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ROADMAP FOR THE LOGISTICS DEVELOPMENT OF PANAMA

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Since the beginning of the Coordination Office of the Logistics Cabinet (COLC) in February of 2015, there has been a noticeable increase in the National Government interest about the issues concerning the logistics activities, a sector that in 2010 was identified as one of the four pillars to drive economic development, together with the financial, tourism and agricultural sectors. In August of that year, the Logistics Cabinet (LC) consolidates its structure by incorporating seven members from the private sector, three of them representing the Logistics Business Council, and organization that brings together all trade associations from the sector. Likewise, the LC integrates the Georgia Tech Panama Logistics Innovation and Research Center as its technical arm. Georgia Tech Panama provides information to the logistics sector (www.logistics.gatech.pa), conducts studies to improve the logistics competitiveness of the country (www.gatech.pa) and collaborates with the academic sector.

Since last year, the LC meets monthly and at the end of 2015 approves the Roadmap for logistics priorities, a plan that incorporates previous studies among them, the PNLog (National Plan for Cargo Logistics). In January of 2016, the COLC presents its Multiannual Plan 2016-2019.

The accumulated results have been positive. According to the Logistics Performance Index of the World Bank, Panama reached the first place of Latin America in 2016, showing improvements in all dimensions of this indicator, with the exception of traceability of documents and cargo. Also, the Global Competitiveness Report 2015-2016 of the World Economic Forum places Panama, among 140 countries, in positions 6 and 7 in quality of air transport and port infrastructure, respectively, 11th in soundness of banks and first place in inflation. Overall, Panama occupies the second place in Latin America (50th position), after Chile, although, much work remains to be done in other areas such as education and government processes.

A summary of the Roadmap and its broad scope follows, showing in parenthesis the planned execution year:

1. Strategy and institutional strengthening: logistics strategy plan (2016), consolidation of the logistics coordination and legal framework to provide sustainability (2016-2017).
2. Strategic plan for logistics training (2017).
3. Integrated plan for ports: Corozal, new specialized terminals (RoRo, maritime services), multipurpose ports (Vacamonte, Armuelles) (2016-2017).

4. Master plan for the Interoceanic Region and structuring of value added services clusters (2016-2017).
5. Urban logistics and cargo distribution strategy for Panama City (2017).
6. Air cargo and structuring the Tocumen cluster (2016-2017).
7. Technological corridor for the Interoceanic Region to increase traceability and efficiency in cargo movement (2017).
8. Logistic development of the Occidental Region: Paso Canoas, Armuelles, free trade zones (2016-2017).
9. Institutional development of Customs National Authority (2016-2017)
10. Strategic reorientation of Colon Free Zone (2016).

The present logistic position of Panama is advantageous; however, there are changes occurring in the environment both in terms of new competition and new trends that represent formidable challenges to the position that Panama has earned.

With the Canal expansion and the capacity to serve the new Panamax ships, the competition for Panamanian ports, particularly for the transshipment of containers has intensified. Evidence of this is the investments in capacity made by the main ports of America, in both the Pacific and the Atlantic sides, to accommodate these ships. On the other hand, the Canal expansion has compelled the shipping lines to re-evaluate their service networks looking for opportunities to reduce cost. Additionally, the economies of big ships that call for longer segment crossings, minimizing stops, present also a threat to the Panamanian ports because those ships will tend to stop where there is enough cargo to justify the stop. Finally, there is an ongoing merging of the biggest shipping lines to take advantage of sharing the capacity of the big ships which, at the same time increases the negotiation power against ports.

These new paradigms demand the rethinking of strategy. The Roadmap has established the logistics priorities. The themes of installing in Panama large regional distribution centers, the increase of value added logistics services and the escalation of transformation activities related to postponement seem to gain more relevance within the Roadmap for the logistics development of Panama.