



Ministerie van Buitenlandse Zaken

# Report

## Maritime & Logistics

### Investment Opportunities in the Panamanian Maritime and Logistics Sector 2020

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

#### Panama in the Global Market

Over the past ten years Panama has been one of the fastest growing economies in the world, as well as the fastest growing economy in its region. According to the International Monetary Fund (IMF) the country is expected to remain amongst the most dynamic economies in Latin America maintaining and improving strong and stable fundamentals.<sup>1</sup> There is a slight concern that the country will attract too much debt as Panama closed its fiscal year of 2019 with USD 31 million debt, which is 20.7% more than in the fiscal year of 2018. However, the economist predicts that the Panamanian economy will find a stronger footing in 2020 as the country seeks to continue being competitive by amplifying services and forming clusters to improve the interconnectivity between all sectors with plans to invest in infrastructure projects as well as the continuation of a market friendly political agenda. The biggest threats in the Maritime Sector will be global trade protectionism and challenges regarding global warming.

With careful division of Panama's annual state budget from 2019 to 2024, USD 23.316 million, divided in 51% for government expenditure, 18% for investments and 31% for public debt services the future seems stable. A large amount, 1.8 billion will be reserved for the infrastructure development sector and 214,3 million for the environmental and technological development sector.

Annual GDP Growth (%)

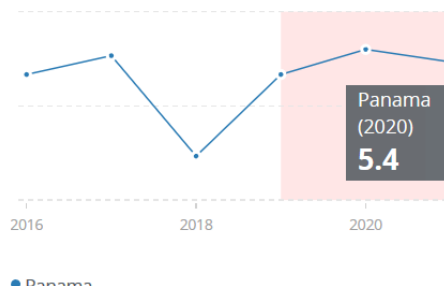


Figure 1: World Bank Annual GDP Growth Panama

<sup>1</sup> <https://lataminvestco.com/why-panama/>

A study conducted by the Economist Intelligence Unit and the Inter-American Development Bank (IDB) lists Panama as the 7<sup>th</sup> country with the most attractive business and investment climate in the world.<sup>2</sup> This is partly because the country has exceeded the expected growth rate. According to the World Bank this will be 5.4% in 2020, with a slight decrease forecasted in 2021 as can be seen in figure 1. Other World Bank numbers about Panama can be seen in figure 2. In addition Minister of Economy and Finance, Hector Alexander, predicts Panama will have a minimum growth of 4% in 2020, driven by public investments, exceeding USD 3 billion and the realization of 17 projects through PPP (Public and Private Partnership) for more than USD 2 billion.

The momentum of annual GDP growth in 2018 was partly generated by the Cobre Panama mine. Comparing these percentages with the low growth rate of 1.4% in Europe, Panama offers great investment opportunities. The country is implementing incentives to attract more multinational headquarters to come to serve from Panama to other countries around the world with free trade deals. The country has shown effort regarding this statement in 2019 with the Ministry of Commerce and Industry (MICI) opening a new office of commercial intelligence and strengthening of trade capabilities (INTELCOM), to be able to provide services in the fields of economics, foreign trade, law and commercial defense.



Figure 2: World Bank Panama Figures

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## Introduction

Entering a new decade, the latest Laurentino Cortizo Cohen government has published their strategy from 2019 to 2024 in January 2020. This report is a continuation of the “Panama Port Development Report” published in 2017, and will analyze the government’s strategy while connecting it to the Maritime and Logistics sector to provide an overview with opportunities for Dutch Businesses in Panama.

## ‘Hub of the Americas’

Panama is striving to become ‘the Hub of the Americas’, part of that plan was the expansion of the Panama Canal as well as other diverse investment projects with a focus on infrastructure. The new government’s commitment to steer Panama into a hub of even greater importance is shown with the consolidation of five hubs. Confirmed by minister counselor of private investments, Jose Alejandro Rojas, Panama seeks to continue being competitive by amplifying services and forming clusters to improve the interconnectivity between all sectors with the

<sup>2</sup> <https://www.prensa.com/economia/Panama-negocios-asociaciones-publico-privadas-05409958995.html>



continuation of a market friendly political agenda as well as investments in infrastructure. The final five sub hubs are:

1. Logistics hub
2. Financial and legal services hub
3. Global connectivity and services hub
4. Value added hub
5. Digital hub

The ‘Logistic hub’ is primarily focusing on assets around the Panama Canal. The second hub will contain the services offered by the financial and legal sector and focus on efficiency, transparency and safety. The third hub entails incentives to attract more multinational headquarters to come to Panama and serve from here to other countries by free trade agreements and is intended to create jobs for Panamanians. The fourth hub focuses primarily on assets around the Panama Canal. Finally, the fifth hub is meant to make a solid foundation for the data connection between all hubs. **As these hubs are becoming more interconnected, their cooperation will be of higher importance for the maritime and logistics sector.** More information and numbers can be found in figure 3.



