



# Report

# Logistics in Panama

## Challenges and opportunities

Embassy of the Kingdom of the Netherlands in Panama | Embassy of the Kingdom of the Netherlands in Panama | Embassy of the Kingdom of the Netherlands in Panama

## Summary

Panama's logistics sector is seen as highly developed on a regional scale. The aviation sector and maritime sector, made up by the Panama Canal and different port terminals on both the Pacific and the Atlantic Ocean, form the backbone of the logistical sector of the country. As a consequence of the economic importance of the Canal, Panamanian ports have developed into first class ports used for transshipment.

Tocumen International Airport can be seen as another example of the Panamanian logistical sector, since the Airport has converted itself into a regional hub together with flag-carrier, Copa airlines. Both the Maritime and the Aviation sector are expected to continue growing steadily in the future.

Nevertheless, there remain a lot of challenges. Especially the logistical dualization of the country, the lack of technology and the lack of integration between systems represent important challenges. By implementing a national logistical strategy the

country hopes to overcome these and become an even stronger logistical hub for the region.

The government has become aware of the importance of logistics for its development and as a result many opportunities can be found in Panama for Dutch companies. The creation of a 'Food Hub' and mayor infrastructural projects are mostly of interest for them.

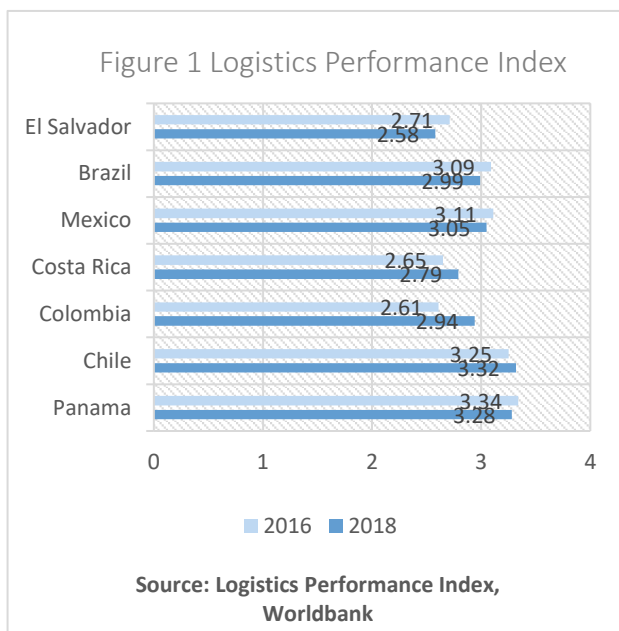
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## I. Introduction

Panama has been able to develop a relatively strong logistics sector thanks to its geographical location and the Panama Canal. The country's aviation and port sector form the most important pillars of the Panamanian logistics sector. Due to the strong performance of these two sectors Panama is nowadays considered a **logistical frontrunner in the region**.

Figure 1 shows the performance of different Latin American countries in terms of logistics. This index, the Logistics Performance Index, is developed by the World Bank and takes different factors such as customs, infrastructure, international shipments, tracking and tracing, and timeliness into account. In the last published index of 2018 Panama came forward as the **second best performing Latin American country**, behind Chile. Nevertheless, Panama occupied the 38<sup>th</sup> spot on the global scale and scored especially low on customs and infrastructure.<sup>1</sup>



As a result, the logistics sector accounts for about 20% of the country's GDP and employs about 9% of the Panamanian workforce.<sup>2</sup> As a result of the expansion of the Panama Canal in 2016, the Panamanian government is seeing more opportunities for the logistics sector and the development of a "Logistical Hub"

<sup>1</sup> [Logistics Performance Index, Worldbank](#)

<sup>2</sup> [El Capital Financiero \(2015\)](#)

<sup>3</sup> Explanation Logistics Cabinet: Public : Cabinet formed by different ministries, the Canal Authority and other relevant institutions such as customs. It is headed by the minister of Commerce and Industries. The

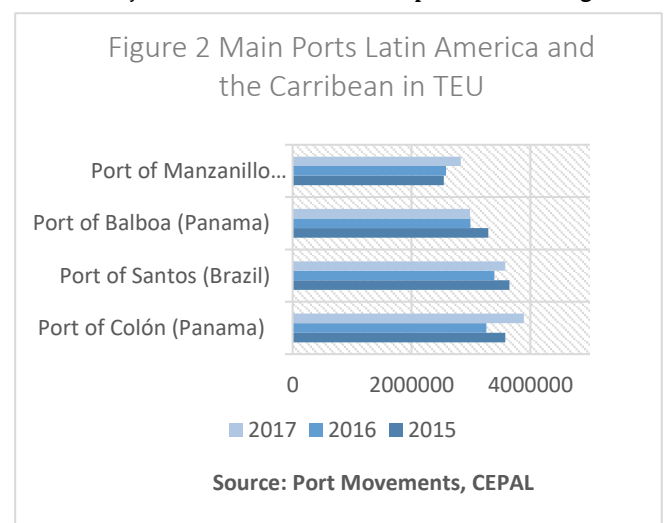
for the region. This increasing importance for the logistics sector is noticeable in governmental commitment as well, Panama's Logistics Cabinet<sup>3</sup> was created in 2016. Together with the IDB (Inter-American Development Bank) they designed the '**National Logistics Strategy**', which aims to be a guideline for the country and its logistical development.

