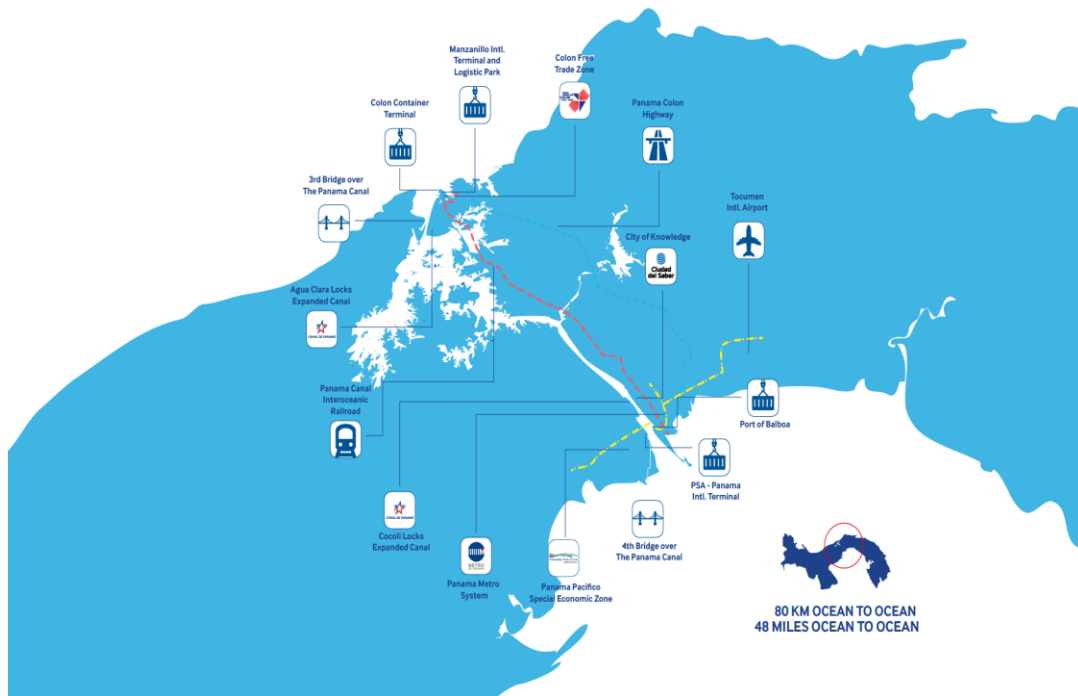




# Examining the Benefits Panama's Logistics Platform Offers to Australian Companies and Panama's Commercial Opportunities in Australia



A Report Drafted for

The Embassy of the Republic of Panama

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Fall 2019

Report Word Count: 8,148

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## Acknowledgments

I would like to thank Ambassador Marcelino Avilés Valdespino of the Republic of Panama for giving me the opportunity to intern and in guiding me throughout my research project, and Mr. Gian Carlo Pedreschi T. for enlightening me with how Panama's logistics platform works in practice and Panama's export potential to Australia. Special thanks to my University of California Santa Barbara network of support: Marisa Flores, Chris Miljanich, Angelica Caudillo, Laurie Freeman, and Malaphone Phommasa in assisting me with my study abroad, scholarship, and Australian National Internship Program applications that led to this opportunity. Lastly, I would like to thank my family for their emotional and financial support throughout my time in Australia while working on the project.

## Executive Summary

With Panama's recent opening of an embassy to Australia on December 2018, diplomatic ties are strengthening, and promotion of Panama's logistics platform is a key feature in commercial diplomacy. The purpose of this report is to highlight the benefits Panama's logistics platform offers to Australian businesses and the commercial opportunities available in Australia to Panama to strengthen the commercial links between both countries. The first section of the report will introduce Panama's logistics platform and illustrate how it functions in practice. Panama's logistics platform consists of two parts, assets and services. Assets consist of the canal, air and seaports, interoceanic railway, logistics parks, special economic and free zones, and the Multinational Corporation Headquarters regime. Services include providers, organizations, research, and education entities that provide information regarding logistics operations. In the second section, I examine the benefits Australian companies can enjoy from utilizing Panama's logistics assets because of connectivity, a cost savings distribution hub, tax-exempt benefits, and a bright economic outlook. Next, I examine the export opportunities available for Australian companies in Latin American and the U.S., followed by the commercial opportunities available in Australia for Panama with rules and restrictions to keep in mind. The following section highlights minor concerns that Australian companies should be aware of if interested in doing business in Panama. Lastly, I point out some recommendations regarding the process to evaluate whether a direct flight from Panama to Australia is worthwhile, organizations that can assist the embassy in promoting Panama's logistics platform, and tools Australian companies can utilize to aid them in deciding whether or not Panama's redistribution hubs are promising for their logistics operations.

## Context

Panama, the Central American country that bridges North and South America, with its expanded canal stretching over 80 kilometres connecting the Pacific and Caribbean Ocean, is the centre of commerce connectivity in Latin America with countries from various continents benefiting because of its strategic geographic location and logistics platform. The logistics platform consists of logistics services and assets. Services are the activities conducted by the government and private organizations that coordinate the movement of goods through supply chains. They include “cargo handling, consolidation, brokerage services, transportation, and consulting.”<sup>1</sup> Assets are the hardware that includes the canal, air and seaports, an interoceanic railway, logistics parks, special economic and free zones, and the Multinational Corporation Headquarters regime. These logistic assets contribute to the bulk of Panama’s service sector which accounted for 65.1% of its GDP in 2018 followed by industry at 29%, manufacturing at 6%, and agriculture at 2%.<sup>2</sup> These numbers indicate that Panama is not a vast exporting country, and services are its major source of revenue totalling \$65.1 billion in 2018.<sup>3</sup>

Currently, Panama is Australia’s largest trading associate in Central America and commercial interests continue to strengthen. Australian companies such as Cochlear and First Quantum are already benefiting from Panama’s logistics platform by utilizing the Multinational Corporate Headquarters regime as their Latin American regional headquarters and managing their operations through special economic zones. Panama seeks to expand its commerce with Australia,

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<sup>1</sup> “Panama’s Logistics Platform” Georgia Tech Panama Logistics Innovation and Research Center, 2019, September 2019, <https://logistics.gatech.pa/en/platform>.

<sup>2</sup> “4.2 World Development Indicators: Structure of output,” World Bank Group, 2019, August 2019, <http://wdi.worldbank.org/table/4.2>.

<sup>3</sup> Ibid

and an evaluation of its products is crucial to determining whether they have potential in Australia's market and the investment and service opportunities Panama can benefit from.

This report argues that Australian companies should take advantage of Panama's logistics platform to prosper their commerce with Latin America and the U.S. because of connectivity, phenomenal redistribution hubs, tax-exempt benefits, and a bright economic outlook. This is crucial to Australian companies because of their growing presence in Latin America and the U.S. that requires the most convenient logistics strategy to maintain a thriving business abroad. For Panama's commercial potential in Australia, the report suggests exporting products that are in low quantity and high quality to sell for a high price and take advantage of foreign direct investment and services opportunities.

## Methodology

This report pulls data and figures from primary and secondary sources through Australia's Department of Foreign Affairs and Trade (DFAT), Australian Trade and Investment Commission, PROINVEX Panama, and Georgia Tech Panama Logistics Innovation and Research Center. The data provides a trend of the increased productivity of Panama's logistics assets and the importance of what these trends indicate to Australian companies. The visual figures will aid in defining what these logistic assets and services are and how they function in practice.

## Panama's Logistic Assets and Services

### Panama Canal

The newly expanded canal, finished in 2016, with its new locks, now permits vessels to carry up to 13,000 twenty-foot equivalent units of containers.<sup>4</sup> It has increased the PC/UMS net tonnage of ships coming from the main trade routes and others that use the canal from 402,770 in 2017 to 441,177 in 2018 by 9.5%.<sup>5</sup> PC/UMS is a measurement of a ship's total volume, 1 PC/UMS is 100 cubic feet of storage. These increased measurements indicate that the canal has had increasing vessel capacity from various routes in the last year due to its expansion. It moves 8% of the world trade and vessels can reach any city in the Americas within ten days.<sup>6</sup>

Additionally, as depicted in figure 1, there was a total of 13,795 transits, which includes vessels of various sizes with tolls of 2,484,696,000 and cargo worth 255,049,145 U.S. dollars.<sup>7</sup> Compared to 2016, there has been an increase in the number of transits and cargo value. The number of cargos coming into the canal has increased because the expanded canal has allowed larger ships to enter, and according to data from Panama Canal and displayed by the Georgia Tech Panama Logistics Center, "grains, coal, minerals and metals, crude oil and fuels, and containerized cargo" were the main products that made their way through the canal.<sup>8</sup> In 2018, from the Atlantic to Pacific there was a total of 159,022 thousand long tons compared to 154,943

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<sup>4</sup> "Panama Canal Expansion," Georgia Tech Panama Logistics Innovation and Research Center, 2019, August 2019, <https://logistics.gatech.pa/en/assets/panama-canal/expansion>.

