



IMF Working Paper

Central America, Panama, and the Dominican Republic: Trade Integration and Economic Performance

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Western Hemisphere Department

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Abstract

This paper studies the potential for the export sector to play a more important role in promoting growth in Central America, Panama, and the Dominican Republic (CAPDR) through deeper intra-regional and global trade integration. CAPDR countries have enacted many free trade agreements and other regional integration initiatives in recent years, but this paper finds that their exports remain below the norm for countries of their size. Several indexes of outward orientation are constructed and suggest that the breadth of geographic trading relationships, depth of integration into global production chains, and degree of technological sophistication of exports in CAPDR are less conducive to higher exports and growth than in fast-growing, export-oriented economies. To boost exports and growth, CAPDR should implement policies to facilitate economic integration, particularly building a customs union, harmonizing trade rules, improving logistics and infrastructure, and enhancing regional coordination.

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