

# Becoming a global logistics hub

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**AUGUSTO AROSEMENA MORENO**

was appointed Minister of Commerce and Industry in January 2016. Previously, he served as Vice-Minister of the Presidency from July 2014 to December 2015. Minister Arosemena spearheads state development projects of national priority, among them the revitalisation of the Colon Free Port project, as well as attracting cruise lines to the country. Past experience includes roles as Commercial Councilor in the Embassy of the Republic of Panama to the United States between 2004 and 2006 and advising financial institutions focused on structured finance transactions and related contracts as part of one of Panama's most prestigious international law firms.

In recent years, Panama has become one of the fastest growing economies in the world, and one of the largest in Latin America due to advances in development and connectivity, making Panama the most connected country in Latin America. For more than a decade, Panama has experienced unprecedented economic growth of almost 8.5 per cent annually and our economy is projected to grow above 5.5 per cent in 2018. Our government continues to make strides in turning Panama into a world-class logistics hub with access to 160 countries by land, sea and air. Moreover, prospects for further growth in the coming years are also supported by emerging opportunities for private sector-led initiatives in key industries, such as transport and logistics, mining, financial services, and tourism. As a matter of fact, Panama is capturing nearly 50 per cent of all incoming FDI into Central America, at such a rapid pace that new investments and re-investments from foreign firms comprises nearly 10 per cent of our economy. This has been a key element in strengthening Panama's dynamism and competitiveness as a truly global, open-market and multicultural country, and the logical gateway to Latin America.

We can highlight new foreign investments in value-added logistics services and regional distribution centres in the Panamanian Colón Free Trade Zone (CFZ), one of the world's busiest Free Trade Zones and the second largest free port in the world, prompted an increase in trade by 24.7 per cent for the same period recorded last year. The CFZ, located on the Atlantic coast and home to over 2,500 operating companies and 23,000 workers, saw over US\$1.718 billion in trade in January alone (of that US\$775.5 million in imports and US\$943.2 million in re-exports), consolidating Panama's unique advantages as a distribution powerhouse.

Linked to the development of the CFZ and the province itself are two landmark pieces of legislation aiming to regenerate the city of Colón, home to the CFZ and a port hub visited by over 600,000 cruise passengers a year. The implementation of duty-free tax incentives called Colon Puerto Libre (Colón Free Port), allows foreigners to make unlimited duty free purchases and exempts import tariffs for nationals and residents. The revisions to previous laws surrounding the CFZ have made doing business more flexible than ever. This project and others designed to stimulate

the Atlantic side of the Panama Canal aims to attract over US\$1.3 billion in investments.

On the Pacific side, investments are also of a considerable magnitude. One revolutionary example is the development of the Panama Pacifico Special Economic Area, which has virtually expanded the reach of Panama City westward through the creation of a massive mixed-use community that drives innovation, development and value creation. The lion's share of the investment is from British capital through its Master Developer, London & Regional Panama (LRP). In partnership with the Panamanian government, LRP has already attracted over 300 firms from across the world, in advanced manufacturing, shared services, R+D, data centres and more, generating over 12,000 new jobs and developing over 3000 new residences. This is already a mature project that we're quite proud of, which upon completion, will have established 40,000 new jobs, 100,000 new residences, 1,000,000 square metres of commercial and industrial space, as well as new schools, shopping centres, medical facilities and tourism destinations.

Panama's success is also tied to its strategic geographical position, transforming the country into a transportation hub, while a favourable business environment facilitated Panama's emergence as a regional business centre. Panama offers a multimodal connectivity and logistics services platform, making it a gateway for Latin America, specifically for large multinationals seeking to establish secure distribution processes and added value. Due to its unique location and this multimodal system, Panama is home to all major logistics companies, such as Ceva Logistics, Damco, DHL, DB Schenker, Keuhne + Nagel, Panalpina and Logistics Services Panama, as well as big multinationals such as Adidas, Samsung, Philips, Hewlett-Packard, Dell, Sony, Bayer and Gilead Sciences.

Since 2009, thanks to its maritime connectivity and infrastructure, Panama has consistently ranked highest in Latin America and the Caribbean on the Liner Shipping Connectivity Index (LSCI). Access to 1700 ports through 145 shipping lines to more than 160 countries between the Atlantic and Pacific oceans, all strengthen Panama's role as a global and regional trading hub. The Panama Canal, which moves about 5 per cent of the world's commerce, reaches a market of 1.3 billion consumers in 160 countries via over 144 maritime routes, making its importance in world



trade undisputed. In addition to improved capacity to handle larger volumes, the Canal is also committed to sustainability and reduction in greenhouse gas emissions, much in part due to measures incorporated during the Canal's expansion in 2016.

The historic US\$5 billion expansion of the Panama Canal led to wider, deeper lanes, less delays and opportunities for the world's largest vessels to pass through including the Post – Panamax vessels with up to 13,000/14,000 TEU – a threefold capacity increase. As a result, the expansion helped develop liquefied natural gas (LNG) terminals, enabling the use of LNG in the country. The Panama Canal Authority expects that transits of ships with LNG will reach 244 this year, a 50 per cent jump from the year before, catalysed by the global growing demand for LNG. This means that nearly 90 per cent of the world's LNG fleet now has the possibility of crossing the Canal which will lead to more competitive gas prices and creating long term opportunities for the Panamanian LNG sector overall.

Panama's unique connectivity, attractive business environment, superlative quality of life and security has attracted over 145 multinational corporations that have established their regional headquarters, delivering high added-value services and attracting the best minds and talents from around the world to work and live in our country. Of these 145 firms,

we're particularly proud of GlaxoSmithKline's success case, which has managed to maximise Panama's unique value proposition to expand its footprint and improve people's lives not just in Panama, but in the whole of Latin America.

While we continue to build on these successes, Panama is committed to improving the quality of education, strengthening governance, improving legislative frameworks, and diversifying our services-driven economy – all key to cementing Panama's competitiveness. We are seeing new sectors emerge which allow the opportunity for new investment. For example, Panama's mining operations currently amount between 1.5 to 2 per cent of Panama's GDP. However, a recently commissioned copper mine could increase this to 10 per cent, expecting to generate between 320,000 and 350,000 tons of copper annually.

The United Kingdom remains a key trading partner and one of the most important international investors in Panama primarily through the European Union – Central America Association Agreement. However, following Brexit, Panama will look into expanding opportunities and opening the doors to more possibilities of cooperation. Our administration continues to be focused on the progress and sustainable growth of our people, and of the people of the world, faithful to our role as the great connection.

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Above: Frank Gehry's Biomuseo adds colour to Panama