<sup>5</sup> "Statistics" Georgia Tech Panama Logistics Innovation and Research Center, 2019, August 2019, <https://logistics.gatech.pa/en/assets/panama-canal/statistics>.

<sup>6</sup> "Multimodal Logistics," PROINVEX, August 2019, <https://www.proinvex.gob.pa/strategic-sectors/multimodal-logistics>.

<sup>7</sup> "Statistics," Georgia Tech Panama Logistics Innovation and Research Center, 2019, August 2019, <https://logistics.gatech.pa/en/assets/panama-canal/statistics>.

<sup>8</sup> Ibid



in 2017, whereas in 2018 from Pacific to Atlantic, there was 96,027 thousand long tons compared to 86,160 in 2017. These numbers indicate an increase of commodities based on the calculated weight making their way through the canal looking at 2016-2018 statistics indicating that Panama’s canal continues to prosper international trade.

Figure 1: Statistics on the Transits, Tolls, and Long Tons of Cargo based on Fiscal year

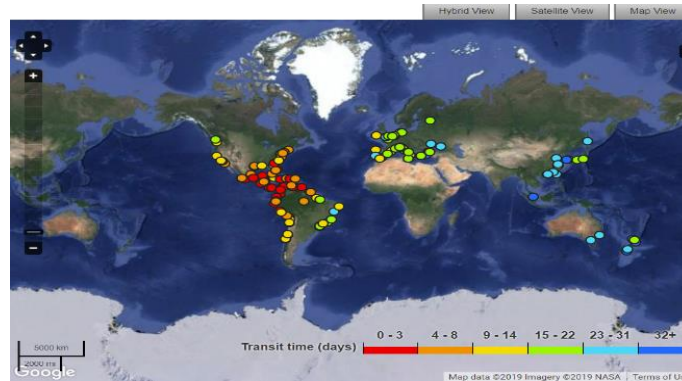
Fiscal Year	Number of transits	Tolls	Long tons of cargos
2018	13,795	2,484,696,000	255,049,145
2017	13,548	2,238,035,000	241,008,112
2016	13,114	1,932,993,872	204,706,283
2015	13,874	1,991,295,609	229,147,990
2014	13,481	1,910,233,817	227,518,351
2013	13,660	1,849,679,052	212,108,694
2012	14,544	1,852,409,775	218,054,902
2011	14,684	1,730,052,192	222,357,111
2010	14,230	1,481,962,773	204,854,465

Data Sourced: “Statistics Traffic.” *Georgia Tech Panama Logistics Innovation and Research Center*, 2019, <https://logistics.gatech.pa/en/assets/panama-canal/statistics>.

Figure 2 depicts the number of days it takes ships to meet their destinations across Latin America, the U.S, Europe, Asia, and Australia.<sup>9</sup> Ten days is the estimate time for vessels from Panama to arrive at any port in Latin America. From Panama to Australia and vice versa, it is estimated at 23-31 days for vessels to arrive in Sydney and Melbourne ports. As this image shows, Australia is already connected and benefiting from Panama.

<sup>9</sup> “Statistics Traffic” *Georgia Tech Panama Logistics Innovation and Research Center*, 2019, August 2019, <https://logistics.gatech.pa/en/assets/panama-canal/expansion>.

Figure 2: Estimated Transit Time (days) for Container Line Services



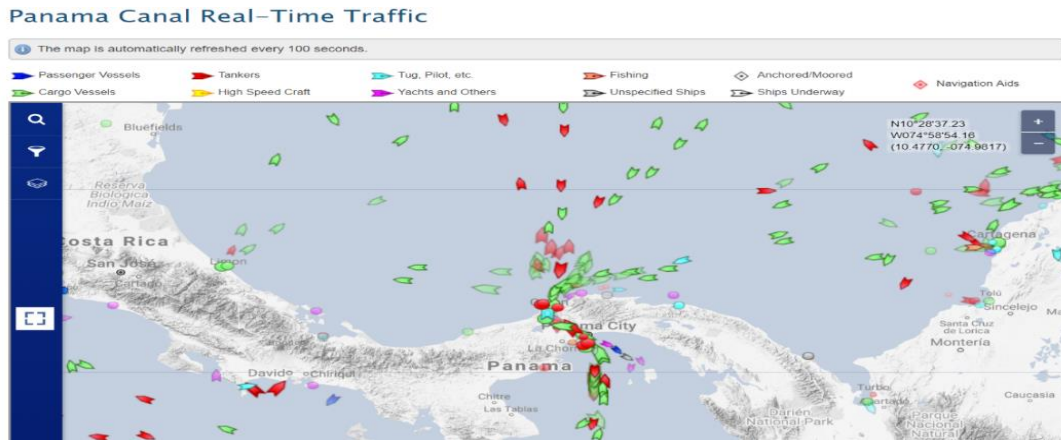
Data Sourced: “Transit Times for Container Liner Services.” *Georgia Tech Panama Logistics Innovation and Research Center*, 2019, <https://logistics.gatech.pa/en/assets/panama-canal/expansion>.

Figure 3 illustrates how traffic flows when vessels go through the canal in the Pacific and Caribbean Sea.<sup>10</sup> Every 100 seconds the traffic map changes, so this image is only for visualization purposes. Most ships sailing through the canal are cargo vessels that carry a variety of agricultural products, chemicals, equipment, and other goods. Tankers are the second frequent class of ships passing by and carry shipments of liquids and gases. The remainder class of ships do not play a critical role in the flow of international trade like cargo vessels and tankers do but nonetheless undertake activities that require passing through the canal.

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<sup>10</sup> “Panama Canal Real-Time Traffic Canal,” *Georgia Tech Panama Logistics Innovation and Research Center*, 2019, August 2019, <https://logistics.gatech.pa/en/assets/panama-canal/traffic>.

Figure 3: Real-Time Traffic



Data Sourced: “Panama Canal Real-Time Traffic Canal.” *Georgia Tech Panama Logistics Innovation and Research Center*, 2019, <https://logistics.gatech.pa/en/assets/panama-canal/traffic>.

## Sea Ports

Panama’s seaports allow for exceptional maritime connectivity, and ships that stop by a Panamanian port, connect with 148 other ports in 50 countries; and in 160 countries, there are over 1700 ports where ships have utilized the 144 maritime routes to arrive at their destinations.<sup>11</sup> Panama’s most frequently used container seaports consist of the Manzanillo International Terminal, Colon Container Terminal, Cristobal, Balboa, and PSA Panama International Terminal. Container ports are unique because of the process cargo movements go through from the time vessels arrive to unload goods and reaching the receiver. As figure 4 illustrates, the first stage of the distribution of goods commences when vessels unload merchandise at a port, from then it is stored in a temporary area, and eventually transferred to delivery. Delivery is carried out by Panama’s train tracks, trucks, truck chassis, tractor-trailers, and planes.<sup>12</sup> Figure 5 indicates that

<sup>11</sup> “Multimodal Logistics,” *PROINVEX*, August 2019, <https://www.proinvex.gob.pa/strategic-sectors/multimodal-logistics>.

<sup>12</sup> “Basic Concepts: Container Ports,” *Georgia Tech Panama Logistics Innovation and Research Center*, 2019, August 2019, <https://logistics.gatech.pa/en/assets/seaports/concepts>.