This report will first provide an overview of the country's logistical sector. Then, the different challenges that need to be addressed for Panama to become an even stronger logistical hub will be discussed. In addition, the related proposals for overcoming these challenges will be explained. Lastly, the report will zoom in on opportunities for Dutch businesses with an extra paragraph on the development of the Agro Logistics Hub.

## II. Sector Overview

### II.I Maritime sector

The maritime sector can be seen as the backbone of Panama's logistical sector because of its historical and economical importance for the country. The Panama Canal has influenced many developments in the country; as a result of its global attraction and increasing globalization Panamanian ports have grown substantially. The Port of Balboa (including PSA Port) and the Port of Colón (MIT, Colón Container Terminal, Cristobál) are nowadays considered as **two main ports for the region**,



goal of the Cabinet is promoting the country's logistical development together with the private sector.



figure 2 shows their importance. In 2017 the port of Colón, which consists of three different terminals, became the number one port of Latin America and the Caribbean in freight movement in TEU (containers of 20 foot long).<sup>4</sup>

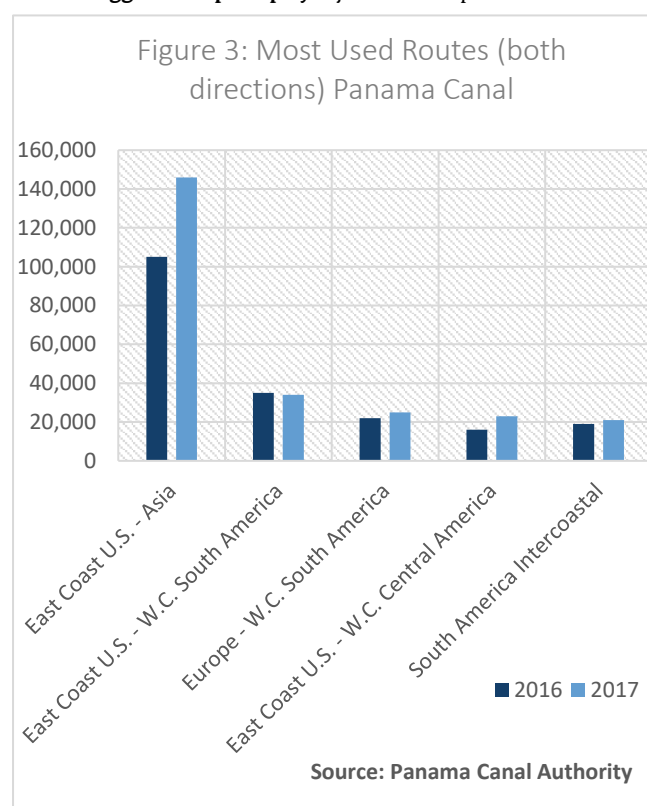
The Port of Balboa and the Port of Colón are **mostly used for transshipment**, 90% of total container traffic in Panamanian ports is used for transshipments.<sup>5</sup> The expansion of the Canal, which was concluded in 2016, meant the construction of a new set of locks on the Atlantic and Pacific sides of the waterway. Hereby a third lane of traffic was created, doubling the cargo capacity of the canal.<sup>6</sup> This third lane permitted the use of the ‘**Neopanamax**’ vessels. These bigger vessels have a cargo capacity of up to 14.000 TEU, which meant a multiplication of nearly three times the cargo capacity. The Panamanian main ports increased their capacity as well to keep up with these developments and the regional competition, as ports in the Caribbean, such as the port of Cartagena, also aim to benefit from the expansion.