Figure 3: The 5 Hubs in Numbers – Infografía LP (L. Rodríguez): Fuente: Datos recopilados

## 2019 – 2024 Cortizo Strategy

The election of Laurentino Cortizo in May 2019 promised changes for the upcoming 5 years, which are stated in the “Plan Estratégico” implemented from the 1<sup>st</sup> of July 2019 till the 30<sup>th</sup> of June in 2024.<sup>3</sup> One chapter in this document is dedicated to the **Maritime, Logistics and Port Clusters**. One thing Panama and the Netherlands have in common is their privileged geographical position resulting in a strong maritime sector. However, the Panamanian government is aware of the increasing amount of alternatives for the Panama Canal as a center of transshipment and distribution. This forces the country to **promote competitiveness**. This will be done by:

1. Prioritization of the infrastructure projects that address the congestion between ports and logistical problem zones.
2. Promotion of the development of multipurpose ports.
3. Having an integrated logistics system interconnecting ports, free zone, financial entities, transport and private enterprises.

The second is the economic and social strategy regarding this industry. It is no secret that the mentioned sectors are indirectly and directly responsible for 290.000 jobs and accounts for approximately one third of Panama’s GDP.<sup>4</sup> Therefore it is an important reason for the authorities to improve the current management, seek opportunities and exploit more potential. However, an internal factor that is impacting the country’s competitiveness is the shortage of people with the right knowledge, therefore there will be a higher focus **on creating human capital**. With the long-term goal to improve the whole maritime and logistic sector.

The government’s main tasks regarding the cluster are:

1. Modernize the Maritime Authority of Panama in terms of technology and customer service.
2. Implement the National Logistic Strategy 20-30.
3. Modernize the Ships Registry to make it more efficient and competitive compared to other record.
4. Create an international registry marketing network using consular corps and regional offices of the maritime authority of Panama.
5. Create a business intelligence unit that analyses market trends and fleet behavior to use for continuous improvement of the processes of the Maritime Authority.
6. Develop, incentivize and regulate the National Cabotage and Cargo Movement.
7. Promote and facilitate greater participation of young people in careers linked to the maritime sector, offshore industry and auxiliary maritime industry.

<sup>3</sup>[https://www.gacetaoficial.gob.pa/pdfTemp/28931\\_A/GacetaNo\\_28931a\\_20191231.pdf](https://www.gacetaoficial.gob.pa/pdfTemp/28931_A/GacetaNo_28931a_20191231.pdf)

8. *Education plans of universities, technical institutes and training centers in maritime high schools.*
9. *Attract shipping companies, ship managers and operators to establish operations and training centers in Panama.*
10. *Promote inter-institutional agreements to incentivize the shipyard industry in Panama*
11. *Working hand in hand with industries in the training of highly qualified personnel and in the incorporation of technologies that allow it to improve its competitiveness.*
12. *Promoting scientific research, innovation and technological development in the sector.*
13. *Encourage and support entrepreneurship of new companies in the maritime sector.*
14. *Incentivize a port development plan at national level for national logistical development by the Maritime Authority.*

**Many of these measures provide opportunities for Dutch companies and expertise to share their specialties with the Panamanian maritime and logistics sector.**

Another way to increase the competitiveness is to solve interruptions in services which lead to additional delays and costs by eliminating excessive bureaucracy. Panamanian ship registry is losing its market share due to outdated systems and duplicated processes in different institutions which need to be aligned in one single procedure, including laws that do not create a burden for private enterprises. This goes hand in hand with **the needed digitalization processes** of ports, cargo and ships who are currently moving away to other countries. More about this topic can be found in the paragraph *digitalization*.

Combining the tourism sector with maritime, logistics and ports, the government is planning to diversify their services by improving the utilities for **marinas, yachts, cruise tourism and commercial fishing**.

**To conclude, Panama is promoting plans and programs to generate high skilled labor as a long term goal to revive the maritime sector to continue it to be one of the leading sectors of the development.**

## Digitization

As mentioned, the Cortizo government has noted the importance of digitization by **focusing on a digital hub in Panama**. Especially to make the Panama Canal and Panamanian Ports more competitive in the region, it is important to connect the different networks responsible for the transport of goods and services. Ports need to connect with various digital platforms as they act as logistical hubs, industrial clusters, world port cities and as digital gateways. This includes the connection of customers, organizations, authorities as well as financial providers in a multi sided platform by using business analytics and data. Because, having more information is equal to having a higher level of quality at your disposal and this higher level of quality can get used to make better future decisions. Other **benefits** of focusing on a digital hub are:

- Cost reduction
- Revenue enhancement
- Less emissions
- More reliable service
- Less accidents in a long-term approach

Panama is already using a variety of different digital systems yet it is expected for the AMP to release an **international tender in the first quarter of 2020**, calling for companies to provide software that is able to connect all parties in the maritime sector, including the finance and legislative part.