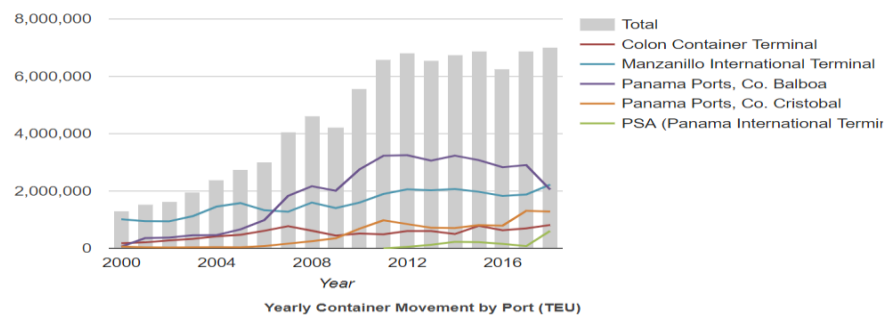
the Manzanillo International terminal is the more promising one, with an increase of 18.5% from 2017-2018, 16.4% for Colon Container Terminal, and 646% for Panama International Terminal.<sup>13</sup>

Figure 4: Container Sea Port Operations



Data Sourced: “Basic Concepts: Container Ports.” *Georgia Tech Panama Logistics Innovation and Research Center*, 2019, <https://logistics.gatech.pa/en/assets/seaports/concepts>.

Figure 5: Comparison of Container Movement by Port



Data Sourced: “Seaport Statistics: Container Movement Statistics.” *Georgia Tech Panama Logistics Innovation and Research Center*, 2019, <https://logistics.gatech.pa/en/assets/seaports/statistics>.

## Air Connectivity

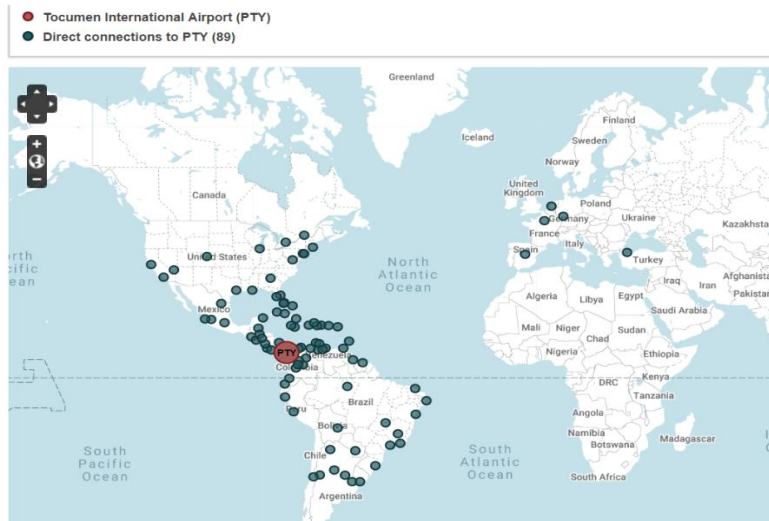
Panama’s air connectivity connects flights to destinations across Europe, the Middle East, and sixteen locations across Canada and the U.S. as figure 6 illustrates.<sup>14</sup> The advantage of Panama’s air connectivity is that public and private air services can save Australian companies time and costs when exporting their goods to various regions within the Americas. Tocumen

<sup>13</sup> “Seaport Statistics: Container Movement Statistics,” *Georgia Tech Panama Logistics Innovation and Research Center*, 2019, August 2019, <https://logistics.gatech.pa/en/assets/seaports/statistics>.

<sup>14</sup> “Multimodal Logistics,” *PROINVEX*, “n.d.,” August 2 2019, <https://www.proinvex.gob.pa/strategic-sectors/multimodal-logistics>.

International Airport is Panama’s most crucial airport to international trade because of the role it plays as a regional hub.<sup>15</sup>

Figure 6: Panama’s Direct Air Connectivity



Data Sourced: “Air Connectivity.” *Georgia Tech Panama Logistics Innovation and Research Center*, 2019, <https://logistics.gatech.pa/en/assets/airports/connectivity/>.

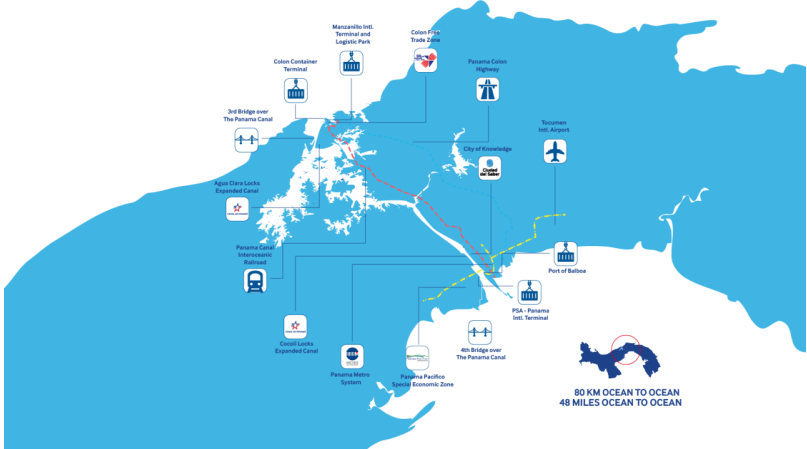
Currently, one of the flight interests Panama is seeking with Australia is an airline connectivity directly from Australia to Panama and vice versa for passenger freight and commercial operations. Air New Zealand and Copa Airlines would be the most convenient airline companies to approach an opportunity for a support code because both are members of Star Alliance, a leading airline global network alliance comprising of various airline companies that receive distinct benefits.

## Interoceanic Railroad

<sup>15</sup> “Air Connectivity,” *Georgia Tech Panama Logistics Innovation and Research Center*, 2019, September <https://logistics.gatech.pa/en/assets/airports/connectivity/>.

Panama’s interoceanic railway provides a 75-minute travel time from the Pacific to the Caribbean Sea allowing links to various logistics assets. For instance, in figure 7, ships arriving from the Pacific can dock cargo at port of Balboa then connect with the interoceanic railway. The interoceanic railway will either unload the shipment to the Colon Free Trade Zone where they get stored and distributed or load those goods to another ship departing from the Caribbean ocean.<sup>16</sup>

Figure 7: Interoceanic Railroad



Data Sourced: “Multimodal Logistics.” *PROINVEX*, 2019, <https://www.proinvex.gob.pa/strategic-sectors/multimodal-logistics>.

### Free Trade and Special Economic Trade Zones

Free trade and special economic trade zones are areas where investors locally and abroad can invest to start companies, conduct international trade, and engage in a variety of services that include manufacturing. Free trade zones range with a variety of services and include employment opportunities and start-up of companies. The three more prominent ones are the Colon Free Zone, Ciudad del Saber, and Panama Pacifico.

<sup>16</sup> “Multimodal Logistics,” *PROINVEX*, “n.d.,” August 2 2019, <https://www.proinvex.gob.pa/strategic-sectors/multimodal-logistics>.

Colon Free Zone is a platform that specializes in imports and re-exports, sales, manufacturing, and where tax-exempt goods are redistributed from Europe, Asia, and the Americas.<sup>17</sup> It currently holds four container seaports and storage for a variety of merchandise. One of the container seaports links with the railway and has a connection of highways that leads to the global market through maritime connectivity.<sup>18</sup> More than 3000 companies are currently taking advantage of the Colon Free Zone.

Panama Pacifico specializes in high-tech manufacturing, maritime aviation services, and business services. It is a centre with warehousing, redistributing centres, manufacturing activities, and commercial sectors. More than 250 companies are currently benefiting from this zone including Dell, Heinz, HP, LACOSTE, and 3M among others.

Ciudad del Saber technology Park focuses on biosciences, the environment, creative and cultural industries, business management, and entrepreneurship.<sup>19</sup> Currently, there are over 31 academic institutions registered, and more than 171 business entities installed, among these are the U.N., HP, Florida State University, and Copa Airlines.<sup>20</sup> Fundación Ciudad del Saber, a non-profit organization in the zone, is tasked with attracting and installing various business organizations, non-profits, research centres, academic programs, and international agencies.<sup>21</sup>

## Multinational Corporation Headquarters

Panama's Multinational Corporation Headquarters (MHQ) is a special regime that provides tax-exempt benefits, benefits in labour, and customs and immigration to corporations

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<sup>17</sup> "Colon Free Zone," PROINVEX, 2019, August 2019, <https://www.proinvex.gob.pa/special-incentives/colon-free-zone>.