As a consequence of the Canal’s expansion, commercial traffic through the waterway has increased substantially. More than 3000 “Neopanamax” have transited the canal since its expansion and the number of transits and total cargo volumes keeps growing. In May 2018 a **monthly tonnage record of 38,1 million tons (PC/UMS)** was set, the third time the Canal has set such a record since the inauguration of the expansion in 2016. The impact of the “Neopanamax” locks is demonstrated across all sectors, although in no sector more than liquefied natural gas (LNG). **LNG has emerged as the waterway’s fastest growing segment**, this growth is expected to continue as natural gas is becoming increasingly important as an environmentally friendly energy source.<sup>7</sup>

Occupation rates between Panamanian ports differ greatly. Colón’s rate of just 47% is a result of recent expansion and leaves sufficient room for growth, while Balboa’s occupation rate of 78% is the highest of Central America and the Caribbean. Hence, the port is close to the congestion threshold and will not be able to guarantee adequate services. Expansion plans on the Pacific side of the Ocean, such as the new terminal of Corozal, must be executed to prevent congestion. CAF (Development Bank of Latin America) predicts that Panama will have to invest USD 1.8 billion in the medium term (until 2025) and USD 7.9 billion in the long term (until 2040). These numbers make up the majority or more

of the total needed investments in the port sector in Central America and the Caribbean. Although, different expansion plans exist for the Panamanian port sector, such as the **new terminals of Corozal and PCCP- Isla Margarita**, they will not be sufficient to keep up with the rising demand. By 2040 the different terminals in Colón will have an **uncovered capacity gap** of 5,7 million TEU, the terminals on the Pacific side will have an uncovered capacity gap of 5,3 million TEU if no they do not expand.<sup>8</sup>

The Panama Canal serves many global trade routes, the one between Asia and the Eastern Coast of the United States being by far the most used one, as is visible in figure 3.<sup>9</sup> Other important trade routes use the west coast of Latin America as their destination and origin. The United States is by far the most important user of the canal, the country was the destination of origin of 166 million tons of merchandise in 2017. The US is followed by China (44 million tons), Chile (28 million tons), Japan (27 million tons) and Mexico (25 million tons). The Netherlands occupies a 14<sup>th</sup> position with 4,2 million tons, the **second biggest European player** just behind Spain.<sup>10</sup>



<sup>4</sup> [Port Movements, Cepal](#)

<sup>5</sup> [Análisis de inversiones portuarias en América Latina 2040, CAF](#)

<sup>6</sup> [La Estrella de Panamá](#)

<sup>7</sup> [Feedstuffs \(2018\)](#)

<sup>8</sup> [Análisis de inversiones portuarias en América Latina 2040, CAF](#)

<sup>9</sup> [Estadísticas de Tránsito, Canal de Panamá](#)

<sup>10</sup> [Estadísticas de Tránsito, Canal de Panamá](#)

A wide variety of commodities get shipped through the Panama Canal every year. The main commodities include petroleum, grains, chemicals and coal. In paragraph 4, on opportunities, more elaborated information can be found on foods that pass through the Canal. Panama itself mostly imports from the US, China, Mexico and Costa Rica in that order. Many products also get 'imported' from Panama's free trade zones such as the one in Colón. Mineral fuels and oils, machinery, vehicles, electronics and pharmaceutical products are among the most imported goods. Panama does not export as much as it imports, its main export products include fish and shellfish, tropical fruits such as bananas and pineapples and wood. The country's main export destination is the US, **followed closely by the Netherlands**, then China, Taiwan and Costa Rica in that order.<sup>11</sup>

## II.II Aviation Sector

The Canal, together with Tocumen International Airport, the ports, the national road network and the train network form the logistical basis of the country. A closer look shows that especially the internationally focused components, the Canal and Tocumen International Airport, are highly developed. Tocumen Airport has consolidated itself as an **important air hub for the Americas**. COPA Airlines, Panama's flag carrier, has been essential for this success by connecting the majority of its passengers through its hub as the country is strategically located for flows between North and South America. As a result of this success IATA (the International Air Transport Association) included the airline in its **top 10 of most profitable airlines worldwide for stakeholders**.<sup>12</sup> The airline comes in as the 6<sup>th</sup> airline of Latin America in terms of passengers, a high spot when you keep in mind that other top airlines operate from the regional main countries such as Brazil, Colombia and Mexico.<sup>13</sup> Copa airlines can be seen as responsible for this success to a great extent, since it has a market share of 84% at Tocumen International Airport, no other flag carrier has such a high market share at their hub in Latin America. The airline has also been rewarded as **best airline of Central America and the Caribbean** since 2015 until 2018 by Skytrax.<sup>14</sup>

<sup>11</sup> [Export and Import Statistics, Georgia Tech Panama](#)

<sup>12</sup> [Vision 2050, IATA](#)

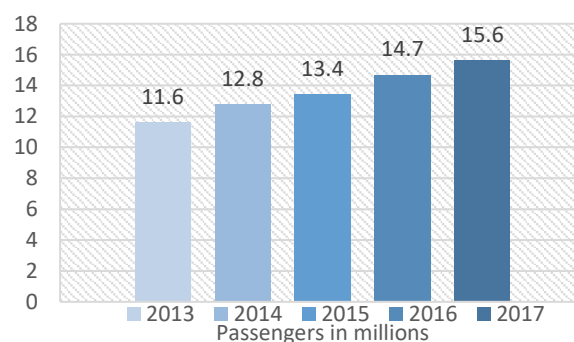
<sup>13</sup> [Análisis de inversiones aeroportuarias en América Latina 2040, CAF](#)