Currently the ACP and AMP are using a multi sided platform that was launched in 2017, called the **Panama Maritime Single Window System (VUMPA)**. This system was introduced to provide information sharing between Panamanian agencies and the international maritime transportation at Panamanian Ports. This system has been proven to be more sustainable and productive.<sup>5</sup> In November 2019 it has been updated to streamline the international maritime transportation at Panamanian ports by being able to share information between Panamanian agencies regarding the reception and departure of ships. Other new features are:

- Online cargo declarations for partnering shipping lines.
- The option of online payment of the government fee for arriving vessels by debit and credit card.
- Implementation of a privacy policy and visualization of documents submitted through the ship inspection system.
- The addition of electronic alerts based on cargo type, waste management reports and Panamanian Authority requirements.

<sup>5</sup> <https://www.hellenicshippingnews.com/improved-technology-platform-vumpa-eases-maritime-procedures-in-panama-2/>

This system is controlled by Port State Control inspectors.

Another digital platform used in Panamanian Ports is the **Electronic Ship Registration System (ESRS)** this is a merge of the AMP general directorate of Merchant Marine and General Directorate of Public Property registry of Ships, launched in 2019.<sup>6</sup> This platform improves the registration process for vessels and connect the PKI system which is only used by lawyers. The system is slowly developing into one global unified network. One special feature that has shown to be incredibly time efficient is the ability to sign all documents electronically using **QR or bar codes**.

The Logistics Cabinet (LC), the Presidency, Secretary Strategist for Development and Competition in the private sector (SEDECO), the Panamanian Association of Business Executives (APEDE) and the private sector, are working on the development of a network together with Georgia tech, called the **Panama Logistics Web Portal**.<sup>7</sup> This future program strives for:

- Developments of the cross-dock activity models at port terminals
- Finishing the development of the panama maritime single window system
- Start the implementation of the digital industry roadmap
- Digitization of import and export processes
- Integrate colon-free zone and the panama customs authority into the system
- Modernization of border crossings (PILA)

Although there are already existing systems and future plans, the government admitting there is not sufficient knowledge available in the Panamanian Maritime sector and the AMP showing to be open for international help with the expected tender, the Netherlands has the opportunity to give a helping hand. In figure 4 can be seen the evaluation of the Logistics Cabinet, as the Netherlands is a digital gateway to Europe, functions as a data distribution hub and has a strong maritime presence in the world, and could potentially help Panama with further development. An example of a software system would be “**PRONTO**”; it provides a shared platform between shipping companies, agents, terminals and other services, offered by the Port of Rotterdam (PoR).

The Port of Rotterdam and the Panamanian Authorities are well acquainted; in September 2019 the PoR visited Panama to give multiple presentations regarding different topics. During this time, PRONTO was introduced to different players in the Panamanian maritime sector and an Memorandum of Understanding between the PoR and the ACP was signed on the

3<sup>rd</sup> of September during the opening of the Holland House Panama, a bilateral chamber of commerce, to stimulate further development and exchange in information regarding future developments.

**Ultimately, there is an opportunity for Dutch businesses to provide Panama with multisided software systems.**



Figure 4: The Evolution of the Panamanian Logistics Cabinet

## Panama Canal

The Panama Canal is a large contributor to the Panamanian state budget. In 2018 the tolls revenue amounted to USD 2.485 billion with 13,795 transits and a passage of 442.1 million tons.<sup>8</sup> Its competitively and stable volume performance is of high importance for the Panamanian Economy. Due to the government support the Canal is a safe investment. The Fitch Ratings gave the Canal an A investment grade for the 4<sup>th</sup> time in a row for a long-term debt issuer in 2019.<sup>9</sup>

The fiscal year of 2019 was closed with a new record of transported tonnage: increase of 37.6% LNG and 6.9% of LPG vessels in relation of 2018. The engineering masterpiece is also the lead of foreign direct investment (FDI) inflow of USD 6,578 million in 2018.<sup>10</sup>

<sup>6</sup> <https://safety4sea.com/ship-registration-becomes-digital-in-panama/>

<sup>7</sup> <https://logistics.gatech.pa/>

<sup>8</sup> <https://www.pancanal.com/eng/general/reporte-anual/2018-AnnualReport-Rev.pdf>

<sup>9</sup> <https://worldmaritimenews.com/archives/281772/panama-canal-gets-a-rating-from-fitch-for-4th-year-in-a-row/>

<sup>10</sup> <http://laestrella.com.pa/economia/panama-lidera-inversion-extranjera-directa-centroamerica-segun-cepal/24135092>

The mentioned positive outcomes are partly due to the expansion of the Canal in 2016. Nonetheless, after four years there are still improvements to be made and challenges to be tackled. According to the Maritime Transport 2019 report published by the United Nations the biggest challenges regarding Panama are the ever-growing vessels versus the size of the Panama Canal locks as well as water management during the dry season.<sup>11</sup>

## Water

2019 was the driest year in the country's history, which has an immediate effect on the operations of the Panama Canal. Therefore the Panama Canal Authority **ACP plans to invest USD 2 billion in the next 5 years**, adding new water sources to ensure the waterway operations and human consumption.<sup>12</sup>