<sup>18</sup> Ibid

<sup>19</sup> "Ciudad del Sabor," PROINVEX, 2019, 1 September 2019 <https://www.proinvex.gob.pa/special-incentives/ciudad-del-saber>.

<sup>20</sup> Ibid

<sup>21</sup> Ibid

looking to install their regional headquarters in Panama.<sup>22</sup> Since 2017 there have been more than 140 multinational corporations that have installed their headquarters in Panama. These companies have created more than 5500 jobs and investments have cumulated to more than \$800m.<sup>23</sup> Dell, SAMSUNG, SONY, BMW, and Nike are among many who are currently benefiting from the MHQ. Panama's strategic location at the centre of the Americas allows companies to closely monitor their operations in both continents and utilize the canal and airports to redistribute their products. Companies can also take advantage of complimentary and dividend tax and license tax exemptions to increase their revenue with benefits in labour and customs.<sup>24</sup> Benefits for labour and customs and immigration include a five-year visa stay of which workers and their families can renew.<sup>25</sup> In addition, after the five-year visa stay, residents can stay permanently, and for technicians, it tends to be 3 months of visa with the choice of renewal.<sup>26</sup>

## Logistics Parks

Panama's logistics parks are areas of distribution, transportation, storage, and logistics coordination that provide a range of services. The MIT Logistics park, for instance, contains five companies currently doing operations with 66,000 m<sup>2</sup> of area. It specializes in transportation services and warehousing that stores various sorts of products, and distribution operations.<sup>27</sup> The most developed is the Costa del Este Industrial and Commercial Park that has 65 companies operating with an area of 20.5 hectares. The Parque Sur and Panama Logistics Park are among a

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<sup>22</sup> "Multinational Headquarters," PROINVEX, 2019, August 17 2019, <https://www.proinvex.gob.pa/special-incentives/multinational-headquarters>.

<sup>23</sup> Ibid

<sup>24</sup> Ibid

<sup>25</sup> Ibid

<sup>26</sup> Ibid

<sup>27</sup> "Logistics Parks Overview," Georgia Tech Panama Logistics Innovation and Research Center, 2019, September 2019, <https://logistics.gatech.pa/en/assets/logistics-parks/overview>.



few residing in the East side of Panama City that are in close approximate to the international airport, economic zones, and maritime connectivity.<sup>28</sup>

## Panama's Logistic Services

Panama's logistic services consist of various types of providers that meet the needs of business logistics operations and have their contact information posted on the Georgia Tech Panama Logistics Innovation & Research Center website. Service providers consist of warehousing operations, transportation management, shipping agencies, ocean shipping companies, air shipping companies, logistics consultants, and technology among others. Associations and chambers, government agencies and authorities, and humanitarian organizations also provide various services regarding logistics, and companies can take advantage of institutions like Florida State and Georgia Tech Panama Logistics Innovation & Research Center that provide a range of knowledge and research on Panama's logistics platforms crucial to the needs of the company.

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<sup>28</sup> Ibid

## Advantages of Utilizing the Logistics Platform for Australians

In the previous section, I briefly introduced Panama's logistics platform and how it functions in practice. Now, I will highlight the advantages Australian companies can gain from utilizing these logistics platforms to prosper their trade with Latin America and the U.S. Because of connectivity, phenomenal redistribution hubs, tax-exempt benefits, and a bright economic outlook, Australian businesses can save high costs of expenditures in distributing their goods to Latin American countries and the U.S.

### Connectivity

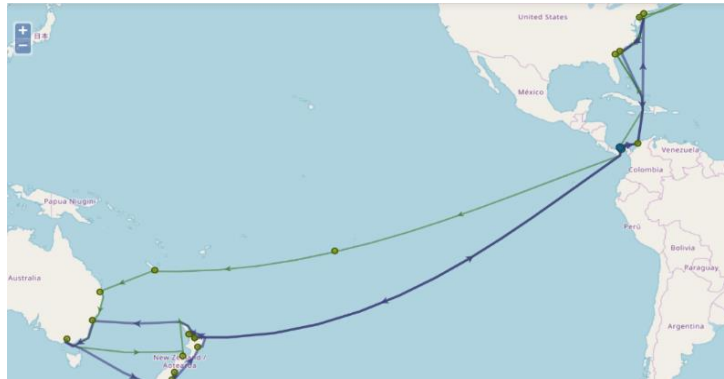
As figure 8 illustrates, Australia is already benefiting from utilizing Panama's canal for connectivity to other cities. Melbourne, Sydney, and Brisbane are the current ports where vessels go straight to Panama, stop at New Zealand to connect with other vessels, or sail directly from New Zealand to Panama.<sup>29</sup> Passing the canal to the Caribbean ocean, there is already connectivity to U.S. cities such as New York, Philadelphia, Charleston, and Savannah where goods are distributed. Also, figure 9 shows that vessels stopping in the eastern side of the U.S. are already connected with European cities such as London, Dunkirk, Zeebrugge, and Rotterdam.<sup>30</sup> These figures confirm that connectivity is already established, and Australian companies have various options to where their goods can be distributed.

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<sup>29</sup> "GT Panama Maritime Connectivity Tool," Georgia Tech Panama Logistics Innovation and Research Center, 2019, accessed September 2019, <http://ports.gatech.pa/>.

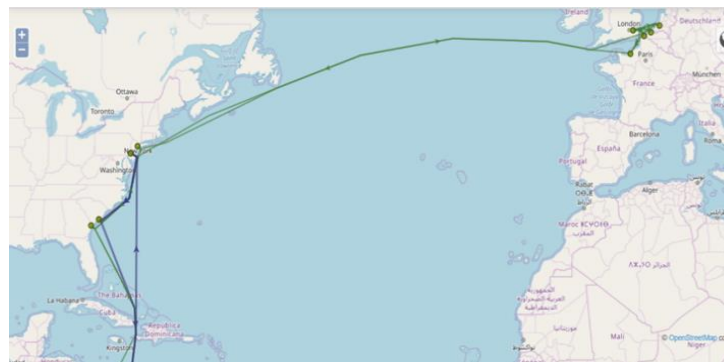
<sup>30</sup> Ibid

Figure 8: Australia's Connectivity to Panama



Data Sourced: "GT Panama Maritime Connectivity Tool." *Georgia Tech Panama Logistics Innovation and Research Center*, 2019, <http://ports.gatech.pa/>.

Figure 9: Australia's Connectivity from Panama to the U.S. and Europe



Data Sourced: "GT Panama Maritime Connectivity Tool." *Georgia Tech Panama Logistics Innovation and Research Center*, 2019, <http://ports.gatech.pa/>.

## Redistribution Hubs

Redistribution hubs in Panama tend to be more convenient than their Latin American counterparts regarding costs and transportation time. Figure 10 assesses a comparison between the estimated days and distribution of goods from Panama to Miami and Colombia to Miami at a volume (TEU/Month) of 100 with a value of goods (U.S./TEU) at 5000 from Sydney's port.<sup>31</sup> The

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<sup>31</sup> "Why locate your distribution hub in Panama?" *Georgia Tech Panama Logistics Innovation and Research Center*, 2019, August 2019, <https://whypanama.gatech.pa/>.

total in-transit inventory calculates the cost it takes for goods from the supplier to arrive at the receiver. As revealed in the figure, the total in-transit inventory from using Manzanillo as a redistribution hub is 6,333,333 compared to Cartagena’s 8,333,333. These numbers indicate that Panama is the ideal hub of distribution for Australian goods in transit from Sydney compared to Colombia’s distribution hub because of the total in-transit inventory cost and shorter time for the goods to arrive at Miami. This is only one example I was able to dissect using the “Why locate your distribution hub in Panama?” tool. Melbourne and Brisbane are also available in this tool and is accessible to the public.

Figure 10: Panama Hub Comparison



Data Sourced: “Why locate your distribution hub in Panama?” *Georgia Tech Panama Logistics Innovation and Research Center*, 2019, <https://whypanama.gatech.pa/>.

### Tax Benefits

In addition to cost and time-saving benefits from redistribution hubs, there are various tax-exempt benefits for companies managing their regional operations from Panama. Corporate tax in Panama is one of the lowest among the Americas at 25% lower than the U.S. and Mexico, and logistics companies get 100% tax-exempt in their domestic and international operations.<sup>32</sup> Panama

<sup>32</sup> “Multimodal Logistics,” *PROINVEX*, 2019, August 2019, <https://www.proinvex.gob.pa/strategic-sectors/multimodal-logistics>.