<sup>14</sup> [El Capital Financiero](#)

As a result of Copa's success, **Tocumen International Airport is now the largest airport of Central America** with 2 runways, 34 gates and 15,62 million passengers in 2017. In Latin America, Mexico-City occupied the first spot with more than 40 million passengers, while Panama-City's occupied the 10<sup>th</sup> spot. Nevertheless, if you only take international passengers into account Tocumen is the third largest airport in Latin America, thanks to its international focus.<sup>15</sup> In total the airport serves 84 destinations with regular service from almost 23 airlines. This **number of destinations is substantially higher** than that of other main airports in the region such as Mexico-City with 58 destinations or Sao Paulo (GRU) with 53 destinations. Furthermore, Air China and Turkish Airlines recently added new services and other airlines, such as Emirates, Air Europa and Virgin Atlantic, are expected to do so in the near future.<sup>16</sup>

A second terminal is expected to open in the beginning of 2019. This terminal will add 20 more gates to the airport, as well as 8 remote parking slots. **The capacity of Tocumen International Airport will rise to 21 million passengers** as a consequence of this expansion. More investments in the aviation sector will continue to be necessary in the future as air traffic will keep on growing steadily in the region according to CAF.<sup>17</sup>

Figure 4: Passenger Movement  
Tocumen International Airport



Source: Georgia Tech Panama

<sup>15</sup> Presentation AITSA, Vicepresidency of Planification and Strategy, June 2018

<sup>16</sup> Presentation AITSA, Vicepresidency of Planification and Strategy, June 2018

<sup>17</sup> [Análisis de inversiones aeroportuarias en América Latina 2040, CAF](#)

### III. Challenges

#### Institutionalization and Consensus

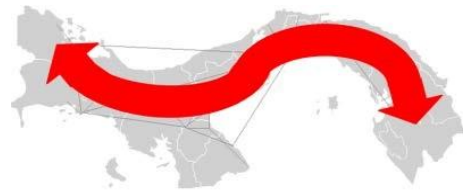
In 2015, CAF designed Panama's **roadmap for logistical development**, consisting of 8 strategic goals in view of the expansion of the Panama Canal. By 2017 the newly created Panamanian Logistics Cabinet presented the **medium- and long-term strategic plan**. This national logistics plan aims to guide the country's logistical development until 2030. The plan can be seen as the result of the steady **cooperation between the public and private sector** with the aim of creating wide consensus. In that way upcoming governments will acknowledge the importance of the sector for Panama and feel inclined to follow the guideline, something crucial as new governments tend to change policy. The government transition after the national elections in 2019 will show whether sufficient consensus has been built.

Important institutional advances have been made since the presentation of Panama's logistical roadmap. The foundation of the Logistics Cabinet in 2016 can be seen as a first step towards creating a national governing institution in the field of logistics, a signal of the increasing importance of the sector for the country. Furthermore, Panama adopted the Central American Uniform Customs Code and its regulation to facilitate trade with the region and simplify the procedure for international companies.<sup>18</sup> The issue of re-exportation certificates for products from Panama's free trade zones has also been simplified.<sup>19</sup>

#### Integration of National Logistics

One of Panama's biggest challenges is preventing the **logistical 'dualization' of the country** in which the productive interoceanic zone becomes a logistically advanced area of global scale and the hinterland remains the way it is, poorly connected with the rest of the country and the rest of the world. The interoceanic zone forms the most important area of Panama in economic terms. All major ports, airports, free trade zones, the Canal and the majority of the country's population are located in this relatively small area. To prevent further logistical dualization it is necessary to develop the country's western region. This region, comprised by Chiriquí and Bocas del Toro, functions as **the agricultural heart of Panama**. Further agricultural and logistical development in the western region, combined with

infrastructural projects could strengthen the connection of this pole with the interoceanic zone. Furthermore, the region could function as a link between Costa Rica and Panama's interoceanic zone.<sup>20</sup>



#### Value Added Logistics

In order to make the Panamanian economy less dependent of its traditional sectors, such as the maritime sector, the country wants to invest in 'Value Added Logistics'. The Panamanian ports are now almost exclusively used for transshipment, but the country understands it has to invest in value added logistics services in order to benefit from its privileged geographic location and the Panama Canal and to keep attracting cargo to its ports.