To ensure sufficient water supply for the Canal's watershed for ships to pass the interoceanic route, the institution is preparing for this challenge by **12 studies of possible solutions**. ACP will present its plans to president Laurentino Cortizo in May 2020. Aristides Royo, Chairman of the Board of the Panama Canal, predicts that the two options of using the water from the Bayano River and desalination of seawater in the Atlantic are going to be favored, these two alternatives would complement each other the most.<sup>13</sup>

Next to these studies there are direct short term consequences of the water deficit for the ships passing the canal. In September 2019, the Cortizo government has approved **changes in the tariffs** of the Canal, set by the ACP. The main changes were: increased tolls for dry bulk ships and toll per persons on passenger ships instead of per berth.<sup>14</sup> Likewise in November 2019 the ACP has announced to impose **extra charges** for vessels longer than 125 feet using their waterway. The idea was an extra charge of USD 10,000 per passage plus a charge that will depend on water levels at Lake Gatun at the time of crossing. The new fee is expected to take effect **February 15<sup>th</sup>** with no stated expiration date. However, the Maritime Chamber has advised a postponing of the surcharge due to its concern of measures being announced without official consultations of maritime unions and users of the Canal, it is unclear whether the ACP will comply with this request.

<sup>11</sup>[https://unctad.org/en/PublicationsLibrary/rmt2019\\_en.pdf](https://unctad.org/en/PublicationsLibrary/rmt2019_en.pdf)

<sup>12</sup><https://newsroompanama.com/business/canal-authority-2-billion-rescue-plan>

## IMO Sulfur Policy

Since the 1<sup>st</sup> of January 2020, the International Maritime Organization (IMO) has reduced the **Sulphur** limits in fuel oil used on board ships operating outside designated emission control **from 3.5% m/m to 0.50% m/m**. As 90% of all global trade is happening through our oceans this will massively increase sustainability and improve the living condition of citizens living close to ports and coasts. While there are alternatives available it is expected to increase the cost for shipping companies that will be passed on to the customer. Together with the increase of tolls this could impact the maritime transportation prices in the future.

The IMO Sulphur policy could affect:

1. Fuel availability
2. Fuel price (also due to tensions in the middle east)
3. Fuel quality
4. Violation
5. Penalties
6. Market impact

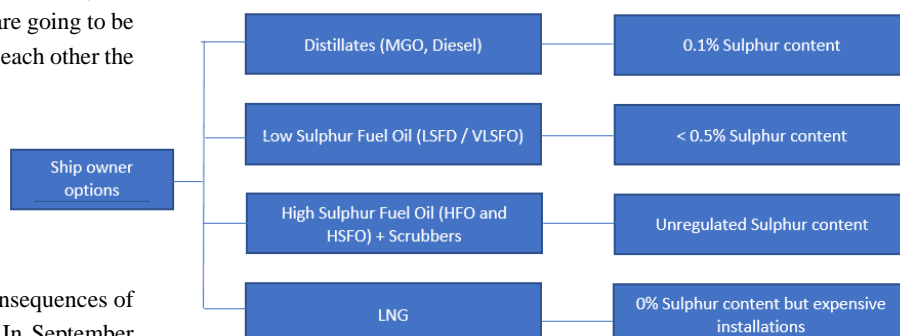


Figure 5: Possible fuel options for ship owners

All considerable fuel options for shipping companies are portrayed in figure 5. LNG, the more expensive fuel with lower concentration of sulfur seems the most viable for now.

**Dutch business opportunities mainly arise from Panamanian Ports that are in need of availability of fuel, inspection tools, scrubber installations and scrubber waste receivers.**

<sup>13</sup> <https://elcapitalfinanciero.com/en-mayo-de-2020-acp-debe-entregar-estudios-para-abastecer-de-agua-el-canal/>

<sup>14</sup> <http://laestrella.com.pa/panama/nacional/gobierno-avala-modificacion-tarifas-peajes-canal-panama/24137671>



## China vs United States

The 'trade war' between China and the United States of America has great impact on the Panama Canal because the total trade flow between those two countries consists of **11.7% of the total volume according to the ACP**.

Data from the UNCTAD (United Nations Conference on Trade and Development) has estimated that American import of product from China declined by more than 25% for the first half of 2019.

Concluding, if the flow of goods between the two countries has been reduced roughly by 30%, volume through the canal would decrease by 3.5%. In the worst case scenario, meaning a decrease of 50% volume, the volume through the canal would be reduced by 5.8% and the volume transported through the canal would be 11.7% lower.<sup>15</sup>

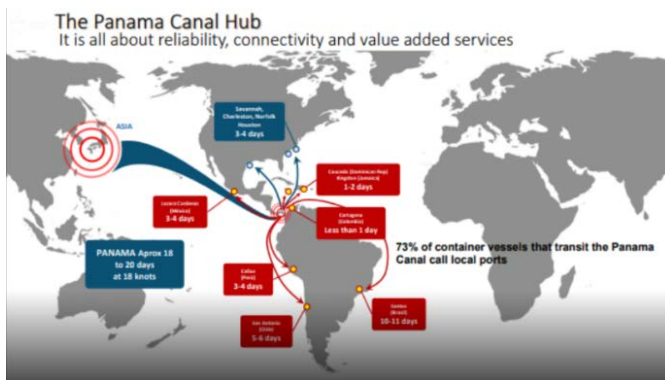


Figure 6: Trade from China to the USA and vice versa through the Panama Canal in 2018<sup>20</sup>

In 2017 the load from US to China through the canal has decreased 31%, and in 2018 the flow of goods from China to the US has increased 8.8%.