Pacifico, Colon Free Zone, Free Trade Zones, and MNC all offer tax incentive benefits as figure 11 shows.<sup>33</sup> This figure indicates the wide range of tax-exempt benefits available to Australian companies if they were to operate under these investment regimes. Besides these tax-exempt benefits, Panama’s thriving economy is the more promising reason to safely utilize this logistics platform.

Figure 11: Comparison of Tax-Exempt Benefits for Each Zone

Description	Colon Free Zone	Panama Pacifico	Free Zone	SEM
<b>1 - Fiscal Regime (40 Items)</b>				
Exempt from Income Tax	✓	✓	✓	(12)
Exempt from Dividends Tax / Complementary Tax		✓ (2)		✓
Dividends Tax (discounted at 5%)	✓		✓	
Complementary Tax (discounted at 2%)			✓	
Annual Tax (1% of company's accumulated capital)		✓ (3)	✓	✓ (13)
Annual Tax (0.5% of company's accumulated capital)	✓			
Exempt from tax on remittances or withholding		✓		
Exempt from import taxes, tariffs or any fees	✓	✓ (4)	✓	
Exempt from export taxes	✓	✓	✓	
Exempt from reexport taxes	✓	✓		
Exempt from invoicing, selling and production taxes	✓	✓	✓	
Exempt from ITBMS		✓ (5)	✓	✓ (14)
Exempt from tax, tariff, fees or any charges to the movement of hydrocarbons		✓		
Free from commercial or industrial license		✓		✓
Exempt from Registration Tax (Notice of Operation)	✓	✓	✓	✓
Exempt from Stamp Duty		✓	✓	
Exempt from Property Taxes		✓ (6)	✓	✓
Exempt from tax on property transfer		✓	✓	
Exempt from taxes on reexport incomes	✓	✓		
Exempt from taxes on incomes earned from foreign sources	✓	✓		
Exempt from Divident Tax to shareholders residents abroad	✓	✓		
Exempt from taxes to investments	✓	✓		
Exempt from taxes on license or patent (invention)			✓	
Exempt from tax, tariff, fees or any charges on payments to foreign creditors on financial activities				
Exempt from tax, tariff, fees or any charges on payments to the leasing of equipments		✓		

Data Source: “Investment Regimes Comparison.” *Georgia Tech Panama Logistics Innovation and Research Center*, 2019, <https://logistics.gatech.pa/en/assets/special-economic-zones/comparison>.

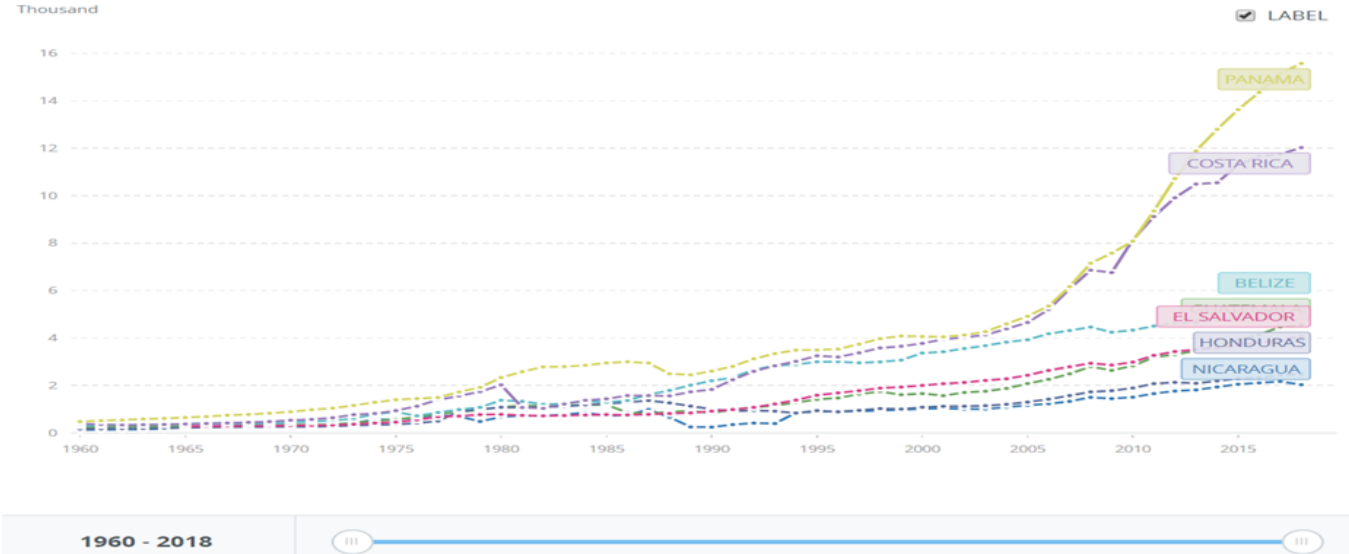
## Panama’s Economic Outlook

Panama’s economic outlook looks very promising in the Central American region as figure 12 depicts. Its GDP per capita (current US\$) has increased significantly after the 1990s, has

<sup>33</sup> “Investment Regimes Comparison,” *Georgia Tech Panama Logistics Innovation and Research Center*, 2019, September 2019, <https://logistics.gatech.pa/en/assets/special-economic-zones/comparison>.

outperformed various central American countries, and is projected to increase in the following years. This indicates that Panama’s economy is healthy, thriving, and is a safe investment for Australian companies looking to install and manage their regional operations. Despite Panama’s promising economy, equally important, is to examine Australia’s export potential to Latin America and the U.S.

Figure 12: Panama’s GDP per capita (current US\$)



Data Source: “GDP per capita (current US\$).” World Bank Group, 2019, <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=NI-GT-HN-SV-BZ-CR-PA>.

# Australia's Export Potential to Latin America and the U.S.

## Australia's Major Exports to Latin America

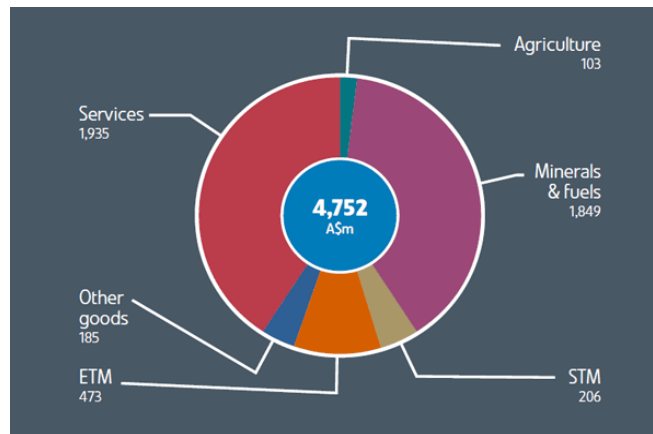
For Australian exporting companies to utilize Panama's logistics platform they must produce export potential products in demand, therefore, an examination of the goods produced and exported to Latin America and the U.S. is crucial to this analysis. In this section, I will be discussing the export opportunities in Latin America available to Australian companies. Because of the abundance of information available for each Latin American country I will focus on the opportunities most relevant to the expertise of Australian companies. The bulk of my sources for this section consists of Australia's Department of Foreign Affairs and Trade and The Australian Trade and Investment Commission.

As figure 13 points out, minerals and fuels were one of Australia's major exports to Latin America in 2016-2017.<sup>34</sup> Australian multinational mining companies such as Rio Tinto and BHP are currently benefiting from extraction sites in Canada, Brazil, Chile, and other countries in Latin America. One Australian mining company, First Quantum, engaged with mining exploration and extraction, is currently registered under the Multinational Corporation Headquarters and is utilizing the canal to ships its copper extractions as figure 14 illustrates.

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<sup>34</sup> "Australia's trade with Latin America," Department of Foreign Affairs and Trade, 2018, September 2019, <https://dfat.gov.au/about-us/publications/trade-investment/business-envoy/Pages/march-2018/australias-trade-with-latin-america.aspx>.