Right now most of Panama's value added logistics is located in the country's **special economic zones**. These zones have different fiscal, migratory and labor regulations in order to attract local and foreign investors. The main objectives of the special economic zones are promoting international trade, manufacturing and offering complimentary services. **The Colón Free Zone is seen as the main Free Zone of the Americas** serving as a platform for redistributing wholesale and tax exempted goods from Asia, Europe and North America to Latin America and the Caribbean. In 2017 imports totaled USD 9.2 billion while re-exports totaled USD 10.4 billion. Low numbers compared to previous years due to the crisis in Venezuela and the trade conflict with Colombia. Other important special economic zones are Panama Pacífico, which focuses on transportation, international logistics services, specialized manufacturing and high-tech, and the City of Knowledge (Ciudad del Saber), which promotes cultural activities and scientific, academic and human development.<sup>21</sup>

To further develop Value Added Logistics in Panama it is necessary that all logistical processes are better connected with each other.<sup>22</sup> The plan of International Airport Tocumen to build

<sup>18</sup> MEF

<sup>19</sup> BP Logistics (2018)

<sup>20</sup> Estrategia Nacional de Logística

<sup>21</sup> Special Economic Zones, Georgia Tech Panama

<sup>22</sup> Estrategia Nacional de Logística

a multimodal zone is an example of such integration of logistics, since this plan aims to connect all important players, ports, free trade zones and airports by building a cargo terminal and an adjacent zone with a focus on added value activities. Panama is also expecting to open a **logistical zone** with a focus on agricultural products, more information about this plan can be found in paragraph IV.I.<sup>23</sup>

### Integration Interoceanic Zone

Before, it was only necessary for the country that the canal functioned well. From now on, the goal is to achieve an inter-institutional coordination in which all processes, services and systems are connected. **A good integration of the interoceanic zone**, the country's logistical and economical center, would save time, unnecessary information and as a result costs. Figure 5 shows in what way the different logistical centers of Panama are connected with each other. The proximity of all these centers, some of them operating as hubs on a regional or global scale, also shows the possible strength of Panama as a logistical center.

In order to improve the zone's connectivity the Canal Authority started reconstructing **Borrinquen Road**, which connects the Centenario bridge and the Americas bridge alongside the westbank of the Canal. The road will only be usable to transport cargo and will save a lot of transport time for operating companies.<sup>24</sup> The Ministry of Territorial Management

will also improve the area's connectivity and organize urban development by implementing the **Metropolitan Plan 2035**. A total amount of USD 20 billion will be spent on this plan in the Interoceanic zone until 2035, 24% is meant for the ongoing construction of Panama's metro system. Other important expenses are the road network (23%) and the management of residual waters (14%).<sup>25</sup>

### Connectivity and Bidirectional Hub

Right now the Panama Canal is mostly used one-way, from the East Coast of the United States to East Asia. This leads to an imbalance in the Canal's traffic, also visible in figure 3. Diversifying traffic is seen as an important goal for strengthening Panama's hub position, especially the routes North-South, South-North and from East-Asia to the Eastern side of the Americas should be strengthened. Furthermore, **Panama will have to extend its hinterland to compensate for its limited selling market**, this can be done with infrastructure, commercial treaties and marketing. The first circle for the extension of Panama's hinterland would comprise Central America, the Caribbean and the northern part of South America and the second circle Latin America as a whole. In that way Panama would develop itself as regional leader in transshipment. The before mentioned **lack of national connectivity** should also be a focus for the government since it is also important for the connection