In 2019 the main route through the Canal in terms of percentage of tons of cargo were between the east coast of the United States and Asia.<sup>16</sup>

**Ultimately, the trade decrease between those countries could be filled by Dutch companies.**

## The Canal Authority (ACP)

The ACP is always focusing on projects that offer services or added value and employment opportunities.

### Corozal Transshipment Port

In 2017 the ACP has reserved a total investment of USD 750 million for a future two-phased port project consisting of a 2,081-linear-meter dock, a container yard with capacity of 3.2 million TEU, offices and warehouse facilities in the surrounding 120-hectare area owned by the Panama Canal. The Corozal Port, located on the banks of the Panama Canal of the Pacific side, is an example of the Canal's continual commitment to develop their products and service and increase the importance of Panama's position as a logistic hub. The project is expected to allow more cargo to transit via the waterway, enhance the services offered, provide increased port capacity to customers and generate long term job opportunities.

The construction and operations of this project were tendered in 2016 and has a history resulting in a delay. However, the new government has noticed shipping companies moving their businesses away from this Port to, for example, the Buenaventura Port in Colombia and the Limón port in Costa Rica because the National Assembly did not approve the ACP concessions in 2017. The government and ACP have realized that this was a costly mistake; therefore, they are regaining their forces to increase the competitiveness with the awakened plan, meaning **the tender package arrangements are currently in the process of being made**.<sup>17</sup>

### Logistic Park

Since 2016 the ACP is analyzing different business models for the most suitable distribution **added value services** for the development of their strategic located Logistic Park. In 2018 the ACP's Board of Directors visited the Port of Virginia, as well as regional distribution centers to learn more about the possible options. Following in September 2019, the ACP has signed a memorandum Understanding (MoU) to promote international trade between Europe and Central America as well as exchange of information on optimizing operation, implementation of digital tools, information on new business development opportunities and port development projects while committing to sustainable shipping. This MoU is renewable after two years.

<sup>16</sup> <https://www.panamaamerica.com.pa/economia/canal-de-panama-cierra-el-ano-fiscal-2019-con-record-de-tonelaje-1146115>

<sup>17</sup> <https://www.bnamericas.com/en/news/five-panama-infrastructure-projects-to-keep-an-eye-on-in-2020>

Currently, the ACP and government are considering to transform one segment of the logistic park into a ‘food hub’.<sup>18</sup> During the PoR’s visit to Panama in 2019 they gave a presentation about agro-logistics and the possible options for Panama to the Ministry of Agricultural Development. This has resulted in a planned return visit in the third week of February 2020 to discuss further plans about the mentioned topics. With the follow up of a visit from Panamanian companies joint by the Panamanian Minister of Trade, Ramón Martínez, to the Netherlands in May 2020.

There could be noticed similarities in the development of the Canal and Dutch ports. **Meaning there will be opportunities in the establishment of a more valuable logistic park.**



Figure 7: Components of the Panama Canal

## LNG Port

Right after the expansion of the Panama Canal in 2016, there arose the plan to develop LNG-related infrastructure projects as added service for the increased number of vessels transiting the waterway. While the U.S. Trade and Development Agency supported the planning, this also included a tender for a Roll off Roll on port as well as a gas terminal. As well as awaiting the construction of the Corozal Port, there are discussions regarding the best location for this project. The new sulfur regulation implemented by the IMO on January 1<sup>st</sup> 2020, can have great complications for the LNG market, as it remains as one of the preferred fuel options for shipping companies. However, there price fluctuations can be expected as the demand for the fuel increases. Another point to keep into account is that LNG installations are expensive, an estimated **USD 1.5 billion** per 1 MTPA capacity. To ensure the Panama Canal can deliver LNG

services in the future, the **ACP plans to soon tender a LNG installation and terminal and expects it be finished in 2024.**<sup>19</sup>

## Fourth Set of Locks

In 2017 the ACP considered building a fourth set of locks in order to increase their competition with other gateways in the world such as the Suez Canal in Egypt. This new set of locks was expected to **carry up to 20,000 TEU and roughly cost USD 17 billion**. However, this plan has been postponed due to the Canal’s tricky water levels and the growing vessels. The biggest container vessel in 2019 sails by the MSC company and is able to carry a maximum of 23,756 TUE, this is expected to increase in the future.

## Tugboats

The International Transport Workers Federation (ITF) has published a report in 2018 showing great concern about the increased workload of the tugboat captains navigating in the Panama Canal.<sup>20</sup> Even though the expansion of the Panama Canal has shown great consequences for the economy, the increased number of vessels using the Canal as well as Neopanamax vessels needing two instead of one tugboats for assistance through the locks requires continuous tugboat control in a limited space in the lock. The ACP struggled with the increased workload as the number of tugboats did not increase and workers had to cover long shifts, resulting in unsafe situations such as tugboat captains falling asleep. There have been two tenders released and cancelled since the published report, showing there is still a **possible market for innovative tugboats** or technologies to decrease the workload of the tugboat captains.