Figure 13: Australia's exports to Latin America



Source Data: "Australia's trade with Latin America." *Department of Foreign Affairs and Trade*. 2018, <https://dfat.gov.au/about-us/publications/trade-investment/business-envoy/Pages/march-2018/australias-trade-with-latin-america.aspx>.

Figure 14: First Quantum Copper Concentrate ship loading



"Photos and Videos." *First Quantum Minerals LTD*, 2017, <https://www.first-quantum.com/Our-Business/Development-Projects/Cobre-Panama/Photos-and-Videos/default.aspx>.

Australian mining companies operating in Latin America, and not registered under Panama's MHQ, should install their regional headquarters in the area because of tax exemption benefits for their operations and various mining projects currently in transition to development that



require foreign direct investment such as Santa Rosa and Cerro Quema for gold and copper extractions.<sup>35</sup> Because one of Australia's major sectors of commerce involves mining, mining companies have the expertise in manufacturing technology and equipment for processing techniques in their operations. This advantage can benefit various Australian mining companies by exporting these goods to Latin American countries in need of advanced mining equipment for their operations through Panama's logistics platform offering cost-saving distribution benefits.

The other major Australian export to Latin America is services such as consulting, finance, tourism, education, language and hearing among others. Cochlear is one notable Australian multinational corporation that has benefited tremendously from utilizing Panama's logistics platform. Cochlear is a company dedicated to the creation and designing of implantable devices for hearing solutions to reconnect people to the world. It is currently registered with the Multinational Corporation Headquarters regime, and since 2017, has more than 20 operations in various countries, and its products are sold in over 100 countries.<sup>36</sup> Cochlear gains 90% of its earnings from Argentina, Brazil, Colombia, and Mexico. Its installation in Panama allows it to successfully manage its regional operations from both sides of the Americas.<sup>37</sup> In addition to being registered under the MNC, Cochlear is operating in Panama Pacifico for its regional activities.

Manufactured products such as elaborately transformed (ETM) and simply transformed (STM) are the least exported to Latin America. Elaborately transformed goods consist of machinery with advanced technology for mining and agriculture whereas simply transformed consists of chemicals, mining equipment, leather, heating, and cooling equipment parts. Despite

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<sup>35</sup> "Mining," *Business Panama Group*, 2019, September 2019  
<https://www.businesspanama.com/invest-in-panama/mining/43/b/>.

<sup>36</sup> Smith, Chris. "2017 Investor Day Cochlear Latin America," *Cochlear*, May 2017, August 2019,  
[https://coh.live.irmau.com/irm/PDF/1416\\_0/COHHostsInvestorDay4May2017](https://coh.live.irmau.com/irm/PDF/1416_0/COHHostsInvestorDay4May2017).

<sup>37</sup> Ibid

manufactured products being the second to last least class of exports, there are growing opportunities in Latin America Australian companies can take advantage of. For instance, figure 15 highlights the growing commercial sector opportunities in Latin American countries that require machinery, technology, and equipment Australian companies can provide. The sources I use for this information derive from Australia’s Department of Foreign Affairs and Trade country sheet and Australian Trade and Investment Commission.

Figure 15: Categories of Sector Opportunities and Export Potential to Australian Businesses

Countries	Sector Opportunities	Major Australian Exports
Argentina	Renewable Energy, Mining, Oil and Gas, Primary production and Agribusiness, Environmental and Water Management, Education, Wine, Construction	Coal, Crude Vegetable Matter, Leather, Goods Vehicles
Bolivia	Agriculture, Water Resource Management and Tourism.	Civil Engineering Equipment & Parts, Artwork & Antiques, Heating & Cooling Equipment & Parts, and Medical Electrodiagnostic Apparatus
Brazil	Mining, Health, and Medical	Coal, Aluminium, Aircraft, Spacecraft & Parts, Insecticides, Herbicides, Disinfectants
Chile	Energy, infrastructure, Food, Agritech, and Mining	Coal, Measuring & Analysing Instruments, Electrical Circuits Equipment, Agric Machinery (excl tractors) & Parts
Colombia	Mining	Civil Engineering Equipment & Parts, Electrical Circuits Equipment, Food Processing Machines & Parts, Electrical Machinery & Parts
Costa Rica	Agriculture, Information technology, Communications	Ships, Boats & Floating Structures, Electrical Circuits, Equipment, Fertilizers (excl crude), Paper & Paperboard.
Cuba	Biotechnology, Agricultural, Mining	Rubber Tires, Electrical Machinery, Tubes, and various Instruments used for measurement purposes.
Dominican Republic		Meat, Margarine, Coated Flat-Rolled Iron & Steel, and Paper & Paperboard.
Ecuador	Mining	Food Machinery and Parts, Instruments of Measurements, Petroleum, and Paper and Board.

El Salvador	Services, Clean Energy	Milk, Cream, Whey & Yogurt, Aluminium, Coated Flat-Rolled Iron & Steel, Edible Products & Preparations
Guatemala	Professional Services, Agribusiness	Agricultural Machines and Equipment for Household Environments.
Honduras		Paper and Electrical Machinery, followed by Fertilizers, Rubber Tyres, and Tubes.
Mexico	Mining, Aviation, and Aerospace, Oil and Gas	Fertilisers (excl crude), Other ores & Concentrates, Meat (excl beef), f.c.f., Non-electrical machinery & Parts
Nicaragua		Agricultural Machinery, Cooling and Heating Parts, and Machine Tools
Panama	Mining, Infrastructure, Clean Energy	Misc. Manufactured Articles, News, Mechanical Handling Equip & Parts, Plastic Tubes, Pipes & Hoses, Electrical Circuits Equipment
Paraguay	Agribusiness	Pharm products, Iron and Steel, and Crude Vegetable Matter
Peru	Mining, Oil and Gas, Water	Salts of Inorganic Acids & Metals, Measuring & Analysing Instruments, Prepared Additives for Mineral Oils, Specialised Machinery & Part
Venezuela		Vehicle Parts, Tubes and Rubber Tyres, and Equipment Parts of the Telecom
Uruguay	Mining, Agriculture, and Infrastructure	Crude Vegetable Matter, Hides & Skins, Raw (excl fur skins), Wool & other Animal Hair (incl tops), and Coated Flat-Rolled Iron & Steel.

All these sectors are the areas Australian companies have the most potential for machinery, technology, and equipment exports. Australia's agricultural products are very minimal in Latin America because various countries produce the same fruits and vegetables as Queensland and other similar regions, and countries without these products can import them from their neighbours at a lower price than what it would cost from Australian exporters. Also, Panama is a small country, and its agricultural export sizes are very limited because of the region's size in providing the cultivation to produce these goods.

In sum, the Latin American countries I highlighted with sector opportunities will require technology, equipment, and machinery to undergo various projects of which Australian companies can provide. Mining is the most promising investment sector for Australian companies to export

technology, equipment, and machinery. This is particularly beneficial to Panama, as there are growing mining opportunities. According to *UNCTAD*, in 2018 FDI inflows of 5.0-9.9 billion boomed in Panama and that was due to heavy investment in mining.<sup>38</sup> For Australian companies to successfully distribute these products across the Americas, it would require Panama's logistics assets, services, and distribution hubs as the preeminent logistics strategy for cost saving-benefits.

## Australia's Major Exports to the U.S.

Figure 16 depicts the top ten products the U.S. imports from Australia, and according to the list, beef is the top export to America. From 2017-2018, there has been an increase in the number of beef exports with a promising 4.8% growth in the next five years.<sup>39</sup> The other products show promising opportunities except for alcoholic beverages and medical instruments which had a slight decrease from 2017-2018. These ten categories of merchandise exports are the most promising for Australian producers in the upcoming five years. Other growing export potential opportunities for Australian companies are in the renewable energy, technology, agribusiness, and cybersecurity sector.<sup>40</sup>

As figures 8 and 9 depicted, there are already maritime connections between Australia and the U.S to cities like New York, Philadelphia, Charleston, and Savannah. Also, there are direct flights to U.S. cities from Panama where Australian products can easily make their way into the markets. Australian companies looking to expand their commerce in the U.S. have the advantage

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<sup>38</sup> "Country fact Sheet: Panama," *United Nations Conference On Trade And Development*, 2019, September 2019, [https://unctad.org/sections/dite\\_dir/docs/wir2019/wir19\\_fs\\_pa\\_en.pdf](https://unctad.org/sections/dite_dir/docs/wir2019/wir19_fs_pa_en.pdf).

