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LATIN AMERICA CITIES CONFERENCE

BEYOND THE CANAL: LOGISTICS AS AN ENGINE OF GROWTH
Capital: Panama City

Area: 75,517 km²

Population: 4,037,043 (2016 est.)

Political Division: 10 Provinces & 5 Indigenous Territories

Currency: US Dollar, since 1904

Inflation rate as of July 2015: 1.0%

Languages: Spanish (official), English (commercial)
Panama sustains its leadership in Central America as the largest receptor of incoming FDI

- 16.9% increase in FDI inflows since 2014
- Over 50% of FDI is reinvestment
- Panama receives of 45% of all incoming FDI in Central America

Unemployment Rate 2015
(% of economically active population)

<table>
<thead>
<tr>
<th>Country</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Panama</td>
<td>3.8%</td>
</tr>
<tr>
<td>Paraguay</td>
<td>8.0%</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>6.4%</td>
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<tr>
<td>Mexico</td>
<td>4%</td>
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<tr>
<td>Brazil</td>
<td>7.4%</td>
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</tbody>
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Investment Grade since 2010

- Standard & Poor’s: BBB, Stable
- Fitch Ratings: BBB- Stable
- Moody’s: Baa2, Stable
Panama’s Competitiveness & Unique Advantages
Panama % GDP Growth vs. Reference Countries & Regions

Reference Countries

- Brazil: -3.5%
- Germany: 1.7%
- Mexico: 2.6%
- USA: 2.6%

Regions

- Latin America: -0.3%
- World: 3.4%
- Emerging Economies: 4.3%
- Panama: 6.3%

Source: IMF & World Economic Outlook Report 2016
Logistics Indicators

- **18** % share of GDP from logistic related activities by 2015
- **7°** Port Infrastructure
- **LPI** 2° Latin America
- **45°** Worldwide
- **LSCI** 1° Latin America
- **25°** Worldwide
- **1°** Latin America
  - For transshipment container traffic
- **90** Millions of tons in 2015
- **AEO**
  - Authorised Economic Operator in Panama
- **TEU 6,8** Millions of TEUs in 2015
- **+13** Million passengers in 2015
- **+97** Thousand metric tons in 2015
Panama offers unparalleled quality of life

Panama City is #1 in Central America & #3 in Latin America for its quality of life*
Source: Mercer, Quality of Living Ranking 2016

Panama is ranked as the happiest country in the world & #1 for the wellness of its people*
* Source: Gallup-Healthways Global Well-Being Index 2013 & 2014

#1 in Central America & #4 in Latin America in the UNDP’s Human Development Index*
*Source: UNDP, Human Development Index 2015

#1 retirement destination in the world*
*Source: International Living, Global Retirement Index 2016

#1 in tourism in Central America*
#1 travel destination in the world in 2016²
² Source: Travel+Leisure, Best Places to Travel in 2016
Panama has Latin America’s most active ports, in the Pacific and Atlantic Oceans.

1. Balboa: 3,468,283 TEU
2. Cristóbal: 3,286,736 TEU

Tocumen International has the largest number of direct international flights in Latin America.

- Panamá (PTY): 110,306
- San Juan (SIU): 106,140
- Ciudad de México (MEX): 90,844
- São Paulo (GRU): 71,716
- Cancun (CUN): 66,350
Primary Logistics Clusters

**Puerto de Balboa (Panama Ports)**
- Colón Container Terminal
  - Total Load (t) 2015: 4,674,448
  - TEUs: 789,663
  - Management: Landlord
- Manzanillo International Terminal
  - Total Load (t) 2015: 12,558,562
  - TEUs: 1,974,981
  - Management: Landlord
- PSA Panama International Terminal
  - Total Load (t) 2015: 7,650,843
  - TEUs: 812,783
  - Management: Landlord

**Futuro: Puerto de Isla Margarita**

**1. Zona Libre de Colón**
**2. Panamá Pacífico (ZP Howard)**
**3. Parque logístico MIT**
**4. Parque logístico Parque Sur**
**5. Parque Industrial y Comercial Costa del Este**
**6. Tocumen Storage Complex**
**7. Parque logístico Panamá**
**8. Parque industrial de las Américas**

**Manzanillo International Terminal**
- Vilagranida
- Bocas del Toro
- Colón
- Chiriquí
- Veraguas
- Los Santos
- Panamá
- Colón
- Darién
- Coclé
- Herrera
- Ngäbe Buglé
- Kuna Yala
- Comarca Emberá

**Mar Caribe**
- Costa Rica
- Colombia

**Coiba Island**
- Manzanillo International Terminal
- Colón Container Terminal
- Futuro: Puerto de Isla Margarita

**13,434,673 Passengers**
**2015**

**Total Load (t)**
2015
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Charco Azul: 13,934,292
Chiriquí Grande: 14,933,033
Balboa: 21,248,252
PSA: 1,409,618
PATSA: 1,302,315

**Areas logistical**
- Carreteras principales
- Ferrocarril
- Canal de Panamá
- Puertos
- Aeropuertos
- Pasos de frontera
- Áreas logísticas
UNIQUE Multimodal Logistics & Value-Added Services
Logistic Cabinet
Logistic Cabinet Structure

Primary objective: To turn Panama into a Global Class Logistics Center

1. Institutionality
2. Legal Framework
3. Consolidate Maritime, Air and Land clusters
4. Adopt best practices
5. Develop our human resources
6. Trade facilitation
Our Action Plan

1. National Logistics Strategy 2030
2. Changes to the Regulatory Framework
3. Integral Human Resource Training

Reinforcement of the Interoceanic Hub Zone

1. To strengthen the competitiveness of the Port System (New Port Developments)
2. Develop value-added clusters
3. Expansion of air cargo area at Tocumen
4. Logistics Sector Technology Platform

National Logistics Integration

1. Logistics development in the Western Region
2. Logistics Development of the Central Region
3. Agro Food Logistics
4. Improvement Program tertiary road network

Modernization Plan for Customs Authority

PANAMA: World Class Logistics Hub
Opportunities after the Panama Canal Expansion
Areas with potential for development

- **Container Terminal in Corozal**
  - New container terminal with a capacity of more than 5MM TEUs

- **Logistics Park**
  - Strategic location for distribution and value-added activities

- **Ro-Ro Terminal**
  - Potential for a dedicated transhipment terminal of vehicles.