## Women in the Maritime Sector

Panama is promoting an increase of women working in the maritime sector. In 2019 the International Maritime day September 10<sup>th</sup>, was marked by the Maritime Chamber of Commerce (MCC), ACP, AMP and other important players in the industry were making a conscious effort to focus on the empowerment of women in the sector by organizing different events such as panels. Also to make people aware of the 2 percent of the employees in the Panamanian Maritime Sector that are female. This topic has also been mentioned in the Maritime XIV World Conference & Exhibition 2019.

<sup>18</sup> <https://www.pancanal.com/eng/pr/press-releases/2019/09/09/pr681.html>

<sup>19</sup> <https://elcapitalfinanciero.com/terminal-de-gnl-de-la-acp-empezaria-a-operar-en-2024/>

<sup>20</sup> <https://www.reuters.com/article/us-panama-canal-accidents/tired-tugboat-captains-flag-accident-risk-at-panama-canal-idUSKCN1OJ2P4>



## The Maritime Authority (AMP)

### Armuelles Port

Since 2015 vivid actions have been taken to redevelop the Armuelles Port, located in the agricultural province Chiriquí on the Pacific side of the country and close to the border with Costa Rica, into a multipurpose port. The Latin American Development Bank has approved a loan of USD 100,000 for this project in September 2015, in 2017 the banana company Del Monte has made an agreement with the Panamanian Government for the reactivation of the banana sector for the next 20 years. The reactivation of the banana sector has created a lot of jobs in Chiriquí and, together with stimulating the Panamanian agriculture in the province, has made room for further development.

In August 2019, the AMP administration has revealed their plan for another revival of the Armuelles Port. This time not only for the export of oil and bananas but opening the agro-industrial port to tourism, yachts and other industries. At the end of 2019, Noriel Araúz, the administrator of the AMP, stated that the Port's strategic position and characteristics such as its depth of 24 meters, the ease of mobilization in the area and the presence of various export items makes the ACP not only strive to reactivate the years of glory the port once had but to develop a series of activities that derive from it.<sup>21</sup> The port will be stimulated through a model of public and private partnerships alliances with an **estimated investment amount of USD 180 million**.

The pier in the Armuelles port has suffered from a special natural draught in the country's rainiest month, November 2019. This together with bad maintenance made the ACP decide to close the access to the pier for safety reasons. This situation resulted in an announcement by the AMP to release a tender for the design and construction of a multipurpose tax dock that would cost **USD 20 million with a four-year budget implementation period**, at the end of April.<sup>22</sup> The tender will also involve the construction of a building for a Seafood Market and offices for the AMP. The old pier will not be rebuilt for operations but is planned to be turned into a local fishing spot and tourist boardwalk. According to the state plan, the first stone will be set in December 2022 and the work will be totally operational.

**Armuelles Port is currently the port with the most upcoming opportunities for Dutch businesses.**

### Fuerte Amador Cruise Port Terminal

The AMP contract to develop a design and build the Amador Cruise Terminal at the Panama Canal's Pacific entrance has been awarded a USD 165.7 million to the CHEC consortium in August 2017. As the project moves forward, in 2019 the government released a tender to find an operator and maintenance service for the Amador Causeway Terminal in Perico Island. The services included executing the Base Port Regime and Transit Regime operations for ships arriving and departing from sea. However, this tender got cancelled as a result of inconsistencies found in the applications submitted by the companies that participated in the act of approval.<sup>23</sup> The value of the cancelled tender was **USD 9 million**, it is **expected that the tender will be published again in the near future**.

### Panama Colon Container Port (PCCP, Isla Margarita)

Located on the Atlantic Coast in the Colon Province, this port is the first one hundred percent Chinese investment by one of the biggest port operators of China, the partners: Shanghai Gorgeaous and Landbridge Group who invested **USD 1 billion**. The dredging and construction works are achieved by China Communications Construction Company (CCCC). This terminal is expected to hold up to **2.5 million TEU per year**, have the appliances to receive **Neopanamax vessels**, and the ability to provide services such as inland logistics, power generation, fuel storage and third-party services. The build was expected to be three years yet it has been delayed. However, CCCC assured that the construction would comply with the contract of the State in April 2019 and is now estimated to be finished in 2021, including 3 docks and 12 cranes. The Free Zone and the Logistic Park will complement this project. As well as the expansion of the Interamericana highway that will be connecting Chiriquí and Santiago to the completed 3<sup>rd</sup> bridge across the Panama Canal near Colon.