<sup>39</sup> "Export Markets United States of America," *Australian Trade and Investment Commission*, 2019, September 2019, <https://www.austrade.gov.au/Australian/Export/Export-markets/Countries/United-States-of-America/Market-profile>.

<sup>40</sup> Ibid

of utilizing Panama’s redistribution hub and other logistics operations to reach American markets at cost and time-saving benefits.

Figure 16: Australia’s Merchandise Exports to the U.S.

**TABLE 58: AUSTRALIA'S MERCHANDISE TRADE WITH UNITED STATES (a)(b)**  
(A\$'000)

Rank Commodity	2016	2017	2018	% growth	
				2017 to 2018	5 year trend
<b>Top merchandise exports</b>					
<b>Total merchandise exports</b>	<b>12,434,718</b>	<b>12,270,190</b>	<b>13,439,973</b>	<b>9.5</b>	<b>4.8</b>
1 011 Beef, f.c.f.	1,726,972	1,672,824	1,755,972	5.0	3.0
2 792 Aircraft, spacecraft & parts	1,052,848	910,515	1,074,356	18.0	7.0
3 541 Pharm products (excl medicaments)	618,981	672,857	1,059,416	57.5	87.0
4 012 Meat (excl beef), f.c.f.	844,369	988,555	993,008	0.5	15.1
5 684 Aluminium	68,478	248,301	518,722	108.9	37.8
6 112 Alcoholic beverages	482,079	474,629	448,288	-5.5	-0.9
7 899 Misc manufactured articles, nes	331,923	364,786	390,776	7.1	15.2
8 872 Medical instruments (incl veterinary)	349,724	397,168	334,940	-15.7	-2.2
9 874 Measuring & analysing instruments	218,900	242,173	290,925	20.1	9.4
10 764 Telecom equipment & parts	283,430	274,887	284,906	3.6	5.7

Data Source: “Export Markets United States of America.” *Australian Trade and Investment Commission*, 2019, <https://www.austrade.gov.au/Australian/Export/Export-markets/Countries/United-States-of-America/Market-profile>.

## Commercial Opportunities for Panama in Australia

According to Australia's Department of Foreign Affairs and Trade in 2018, most Panamanian exports consisted of products such as rubber tires, civil engineering gear, coffee and substitutes, and vehicles with the capacity to carry a wide range of products.<sup>41</sup> Most of these products, except coffee, are not produced by Panama but get redistributed from other countries that specialize in the production of those goods. Agriculture is Panama's least exporting sector, and most agricultural goods it produces are distributed to the locals for consumption. These agricultural products include a variety of fruits, vegetables, rice, sugar canes, coconut, potatoes, and coffee. The agricultural products that do get exported mainly ship to Latin American countries and the U.S. because of its proximity and low-cost compared to countries outside its hemisphere. Any agricultural exports to Australia would need to be of low quantity, high quality, and specialized goods to cover the cost of transportation and achieve profit.

Two products that Panama sees of value in the market is the Geisha special coffee and CACOA. Geisha special coffee has won international competitions because of its rich flavour and currently sells in Australia at a high price because of its popular demand. The weather conditions in Panama and land where Geisha is grown allows for the cultivation of its rich flavour. COCOA is an agricultural product that is used to make delicious chocolate and is starting to popularize in Panama. These are examples of agricultural products that have potential in the Australian market because they are low in quantity, are of high quality, and are specialized goods.

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<sup>41</sup> "Panama Country Fact Sheet," Department of Foreign Affairs and Trade, 2019, August 2019 <https://dfat.gov.au/trade/resources/Documents/pana.pdf>.

Other goods that have potential in Australia's market include Panama culture coffee, packaged frozen fruit, Panamanian rum such as ZAFRA Master Reserve, very sweet high-quality pineapple, and seafood due to Panama's diverse marine life. Cultural products such as texture art, and molasses from Guna Yala, an indigenous province, have potential for artistic appreciation. These goods fit the criteria for low quantity, high quality, and specialized products that can likely bring profit and cover the transportation costs for businesses.

Panama should also take advantage of foreign direct investment opportunities available in Australia to expand its commerce beyond exports. Figure 17 highlights the various foreign direct investment opportunities according to Australia's Trade and Investment Commission.<sup>42</sup> Australia is one of the top 10 countries in the world for foreign direct investment and its inflows increased 40% from 2017 to 2018 at 62\$ billion dollars showing that Australia is a safe investment.<sup>43</sup> The only concern Panamanian companies should be aware of is the effects the current trade war between China and the U.S. can have on Australia's economy. However, just recently China and the U.S. have had promising talks on making a trade deal that is expected to end the trade war by the end of 2019 if finalised on time. Besides foreign direct investment opportunities, Panama can benefit from providing consulting and financial services.

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<sup>42</sup> "Opportunities," Australian Trade and Investment Commission, 2019, August 2019 <https://www.austrade.gov.au/International/Invest/opportunities>.

<sup>43</sup> "FDI inflows to Australia buck global trends," Australian Trade and Investment Commission, 2019, September 2019, <https://www.austrade.gov.au/news/economic-analysis/fdi-inflows-to-australia-buck-global-trends>.

Figure 17: Foreign direct investment opportunities in Australia

<b>Foreign Direct Investment</b>
Agribusiness and Food
Digital Economy and Information and Communications technology
Major Infrastructure
Material Sciences and Technology
Medical Science and Technology
Resources and Energy
Tourism Infrastructure
Economic Development

Data Sourced: “Opportunities.” *Australian Trade and Investment Commission*, 2019, <https://www.austrade.gov.au/International/Invest/opportunities>.

Panama’s logistics expertise through consulting and financial services can aid in strengthening Australia’s freight and logistics industry. *Arthur J. Gallagher* highlights technology, “skills shortages with an aging workforce,” and infrastructure as the current challenges facing Australia’s freight and logistics industry.<sup>44</sup> According to the page, 50% of companies experienced a lack of “digital culture and training” and “skill shortages and insufficient talent” at 28% crucial for the effectiveness of managing freight and logistics operations.<sup>45</sup> Another challenge is attracting and hiring talented skilful workers with the technical skills required for these operations. Despite the Australian government planning to invest in transportation infrastructure and funding for roads and rails from up to 2021, some of those allocations will not be evenly distributed to the various infrastructure sectors, and outside of “improved routes and capacity maximization,” nothing major will make effective progress.<sup>46</sup> Panama’s logistics consulting and financial services can aid Australian companies to solve these problems given its experiences in the logistics sector and

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<sup>44</sup> “Three of the biggest challenges facing the freight and logistics industry,” *Arthur J. Gallagher*, 2018, (accessed September 10) <https://blog.ajg.com.au/freight-and-logistics-industry-trends>.

<sup>45</sup> *Ibid*

<sup>46</sup> *Ibid*



achievements over the years in conjunction with a thriving economy. Panama has 57 logistics consulting services and 28 financial consultant and advisors according to *Georgia Tech Panama Logistics* and *Angloinfo* that can benefit Australia.

Panamanian exporters and investors should also be aware of the rules and restrictions to enter Australian markets. The *Currency Shop* points out ten recommendations for businesses looking to import goods to Australia ranging from importing laws, government regulation, whether a permit is required, if the products will be quarantined, tariffs and taxes, import duty charges and sales tax, concessions, a comprehension of Free Trade Agreements, and other formal processes.<sup>47</sup> As for information on investing, foreign entities must submit a proposal to either the Treasury or Australian Taxation Office depending on the sector of investment and then is reviewed and accepted by the Australian Foreign Investment Review Board; companies must also abide by the regulations and requirements.<sup>48</sup>

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<sup>47</sup> “Your 10 Step Guide to Importing Goods Into Australia,” *The Currency Shop*, 2019, August 2019, <https://www.thecurrencyshop.com.au/business/a-guide-to-importing-goods-into-australia>.

<sup>48</sup> “Investor Guide,” *Australian Government: Australian Trade and Investment Commission*, 2019, September 2019, <https://www.austrade.gov.au/international/invest/investor-guide>.