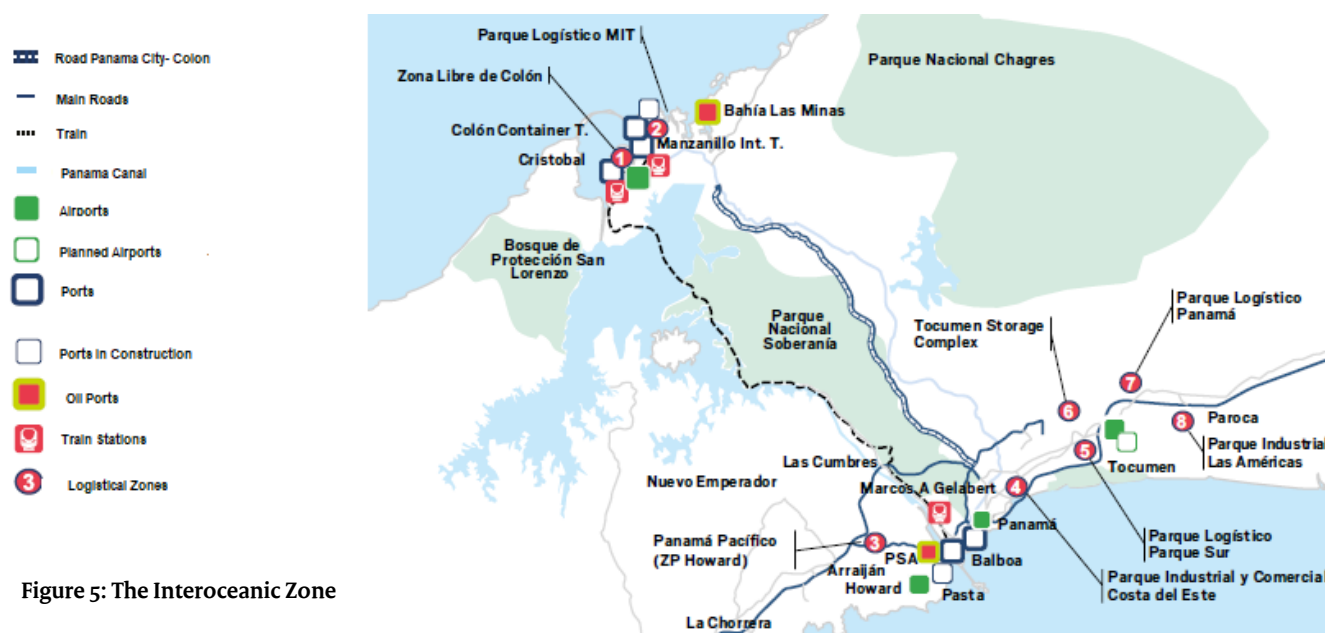


Figure 5: The Interoceanic Zone

<sup>23</sup> [El Capital Financiero](#)

<sup>24</sup> [La Prensa](#)

<sup>25</sup> [El Capital Financiero](#)

with the rest of Central America, hence for the extension of the first circle.

#### Technological approach

Panama lacks a technological system which integrates different logistical processes. In order to become a logistical hub, Panama has to make more advances in this field. Right now a Swiss company is developing the software for a **Port Community system** which would digitalize bureaucratic procedures.<sup>26</sup> Its main goal is facilitating commerce as the system would reduce the transit time in Panama for international trade. The software should be ready by the end of 2018 but will need to be implemented in order to make the system operational. A well-functioning community system would improve Panama's logistical position, as the country would improve its efficiency in the fields of customs and tracking and tracing.

## IV. Opportunities and plans

Panama has made a lot of progress in the field of logistics in the past decades, noticeable nowadays by the frontrunner position of the country in Latin America. On a global scale however, Panama still faces challenges which are typical for the region, such as bad connectivity with the hinterland. In Panama, **the Netherlands can play a contributing role** by sharing expertise and knowledge on logistical challenges. The Netherlands lends itself for this task as it is one of Europe's logistical hubs. Both Amsterdam Airport Schiphol and the Port of Rotterdam are great examples of the country's success in this sector. In addition the Netherlands and Panama share many similarities. Both of them are small countries, with an international focus, seen as logistical gateways for their respective regions.

### IV.1 The Creation of a Food Hub

Panama could take more advantage of its logistical sector and geographical position by linking logistics with agriculture. Right now the Panama Canal functions in great extent as a **transshipment center**, where the imports of finished consumer goods are re-exported to the rest of Latin America and the Caribbean. Instead, it could start importing raw materials,

which can be processed in order to export them all over the world via the Canal, thereby taking an example from the Netherlands and converting itself into a so-called 'Food Hub'.

The Dutch company StigDelta is developing a **masterplan** for the Panamanian Ministry of Agricultural Development (MIDA) to establish this project on the bank of the Panama Canal.<sup>27</sup> The idea is to create a Free Zone for Food, which will exist of a **bulk terminal, cold deposits and processing facilities**. In this area, the region's agricultural crops can be consolidated and processed for export to most likely Asia, but also to the United States, the Caribbean and Europe. Agricultural products can enter the area, be processed and re-exported without border procedures. Implementing this Food Zone will require a strong public-private cooperation. Panama's government will need to supply the land and create the conditions that attract the private investments that will be needed. Dutch private parties can play an important role in the development of the envisaged Food Hub. When the Food Hub will start to operate, Dutch agro-logistics and food processing companies can establish their operations.

