

U.S. SOLID WOOD OPPORTUNITIES IN PANAMA

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The United States has long been involved in the affairs of Panama. For a better part of the 20th century, this involvement was primarily focused on military and political developments. However, recent events in Panama changed U.S. involvement to a relationship based more on economics. Our evolving relationship with Panama presents a new and potentially rich marketing opportunity for U.S. wood exporters.

The United States was directly involved in the affairs of Panama from the very beginning. In 1903, American troops helped to deter the Colombian Army from entering Panama to quell internal unrest. It was this conflict that resulted in Colombia losing part of their territory from which the Republic of Panama was created.

The United States remained in Panama to oversee the construction of the Panama Canal, which linked the Pacific and Atlantic Oceans, and controlled its operations until December 31, 1999. At this point, the Canal, all its surrounding lands, and all U.S. military bases in Panama were turned over to the Panamanian Government. This land transfer had been negotiated by the Carter Administration in the late-1970's. It left the Panamanian Government in control of one of the most strategic and commercially important waterways in the world, as well as large tracts of land with great potential for economic development.

With the turnover of the Canal zone, the Government of Panama (GOP) has set its sights on making the dreams of economic development a reality. The GOP is in the process of undertaking several large infrastructure projects, all of which offer significant opportunities to U.S. wood exporters. These projects include the expansion and repair of the country's railroad system, construction of a new highway and repair of existing roads, expansion of the airport, and extensive modernization of the port facilities at either end of the Canal. The port construction activities could provide a lucrative market for exporters of treated lumber while the road construction projects could provide new markets for exporters of plywood used in concrete forming activities. Panamanian end-users have already shown a willingness to use U.S. wood products as indicated by some trade statistics. In 1999, U.S. exports of softwood lumber and plywood reached the \$1 million mark for both commodities. Purchases of treated lumber, while

significantly less, also reached record levels in 1999.

Along with the large infrastructure projects mentioned above, the GOP is also promoting investment in the tourism sector by both domestic and foreign companies. Panama's overall lack of hotels, restaurants, and other basic tourism infrastructure presents an excellent opportunity for American wood exporters. Presently, the GOP is working on developing two former U.S. military bases, Fort Amador on the Pacific coast and Fort Sherman on the Atlantic, into large resorts. A great deal of construction and remodeling is needed to accomplish this.

Panama, like many other Latin American countries, is also experiencing a housing shortage. It is particularly acute in urban centers such as Panama City and Colon. While U.S. lumber exporters will face the same type of bias against wood-frame-construction that is found in other markets such as Mexico, there is still significant growth potential if the cultural resistance to wood as a structural building material can be overcome. An additional tool that may be used in expanding the housing sector is the development and implementation of a plan by the Overseas Private Investment Corporation (OPIC). This plan is designed to help countries restructure their financial systems to allow the provision of low-interest loans to be used for housing purposes. Currently, the plan is in a trial period in three countries in and around the region: the Dominican Republic, Costa Rica, and Nicaragua. However, OPIC feels the plan is having a great deal of success and will more than likely be expanded to the remainder of Central America, including Panama.

While Panama is a relatively small country in geography, the opportunities for U.S. wood exporters are potentially great. Products that could see significant growth include builders carpentry, softwood plywood, softwood lumber, and treated lumber. However, this new market has also been noticed by other countries, most notably Honduras. The GOP and Government of Honduras recently signed a free trade agreement that will reduce many of the tariffs, including those on wood. Honduras is already a major U.S. competitor in the Dominican Republic's softwood lumber market. They are likely to be a major competitor in Panama too, particularly for softwood lumber. However, with continued sales to Panamanian end-users and further education on the quality and characteristics of U.S. wood products, the United States could solidify or increase its presence in the Panamanian market.