## Concerns and Risks Australian Companies Should Consider

According to *Parliamentary Business Chapter 4: Latin America*, one of the barriers associated with preventing Australian companies from expanding their business with Latin America in the past is that some countries don't have the infrastructure to store and transport agricultural products to markets within a strict time frame.<sup>49</sup> Panama can solve that issue because the Colon Zone and others contain storages that can be utilized to store agricultural products and be beneficial to Australian companies. Also, Panama's connectivity in Latin America allows Australian companies to utilize the airport and maritime connectivity so that vessels can transport goods to any city in Latin America within 10 days. One current solution to this problem is the promotion of Panama's logistics platform so Australian companies are more aware of the opportunities available to them.

With Panama's recent opening of an Embassy in Australia, one of the first steps Marcelino Aviles, the Ambassador to Australia, has taken to attract Australian companies to Panama, is promoting the benefits of utilizing Panama's logistics platforms through events and meetings where he delivered presentations to business leaders. Through observation, I had the opportunity to attend a breakfast with the Ambassador and Australian business leaders who were invited to get an overview of Panama's logistics platform, investment opportunities, and products Panama is currently producing that are booming in Australia such as its coffee beans. After the meeting,

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<sup>49</sup> "Chapter 4 Latin America," Parliament of Australia,  
"n.d.," September 5

[https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Completed\\_Inquiries/jfadt/apla/report/chapter4](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Completed_Inquiries/jfadt/apla/report/chapter4).

business leaders showed an interest in learning more about the commercial opportunities in Panama and desired to meet again with the Ambassador.

Another concern, companies have had with expanding their commerce in Panama, is the Spanish language seen as a barrier when engaging in negotiation talks. Fortunately, English is the second language most spoken in Panama amongst government officials and business representatives. Therefore, the Spanish language should not be of concern to Australian companies looking to install in Panama.

According to the World Economic Outlook, Panama is one of the top 5 growing economies in Latin America.<sup>50</sup> It has ranked 1st place in the percentage of real GDP growth and second in per capita GDP in 2018. These numbers indicate that it is safe to utilize Panama's logistics platforms in the years to come because of a strong and thriving economy. The only risk Australian companies should keep in mind is because Panama is reliant on the U.S. dollar, America's stable economy, and it provides much of the foreign direct investment to logistics operations, any recession or negative impact on the U.S. economy can impact Panama.<sup>51</sup> Despite the financial crisis of 2008, Panama's GDP continued to grow at 2.4% compared to 9.6% from 2005-2008.<sup>52</sup> Even if this growth shrunk and took time for Panama to recover the strong GDP growth it once had before the financial crisis, Panama proved it can steadily manage itself in an economic crisis environment and is now one of the top 5 growing economies in Latin America.

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<sup>50</sup> "World Economic Outlook 2019 April 2019," IMF, 2019, August 2019, <https://www.imf.org/en/Publications/WEO/Issues/2019/03/28/world-economic-outlook-april-2019>.

<sup>51</sup> "PANAMANIAN ECONOMIC OUTLINE," Banco Santander, 2019, September 2019, <https://en.portal.santandertrade.com/analyse-markets/panama/economic-outline>.

<sup>52</sup> "Panama," ECLAC, United Nations, 2010, September 2019 [https://repositorio.cepal.org/bitstream/handle/11362/1072/33/Panama\\_en.pdf](https://repositorio.cepal.org/bitstream/handle/11362/1072/33/Panama_en.pdf).

Furthermore, a risk assessment report by *CoFace For Trade* highlights Panama's financial transparency as another concern.<sup>53</sup> For instance, the leak of the Panama Papers exposing tax fraud has concerned various businesses looking to install in Panama. However, Panama has taken a step to solve this by reaching a multilateral agreement with the Organisation for Economic Co-operation and Development and European council for better financial transparency and avoiding tax fraud.<sup>54</sup>

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<sup>53</sup> "Economic Studies and Country Risks Panama," *Coface FOR TRADE*, 2019, September 2019, <https://www.coface.com/Economic-Studies-and-Country-Risks/Panama>.

<sup>54</sup> *Ibid*

## Recommendations

In this section I conclude and point out recommendations the Embassy of Panama should consider regarding the process to evaluate whether a direct flight from Panama to Australia and vice versa is worthwhile, the organizations that can assist the embassy in promoting Panama's logistics platform, and Australian companies looking to expand their commerce using Panama's logistics platform.

To effectively plan for a new air route directly from Panama to Australia, preliminary steps need to be taken to ensure that Panama's investment results in promising returns. The first step is to investigate whether there is a demand for the new route based on the number of Panamanians that visit Australia. The "aviation market intelligence tools" is one useful strategy to examine where people are flying to.<sup>55</sup> Australia's Department of Foreign Affairs and Trade also has information on the number of Australians that visited Latin American countries and citizens from those countries that visited Australia. According to figure 18 based on numbers from DFAT, 1000 Australians visited Panama and 600 Panamanians visited Australia in 2018. Another method is through the airline itself, for instance, the number of people that go to Panama from Australia through various connecting flights. Flight search engines such as Google Flights and Skyscanner can provide data on routes people have searched for to determine whether a new route should be considered. The second step is to figure out how much people are willing to pay for this direct route. Estimated costs can be done through the examination of people paying for

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<sup>55</sup> Bailey, Joanna, "How Do Airlines Actually Plan Routes?," Simple Flying, 2019, September 2019, <https://simpleflying.com/how-do-airlines-plan-routes/>.

“one-stop itineraries.”<sup>56</sup> Other factors to consider examining are the competitiveness between airlines and people’s preference Panama should keep in mind.

Figure 18: Australian Visitors in Latin American Countries and Latin Americans to Australia

Australlian Visitors in Latin American Countries	
Argentina (2017): 13,390	21,500
Bolivia since (2008): 12,000	(2016-2017) 350
Brazil (2017): 19,100	53,00
Chile (2017): 19,100	23,500
Colombia (2017): 10,800	15,300
Costa Rica (2017): 2,200	900
Cuba (2017): 6,200	300
Dominican Rep. (2017): 100	100
Ecuador (2017): 4,100	1,200
El Salvador (2017): 1400	300
Guatemala (2017): 1200	400
Honduras (2017): 200	100
Mexico (2017): 21,700	10,600
Nicaragua (2018): 900	100
Paraguay (2017): 100	300
Panama (2018): 1000	600
Peru (2017): 19,200	4,200
Uruguay (2017): 2,700	2,500
U.S. (2017-2018): 1,083,300	787,600

The Embassy of Panama should continue to promote Panama’s logistics service, specialized products, and establish Panamanian financial and logistics consulting services to strengthen Australia’s logistics sector. For the Panamanian Embassy to successfully promote these logistics platforms in Australia I recommend it seek assistance from government departments like DFAT and Australian Trade and Investment Commission. These government departments have easier networking access to the peak bodies crucial to promoting Panama’s logistics platform, such as the Business Council of Australia, Australia Latin America Business Council (ALABC), Canberra Business Chamber, and Australia’s Chamber of Commerce and Industry. To evaluate whether Panama’s logistics hub is beneficial to Australian companies, there is a program called *Why Panama Program* that the Panamanian government has created in

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<sup>56</sup> Ibid

conjunction with PROINVEX and the Georgia Technology Panama Logistics Innovation & Research Center to assist businesses in determining if investing in Panama will help them “increase distribution speed, enhance customer service, and decrease inventory costs.”<sup>57</sup> This program gives businesses a range of information, data, and analysis to assist them in seeing the feasibility of utilizing Panama as a logistics hub to distribute their goods. Usually, these businesses are given one contact with a variety of connections to the government and private sector to assist them in making the decision.

The program goes through a three-step process facilitated by both PROINVEX and Georgia Tech groups. First, PROINVEX researches the goals of the company, followed by connecting it to various government officials and business leaders from the logistics sectors. A small team is then established consisting of members from PROINVEX, Georgia Tech, and an individual representing the company. The second step is narrowing down the list of potential hubs through undertaking various analytical models and data from the company. The last step is analysing the costs and benefits of a specific hub if the company chooses to move forward.

The other useful tool I recommend Australian companies utilize is the “why locate your distribution hub in Panama?” to evaluate whether using Panama as a distribution hub results in cost-saving benefits. Again, this compares the inventory cost and amount of days for goods to get from a supplier to the receiver through different distribution hubs. It is accessible to everyone and simple to use.

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<sup>57</sup> “Why Panama,” Georgia Tech, 2019, August 2019, <https://www.isye.gatech.edu/news/why-panama>.

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