Figure 6: Most Shipped Crops through Canal 2017

Source: Canal de Panamá

	Amount in Long Tons from Atlantic -Pacific	Amount in Long Tons from Pacific -Atlantic
Bananas	10	1.775
Other Fruit	-	254
Fish	30	132
Rice	185	392
Corn	8.513	812
Sorghum	9.316	451
Soy	9.353	54
Wheat	1.089	1.803
Miscellaneous Grains	4.013	238

Right now especially grains, such as corn, soy and sorghum, pass through the Canal as is visible in figure 6.<sup>28</sup> Of these crops especially fruits get exported in reefer containers, bananas made up 54,5 % of reefer cargo that passed the canal in 2017. In total reefer cargo represented more than 2% of total Canal cargo, made up by reefer vessels and Neopanamax vessels with a refrigeration

<sup>26</sup> PIANC, Samuel Díaz Correa

<sup>27</sup> StigDelta

<sup>28</sup> Canal de Panamá

capacity.<sup>29</sup> Focusing on added value services with the most shipped crops would be very useful for the creation of the Food Hub. Different countries, such as Chile and Israel, have also shown their interest in the project. Canal Authority officials are promoting the idea in relevant countries such as Brazil, world's number one exporter of among others soy, which is also the most important crop that passes the Canal in volume. Brazilian exporters are enthusiastic about the project. The Brazilian ministry of Agriculture though, only sees the creation of a Food Hub in Panama as profitable for Brazilian grain exporters if reductions are applied in fees for transiting the Canal. In that way using the Panamanian Food Hub, for packaging for example, would be interesting for the exporters.

Figure 7: Main Panamanian Food Exports 2016

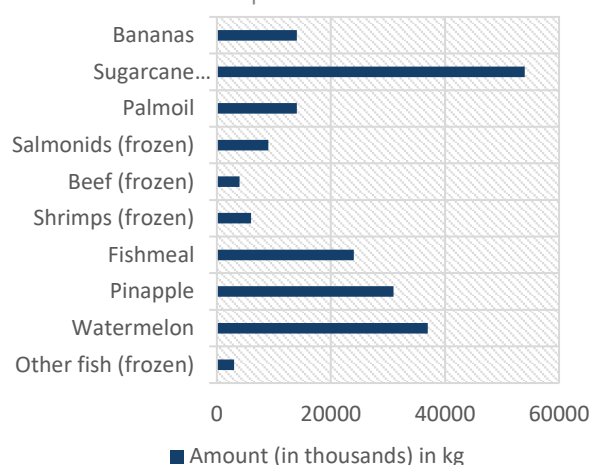
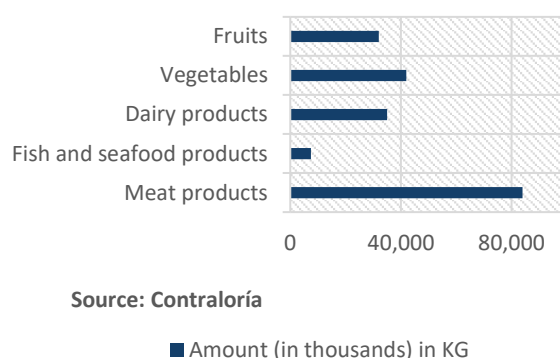


Figure 8: Main Imported Foods into Panama 2016



Taking into account Panama's foreign trade can also be useful for identifying business opportunities, especially Panama's export products as they are mostly exported without processing. **Fruits and fish and seafood turn out to be Panama's most exported foods** and could be very suitable for elaboration or packaging for example.<sup>3031</sup>

## IV.II Other Opportunities in the Logistical Sector

As a result of LNG's increasing use, **Panama plans to open two LNG terminals**, one on the Atlantic side and one on the Pacific side. The Atlantic terminal is expected to be inaugurated at the end of 2018. For the Pacific LNG Terminal the Canal Authority will have to invest about USD 100 million. The terminals will function mostly to supply vessels passing through the Canal with LNG but also to distribute LNG through the region. Lastly the terminal could also function for Panama's energy provision.

In addition to the construction of LNG Terminals, the ACP also plans to build a **Ro-Ro Terminal**, potentially right next to the planned Logistical Zone on the west bank of the Canal. The tender for the construction of the Ro-Ro Terminal is already expected by the end of the year. As a result of these plans and the expansion of PSA's Terminal, also on the west bank, **different logistical facilities will be located in the same area**, facilitating more efficient cargo handling and also the creation of the Food Hub. For port development, tenders are expected in the near future as well, for example for the construction of the **Port of Corozal**.<sup>32</sup> As mentioned before, Corozal is one of the biggest potential projects for Panama's port sector, since the project would require an investment of more than USD 1.3 billion. In 2017 the Canal Authority intended to put the construction of the port to tender but because of uncertainty on the market and unfavorable tender conditions none of the prequalified companies chose to go through with the project. The Canal Authority has expressed its desire to relaunch the project, possibly in 2019, but is still awaiting court decisions regarding lawsuits against the project.<sup>33</sup>

In order to improve Panama's national and international connectivity several projects exist as well. Recently, in July 2018, the IDB lent USD 87 million to Panama for the improvement of

<sup>29</sup> Informe Anual 2017, Canal de Panamá

<sup>30</sup> Contraloría

<sup>31</sup> Contraloría

<sup>32</sup> Mundo Marítimo

<sup>33</sup> Panamá América



Figure 9: Panama's Metro Network



the national road network. As a result, tenders can be expected for the construction and improvement of national roads.