- **Bunkering**
  - Opportunities to increase market share in the bunkering for ships

- **Power Generation**
  - Competitive cost through the use of LNG as an alternative fuel source

- **LNG Terminal**
  - Capitalize the global flow of LNG, offering to supply LNG ships.
  - Toll rates will promote competitive LNG market between the US Gulf and Asia.

- **Ducting**
  - Opportunities related to the flow of petrochemicals and refined products from one ocean to another

- **Ship Repair**
  - Facilities to provide ship repairs, including maintenance and emergency repairs

- **Top-Off Operations**
  - Potential to develop top-off operations from ship to ship in Panama
New Container Terminal in Corozal
Pacific Ocean side of the Panama Canal

Phase II
Corozal Terminal
Phase I

PPC-Balboa Terminal
ACP Operations

ACP Terminal
PSA Terminal
Rodman Terminal

Third set of locks
Railroad
550m
550m
550m
Currently it is bidding on a feasibility study for an LNG terminal, based on a technical cooperation agreement with the USTDA.

This terminal strengthens the Panama route by allowing:
- Supply ACP generators
- Supply vessels transiting the Canal and / or calling at Panamanian ports
- Re-distribute LNG in the region
Currently the commercial development of an area of 1,200 hectares in the west side of the Canal is being studied.
New Ro-Ro Terminal

Third set of locks

Possible location
Special Economic Regimes & Additional Growth Sectors
Panama offers and ample margin of incentives laws, with attractive advantages for a variety of economic activities.
Specially Incentivized Activities For Multinational Corporations:

- Operations management / administration
- Logistics / warehousing
- Design / construction plans
- Electronic processing
- R&D, product development

125 multinationals registered in the program by June 2016

Total investment over $800 million

Over 5,000 new jobs created
Logistics and distribution platform in the Atlantic Ocean with the best connectivity to Central America, the Caribbean and Andean Pact

- 3000 companies established
- 30,000 jobs created
- Ideal platform to establish and strengthen import and re-export businesses
Special Economic Area: Public-Private Partnership, 40-year State project for social & economic development

Special fiscal, legal migration, labor and customs incentives

A Master-Planned City: One of the largest, most ambitious mixed-use developments in the world, near the Panama Canal

1,000,000 m² commercial space. 20,000 top quality homes. Category 7 airport on site.

8,600 of 40,000 new jobs created to date.
Permitted activities:

Manufacturing, assembly, processing of finished or semi-finished products, logistics services, higher education, scientific research, high technology, environmental services, health services and general services.

Principal fiscal exemptions:
- 0% Income tax in the lease and sublease for free zone promoters
- 0% Income tax for foreign operations
- 0% tax and custom duties exemption for goods and services required for operations

Special labor code and immigration flexibilities

FTZs can be established anywhere in the country.
Future Pillars of Economic Development

- Logistics
- Energy
- Mining
- Tourism
Alternative & Renewable Energy

Energy Infrastructure

2016:
- 57.1% renewables
- 39.8% thermal

2019:
- Diversification of the national energy mix
- +$500 million government investment

2050:
- 70% renewable sources
- Solar and wind energy emphasis
- 5,153MW installed capacity
Energy Infrastructure Development Projects

**CHIRIQUI GRANDE – PANAMA III 500 KV LINE AND ASSOCIATED SUBSTATIONS**

**March 2017**

- 500 KV Transmission Line and 500/230KV Substation
- **Project cost:** USD 474,982,000
- **Structure:** Design and construction bid, will include environmental, sociological, operating and coordination, studies

**SABANITAS – PANAMA III LINE AND ASSOCIATED SUBSTATIONS**

**February 2017**

- 230KV Transmission Line and Substations
- **Project cost:** USD 105,771,000
- **Structure:** design and construction bid that will include environmental, sociological, operating and coordination studies

**PANAMA II – CHEPO – METETÍ LINE AND ASSOCIATED SUBSTATIONS**

**June 2016**

- 230KV Transmission Line and Substations
- **Project cost:** USD 103,633,000
- **Structure:** Design and construction bid, will include environmental, sociological, operating and coordination, studies
Mining

Reserves identified:
- 22 billion Kg. copper
- 12 million Oz. gold
- 708k Kg. silver
- 250 tons molybdenum

Reserves valuation:
Over USD200 billion

The two largest mining projects represent investments over USD 6.5 billion
Tourism & Eco-Tourism

Colon Free Port & Urban Renewal

- The core of the largest city in Panama’s Atlantic side will become a duty-free shopping destination

- Opportunities: USD 700MM investment in construction of houses, health centers, schools, sports complexes, new sewage system, historic building restoration, and social and safety programs

Law 80 - Tourism Incentives

- Exemption from property and income tax

- Encourages investment in hospitality services outside the district of Panama City
Panama’s Metro Master Plan 2040 – 8 Service Lines
Fourth Bridge over the Panama Canal

Project entails the design and construction of a new bridge on the Pacific side of the Panama Canal

6 vehicle lanes + a double lane for Metro Line 3

Estimated construction time: 4 years

Approx. estimated cost: USD 1 billion
Thank You