**For Dutch businesses it is interesting to keep an eye on what added services this port requires in the future.**

<sup>21</sup> <https://amp.gob.pa/notas-de-prensa/reactivacion-de-puerto-armuelles-es-una-prioridad-de-esta-administracion/>

<sup>22</sup> <https://www.prensa.com/economia/construccion-de-muelle-fiscal-en-puerto-armuelles-se-licitara-en-abril/>

<sup>23</sup> [https://www.centralamericadata.com/en/article/main/Panama\\_Cruise\\_Terminal\\_Tender\\_Canceled](https://www.centralamericadata.com/en/article/main/Panama_Cruise_Terminal_Tender_Canceled)

## Other Interesting Developments

### Panama Canal 4<sup>th</sup> bridge

The preparations for the build of this USD 1.5 billion project have started in May 2019 and is expected to be opened in November 2023. Its design of a 3-kilometer-long bridge will connect the business district and communities to Panama city, expecting to benefit 1.7 million people with easier logistical procedures and 500.000 citizens with their daily commutes.

It will have huge advantage for developing a well-connected hinterland and Panama City. In the near future this bridge will be linked to metro line 3, a pedestrian and bicycle path.<sup>24</sup>

Yet, since January 2020 there is an expected delay of the project because the new government has decided to separate the bridge and the metro line, forcing to change the design which impacts on the cost of the projects. This decision was made due to challenges filed against the tender by non-winning companies. The Ministry of Public Works (MOP) and the Consorcio Cuarto Puente on the Panama Canal (CPCP) have revealed to immediately work on the changes and the calculation of the new costs.

Rafael Sabonge, the Minister MOP has announced a forthcoming **tender** for the design, construction and financing of the marine viaduct including a four kilometer road, sidewalk and cycle path of an estimated USD 50 million for estimated the second quarter of 2020.<sup>25</sup> Despite this change, Sabonge believes that the project will be ready before in March 2022.

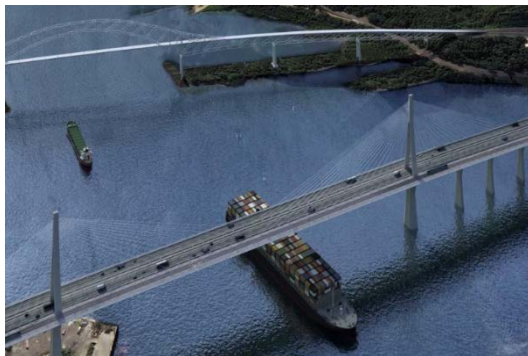


Figure 8: World Bank Panama Figures

### Metro line 3

Just as the bridge, this project is meant to ease the traffic in Panama City. In November 2019, the tender was awarded the Korean consortium HPH Joint Venture. However, the government announced in January 2020 that the route of the metro line will be changed, which resulted in the tender being

cancelled in January 2020. This involves a new design and leaves the project in current uncertainty.

The original plan was a metro line of 25 kilometers, 14 stations offering links in the western suburbs from: Albrook, Balboa, Panama Pacifico, Loma Cová, Arraiján 1 and 2, Burunga, Cáceres, Nuevo Chorrillo, Vista Alegre 1 and 2, Nuevo Arraiján, San Bernardino and Ciudad del Futuro. The 6 car trains would have an expected capacity for 20,000 travelers and will benefit around 500,000 people who travel daily from West Panama to the capital city.

The plan for the **project is to still be developed in two phases** as mentioned it is not sure if the metro will cross the 4<sup>th</sup> bridge of the Canal.

### Panama City-Chiriquí Train

This train is supposed to be one of the next big infrastructure projects after metro line 3, possibly crossing the 4<sup>th</sup> bridge over the Panama Canal. This project is supported by the Chinese government as there is an agreement signed between China and Panama regarding a study to the high speed train (160 km/h) in 2017, as well as an MoU to promote cooperation in technology and enhance the role of China's financial institution in Panama's rail network.

The estimated cost of the project is **USD 4.1 billion**.<sup>26</sup> This project is financed in a similar way as metro line 3 with Japan. Once the project is finished it should take two and a half hours to travel the 390 kilometer distance from Panama City to David, Chiriquí. To stimulate the national economy and make use from local knowledge about geo-technicalities, the Chinese Railway Design Corporation has agreed to work with several unknown Panamanian companies. The construction is estimated to take about 6 years, and will create 6,000 direct and indirect jobs, with a possible expansion to Costa Rica in the future.

### Chiriquí Dry Harbor

The large logistical center has been officially inaugurated in the district of Alanje in the province of Chiriquí, which could mean a reduction in costs of transport and time needed for transport in Panama, guaranteeing an improvement of competitiveness, as full dependency on the ports of Panama-City or Colón is no longer necessary, a spokesperson stated. The dry port has been constructed with 100% Panamanian investments.

