

June 2024



PANAMA: A WORLD-CLASS LOGISTIC HUB FOR THE AMERICAS

Panama has emerged as a major hub for trade and logistics in the Americas. Combined with its strategic location, Panama boasts state-of-the-art port handling facilities and a skilled workforce with strong logistics expertise. These advantages, combined with special tariff and tax regimes and free trade zones, offer unique business opportunities for Swiss companies in the logistics industry, specifically in the utilization of Free Trade Zones (FTZ), Re-Export management, opportunities in FTZs, and Port Development and Management.

INTRODUCTION

Panama's strategic location and robust infrastructure have rightfully earned it the title "Hub of the Americas." The iconic Panama Canal, a critical maritime route, serves as the backbone of a comprehensive network that includes major shipping ports, international airports, and logistics parks, creating a world-class logistics hub with unparalleled global connections.

BUSINESS OPPORTUNITIES IN THE LOGISTICS SECTOR

Panama's unique geographic position offers exceptional business opportunities in the logistics sector. With multimodal connectivity, well-developed infrastructure, and a business-friendly environment supported by a favorable regulatory framework and pro-business policies, Panama is an ideal destination for logistics investments. Panama uses the US dollar as its primary currency, contributing to the country's stable economy and enhancing its appeal as a world-class trade and logistics center.

STRATEGIC LOCATION WITH THE PANAMA CANAL AND OVER 1,700 PORT CONNECTIONS

Situated at the crossroads of North and South America, Panama acts as a natural bridge between the continents. Its strategic location provides easy access to major markets in both regions, making it an optimal transshipment point for goods moving between the Americas and beyond. The Panama Canal, one of the world's most critical maritime routes, connects the Atlantic and Pacific Oceans, linking to over 1,900 ports in more than 170 countries. This strategic asset significantly reduces shipping distances and transit times for vessels traveling between the eastern and western hemispheres.

MULTIMODAL CONNECTIVITY AND MODERN INFRASTRUCTURE

Panama's multimodal transportation network integrates air, sea, and land routes, facilitating seamless movement of goods domestically and internationally. Tocumen International Airport, with over 132,000 flights per year, serves as a major air cargo hub connecting to more than 90 destinations, complementing the maritime transportation provided by the Panama Canal and its ports.

Panama's infrastructure includes world-class ports, airports, special logistics zones, and highways. The country has invested heavily in upgrading and expanding its logistics facilities to accommodate growing trade volumes. Major ports like Balboa and Colón are equipped with state-of-the-art facilities for container handling and transshipment operations, offering modern capabilities for cold chain handling, product tracking, and advanced international logistics services. Panama's logistics capability is highlighted by its ranking as the 2nd in Latin America in the Logistics Performance Index (World Bank) and 1st in the Liner Shipping Connectivity Index (UNCTAD).

FREE TRADE AGREEMENTS, FREE TRADE ZONES, AND FAVORABLE TARIFF REGIMES AS BUSINESS ENABLERS

Panama has established trade agreements with numerous countries and economic blocs to facilitate trade and investment flows. These agreements reduce trade barriers and promote economic integration, further enhancing Panama's attractiveness as a logistics hub.

Panama's multiple free trade zones (FTZs) and special economic areas significantly bolster its logistical appeal. These zones provide a business-friendly environment with substantial tax and duty exemptions, attracting foreign investment and facilitating international trade. Companies operating within FTZs enjoy streamlined customs procedures, making these zones ideal for activities such as warehousing, assembly, and value-added services (VAS).

Panama offers a wide range of VAS that enhance the logistical experience, including cargo consolidation, packaging and labelling, and light manufacturing within the FTZs. These services enable companies to optimize their supply chains and reduce costs, further solidifying Panama's position as a comprehensive logistical solution.

Additionally, Panama's strategic geographical location and efficient infrastructure make it an ideal hub for re-exporting goods throughout the Americas. Goods can be efficiently imported, processed within the FTZs, and then re-exported to neighbouring countries, leveraging Panama's strong regional trade connections.

Panama's favourable regulatory framework and pro-business policies provide an advantageous business climate for logistics companies and investors.

LOOKING AHEAD/OPORTUNITES

Panama's strategic location and well-developed infrastructure position it as a premier logistics hub in the Americas, offering exciting investment opportunities across various sectors within the logistics industry:

1. **Utilization of FTZs:** Panama's free trade zones (FTZs) can significantly enhance re-export businesses. By importing goods in bulk, companies benefit from economies of scale on shipping costs. Within the FTZs, businesses can perform value-added services such as labelling, packaging, or light assembly at reduced costs, thanks to tax and duty benefits. Streamlined customs procedures in FTZs make the re-export process to neighbouring countries faster and more efficient.
2. **Re-export Management:** Investors can capitalize on Panama's ideal location for re-exports by developing user-friendly platforms that streamline customs clearance services as third-party logistics providers. These platforms can help businesses navigate regional trade regulations and enhance connectivity.
3. **Investment in FTZs:** Investing in FTZs can further enhance their attractiveness. This includes building modern warehouses, providing flexible office space solutions, and establishing light manufacturing facilities that benefit from tax breaks and streamlined processes.
4. **Port Development and Management:** Investors can contribute to the growth of Panamanian ports by participating in expansion projects, introducing innovative technologies such as automation and blockchain, and offering expertise in efficient and sustainable port management.

By focusing on these areas, investors can play a pivotal role in bolstering Panama's logistical dominance and tap into the vast potential of the Latin American market.

CONCLUSION

Beyond its unique geographical location and multimodal connectivity, Panama boasts a solid infrastructure with state-of-the-art port handling facilities and a skilled workforce with strong logistics expertise. These advantages, combined with special tariff and tax regimes, offer unique business opportunities in the logistics sector. The convergence of these factors has transformed Panama into a service-driven country with a global reach, epitomized by its national motto, "Pro Mundi Beneficio" – for the benefit of the world.

HOW S-GE CAN SUPPORT

It would be our pleasure to support your expansion plans to Panama and introduce you to the suitable business partners to proceed with your logistics projects.

Our renowned specialists in Zurich maintain close cooperation with the Embassy for Panama, Costa Rica, El Salvador, and Nicaragua in San Jose, Costa Rica, and the Swiss-Panamanian Chamber of Commerce in Panama City, Panama, providing you with up-to-date information. We look forward to hearing from you!

Compiled by Swiss Panamanian Chamber of Commerce, Panama City, Panama, June 2024

GET IN TOUCH



Bruno Aloï

Senior Consultant South America

baloi@s-ge.com

+41 79 254 58 30 / +41 44 365 54 76

Switzerland Global Enterprise

Stampfenbachstrasse 85

8006 Zürich

Switzerland

s-ge.com

Official Program

Partner



DISCLAIMER: The information in this report were gathered and researched from sources believed to be reliable and are written in good faith. Switzerland Global Enterprise and its network partners cannot be held liable for data, which might not be complete, accurate or up-to-date; nor for data which are from internet pages/sources on which Switzerland Global Enterprise or its network partners do not have any influence. The information in this report do not have a legal or juridical character, unless specifically noted.