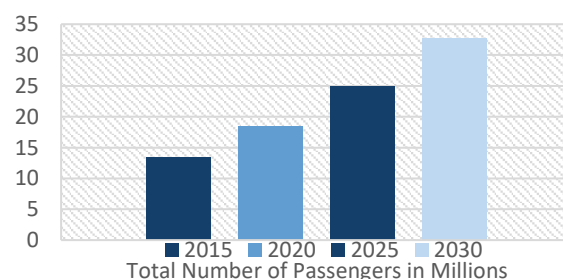
The construction of Panama's metro system is also expected to be continued in the future, right now Metro Line 1 is finished for the most part, Metro Line 2 shows an advance of 82% and is expected to be operational at the beginning of 2019.<sup>34</sup>

The construction of Metro Line 3 will start in the beginning of 2019. This metro line will cross the planned fourth bridge over the Canal and improve Panama's connectivity by connecting Panama city with its western suburbs Arraiján and la Chorrera. **A total of 8 metro lines will form the city's metro network** in the long term, as is visible in figure 8.<sup>35</sup> As a consequence more tenders for the construction and equipment of the metro can be expected in the future.

In the aviation sector, Tocumen International Airport is expected to maintain its **hub position**. CAF, has predicted though that **the total number of passengers will rise to 52,8 million passengers by 2040**. This is an increase of 37,2 million compared with 2017, as growth rates are expected to be around 5-6 % a year. As a result Panama's hub position for international traffic will become even more clear; for example neighboring country Costa Rica is expected to handle 15,8 million passengers by then. In order to keep up with this expected growth in demand, the airport will have to continue investing in new terminals and infrastructure. Plans for a third runway and terminal already exist.

In order to start the execution of those plans, the airport is looking for new land around the existing facilities. The third runway should be built before 2025 according to IATA, if not the airport will encounter problems with the timing of departing and arriving flights.<sup>36</sup>

Figure 10: Expected number of passengers Tocumen International Airport



Source: CAF

In addition to passenger traffic, Tocumen Airport is starting to focus more on cargo. This focus is made clear in its plan of becoming a **'Multimodal Logistics Hub'**. This plan aims to take advantage of the air connectivity of Tocumen and the synergies with the maritime sector to create a logistics zone. It would be the

<sup>34</sup> Estrella de Panamá

<sup>35</sup> Metro de Panamá

<sup>36</sup> La Prensa (2018)

first state airport free zone. The multimodal zone will consist of a cargo terminal, with express warehouses and multiclient warehouses for operators with access to the runway, and a logistics zone focused on added value activities. The logistics zone will offer a free zone regime with fiscal, migratory and labor benefits, as well as savings in transportation costs and supply chain optimization.<sup>37</sup>

#### IV.III Chinese investment plans

As a consequence of the improved diplomatic relations between China and Panama and the resulting free trade agreement between the two countries, China is increasing investments in the Central American country. For the Chinese, Panama functions as the region's gateway. **In total Chinese investments for mayor projects number USD 2.6 billion.**<sup>38</sup> Some of these projects are related to logistical infrastructure such as the fourth bridge over the Canal, of which the construction starts by the end of 2018 and costs amount to USD 1.4 billion. Other investments by Chinese companies include the construction of a **Cruise Terminal at Amador**, with a cost of USD 165 million, and **the construction of the Panama-Colon Container Port**, which has a cost of USD1 billion. This new port terminal will be built on Isla Margarita in the province of Colón and have enough capacity to attend Neopanamax vessels. Right now the project shows advances of 30%.<sup>39</sup>

Another infrastructural project concerns the **fast train Panama City – David**, connecting the capital with the country's second most populated and developed province, Chiriquí.<sup>40</sup> The project's viability is still being studied but it is expected to improve the country's connectivity and to enhance the connection between Panama City and the rest of the country. The train line would be used both for passenger traffic and cargo and could be extended to the border with Costa Rica at Paso Canoas. In addition to these projects, **Air China** started flying to Panama City from Beijing, connecting the country with Asia and furthering Tocumen's international focus.

#### More Information

For more information and questions about specific projects or developments mentioned in this report, contact the embassy at [pan-ea@minbuza.nl](mailto:pan-ea@minbuza.nl).

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<sup>37</sup> Presentation AITSA, Vicepresidency of Planification and Strategy, June 2018

<sup>38</sup> [El Capital Financiero](#)

<sup>39</sup> [La Estrella de Panamá](#)

<sup>40</sup> [TVN](#)