<sup>24</sup> <http://www.continental-corp.com/risk-success-fourth-bridge-over-the-panama-canal/>  
<https://www.rod.ie/projects/fourth-bridge-over-panama-canal>

<sup>25</sup> <https://elcapitalfinanciero.com/grandes-proyectos-de-construccion-tienen-luz-verde-para-iniciar-en-2020/>

<sup>26</sup> <https://panamaadvisoryinternationalgroup.com/blog/news-from-panama/panama-david-train-4-1-billion-project/>

## Ferry

One of the projects in line of the list of PPP projects is the development of a multipurpose dock and a ferry that takes people from the Port of Vacamonte to the coastal belt of Panama West.<sup>27</sup> In September 2019 there has been stated that these are part of 15 PPP projects that are being analyzed, yet there has not been

## Panama City Beach

Since 2017 there have been ideas to create an artificial beach in Panama City to attract tourists and improve the life of citizens of the city. There is no exact date when the **tender** for the construction of this beach will be released since there are multiple discussions about the relevance of the beach. The Municipality has raised their concerns about the economic feasibility of the estimated USD 120 million project, taking into account the social projects and maintenance of the beach that is prone to erosion and susceptible to climate change. Nonetheless, if the project will be considered the tender will be released on PanamaCompra.<sup>28</sup> The Mayor of Panama City, José Luis Fábrega, released further details in 2019 stating the project plan would consist of two separate beaches, Calidonia and Bella vista, with the Yacht Club at Cinta Costera deviding the beach in two.<sup>29</sup> He has organized a consultation in the Gladys Vidal Theater of the Municipality of Panama on March 11, for citizens to share their thoughts about the project.

## Amador Convention Centre

The Amador Convention Centre is expected to be a key in attracting new tourism. The USD 193 million project is supported by the government and expected to generate an **annual revenue of USD 700 million for the country after its opening**.<sup>30</sup> It is being constructed by the Chinese State Construction Engineering Corporation Ltd. (CCA) and supervised by the Administrator of Tourism Authority (ATP). In October 2019, the ATP stated the project is 95% finished. Meaning it will soon replace Atlapa, the old Convention Center. Opportunities are the better access via amongst others a bridge connection as well as the view of the city skyline and ships entering into the canal. A perfect location to organize **maritime and logistic events**.



Figure 9: Amador Convention Centre



Figure 10: Artificial beach model Panama City

## Conclusion

Panama has proven to be a country with one of the fastest growing economies in the world, with a new government taking further development serious. This makes for a variety of opportunities for Dutch businesses, with the most highly requested being water management in the Panama Canal and the implementation of a multisided software system. Other opportunities arises in added value services, consultancy, port development and education.

<sup>27</sup> [https://www.tvn-2.com/nacionales/Teleferico-Miguelito-Panama-Oeste-APP\\_0\\_5397210263.html](https://www.tvn-2.com/nacionales/Teleferico-Miguelito-Panama-Oeste-APP_0_5397210263.html)

<sup>28</sup> <http://www.panamacompra.gob.pa/Inicio/#!/vistaPrevistaCP?NumLc=2019-5-76-0-08-LV-012441&esap=1&nnc=0&it=1>

<sup>29</sup> <https://elcapitalfinanciero.com/estudio-de-impacto-ambiental-subir-a-panama->

<sup>30</sup> <http://www.chinaconstruction.us/project/amador-convention-center/>



## Expected Tenders

### Short term tenders:

#### ACP tenders:

- No. 183658 - *Tugboat Parts*  
Deadline: 3 February 2020
- No. 183367 - *Maintenance, remodelations and less constructions, Pacific and Atlantic*  
Deadline: 14 February 2020

### Long term:

- AMP International tender for a multisided software system - *expected to be released in the first quarter of 2020*
- Artificial Beach in Panama City - *release date unknown.*
- Amador Cruise Terminal - *tender expected to be recalled.*
- LNG installation and terminal - *release date expected in 2020.*
- Corozal transshipment port  
tender package arrangements are currently in the process of being made.
- Software AMP - *to be released in the first quarter 2020.*
- Rehabilitation of the Colon coast, Ministry of Public Works (MOP) *to be released in 2020.*
- Wind Park – *expected to be released in March 2020.*  
USD 150 million.
- Water security program within the water and sanitation framework of Panama - *expected to be released in December 2020*  
USD 20 million.
- Panama Oeste Wastewater Management Project  
*expected to be released in December 2021*  
USD 81 million .

## Maritime & Logistics Events

*12-15 March 2020:* Annual Panama Maritime World Conference and Exhibition (CAM) – Panama City, Panama

*25-28 March 2020:* Maritime Week Americas Conference and Training – Panama City, Panama

*2-3 April 2020:* Latin America Ports Forum – Fort Lauderdale, United States

*9-11 June 2020:* Terminal Operators Conference (TOC)  
Europe – Rotterdam, the Netherlands

*27-29 October 2020:* Terminal Operators Conference (TOC)  
Latin America – Lima, Peru

*16-20 November 2020:* American Association of Port Authorities (AAPA) Latin American Congress of Ports Conference – Cartagena, Colombia

*17-19 March 2021:* Panama Maritime World Conference & Exhibition XV 2021, Megapolis Convention Centre  
**& Mission:** already registered companies are welcome to register for the mission by mail to: [pan-ea@minbuza.nl](mailto:pan-ea@minbuza.nl)

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For more information and questions about projects specifically or developments mentioned in this report, contact the Embassy of the Kingdom of the Netherlands in Panama by

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PBN: <https://bit.ly/2yL7Ncx>