agreement because three of the United States main exports to Panama are staple food products: corn, soybean cake and meal, and wheat. Also on the list, but lower in total amount, are turkey meat, fruits, and vegetables. The Panamanian government is not only hurting the United States exporters by imposing tariffs on these imported goods, but they are also harming their own working poor.

Solutions to the problem of food security in Panama lie in part in the passage by the United States Congress of the existing signed free trade agreement with Panama. This Trade Promotion Agreement was signed by representatives of both nations in 2007, but is currently held up until the president of the United States sends it to congress for ratification (American Farm Bureau Federation). The passage of a free trade agreement could help both nations in the agricultural market by creating a more competitive system and guaranteeing the delivery of food staples to the people of Panama as a priority for American exporters. Free trade would allow United States merchants to keep prices lower because they would not need to recoup the money they now pay to import the goods into Panama. Currently all of Panama's

goods come into the United States duty-free, so there would be no financial hardship placed on Panama's small holders through this type of agreement. This is good for the poor in Panama, not only by the price being lowered because of the lack of tariffs, but also because the elimination of tariffs will allow smaller exporters from the United States to begin exporting to Panama and create a broader base for competition among producers. They have previously been unable to export to Panama due to the inability to compete when tariffs inflated the price of their goods. The competition will, in turn, lead to even lower prices for food.

Other trade agreements are also in the works with other nations. These agreements could have the same desired effects on food security for small holders as a free trade agreement with the United States. Panama currently has agreements pending with some of their largest trade partners. The European Union concluded negotiations with Panama and several other Latin American nations opening access for fair trade in 2007. Panama is also in extended talks with Columbia to level the playing field in the trade arena between these two nations. These negotiations are ongoing as of August 2010. Panama's final major trade partner, China, has no pending agreements in place. The likelihood of fair trade with another developing nation does not seem positive. Each of these nations have trading habits with Panama that are reflective of those with the United States: agricultural products produced by the poor are traded to these nations, while food staples, petroleum products, and machinery are imported.

While Panamanian trade is imbalanced and the poor are going hungry, there are solutions for the problem. One solution would be the ratification of free trade agreements with the United States (Schwager, Marty) and their other large trading partners. This would lower the cost of food for the Alvarados and the rest of the poor in Panama, which would allow them to afford the staple food products. Their participation in the Latin American Free Trade Agreement and the United Nation's negotiated General Agreement on Tariffs and Trade are also useful tools toward equalizing trade. Another solution would be to sort out the land and get proper ownership and the titles for land to the correct owners. If this could be accomplished, credit could be obtained by the smallholder allowing them to buy seeds, animals, more land, equipment, and many other expensive goods that would expand their farms and make them more money.

While these are long term solutions, some short term solutions include Panamanian smallholders devoting a portion of their land to small gardens in which they grew staple foods for their family. Even though this would take some of their cropland out of production for trade, it would allow them to have a steady supply of food until Panama's government implements free trade agreements with countries supplying food staples. If smallholders devote a small portion of the land to gardens, they could also set aside land to pasture a goat, a cow, or chickens from Heifer International, thus providing reliable nutrition for the Alvarados and other poor families.

Panama is a nation sharply divided by economic boundaries. The rich are very rich and the poor are very poor. The degree of poverty faced by those living in rural areas of Panama is alarming. Even worse is the plight of the native populations, only a few of whom do not live well beneath the poverty level. Many live in a state of extreme poverty where they are unable to even meet their daily caloric needs. Many foods are not produced locally in large enough quantities to satisfy the population, and the government of Panama places tariffs on many of the food items coming into the nation, raising the cost for purchase even more. When weather at home or abroad affects agricultural products, increased prices on food and production tools can cripple the Panamanian smallholder. Panama's exports, while often not levied with tariffs by the importing countries, are considered luxury items and face difficult times given the world economic decline.

Tariffs are levied for the purpose of protecting the locally produced goods or for the purpose of funding governmental functioning. However, in the case of Panama, food security is greatly endangered

by the lack of free and fair trade agreements between Panama and its trading partners. Most of Panama's largest trading partners, the United States, the Netherlands, Costa Rica, Sweden, Great Britain, and Italy, are currently in negotiations with Panama to establish free or fair trade, opening markets and guaranteeing the import of food and agricultural products to deal with the issues of food security for Panama's smallholders. Their other major trading partner, China, has not shown interest in establishing fair trade.

Long and short term solutions exist in addressing Panama's need for free and fair trade agreements with their largest trading partners. Panama's government must work to negotiate agreements that will benefit the nation as a whole, providing increased income for government functions as well as for Panama's smallholders. They must work to ensure a guaranteed food supply from the United States, Netherlands, and other partners while they open markets for Panama's locally produced goods. In the short term, the implementation of kitchen gardens and programs such as Heifer International can act as a stop gap until such measures can be adopted by Panama and their trade partners. Food security is a reasonable expectation for Panama with these measures put into action.

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