

# the business | year

## PANAMA 2024



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## *Panama 2024*

**T**his year, we embarked on a journey through Panama's business landscape at a crucial time in the country's economic history. Our mission is always to illuminate the investment opportunities in the markets we cover, and through dozens of interviews with top business leaders, we believe *The Business Year: Panama 2024* does just that. Yet it has not all been plain sailing for Panama over the past year, and in the following pages we delve into both the opportunities and the challenges.

As of time of writing, Panama is just months away from an election that it is widely believe will deliver power to the currently opposing camp after widespread public unrest following a controversial decision by the government to extend operations at Cobre Panamá, one of the world's largest copper mines and Panama's largest single foreign investment, despite widespread opposition from environmentalists. The Supreme Court later ruled the new contract unconstitutional, effectively shutting the operation down and likely kickstarting a long process of arbitration. In the short term the episode could have a significant impact on elections, while in the longer term it could do serious harm to the economy, with the mine representing 5% of GDP.

The government did, however, score an undeniably momentous victory in 2023, with Panama

being removed from the FATF Grey List following a concerted effort to ensure compliance with stringent rules. It was a significant moment for the Central American country, which was rocked by the Panama Papers revelations of 2016.

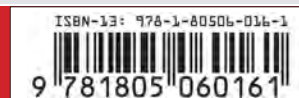
The local economic landscape continues to be dominated by the Panama Canal, which since 1914 has been a crucial waterway connecting the Atlantic and Pacific Oceans. Panama likes to describe itself as a "hub of hubs," and it is unsurprising given how significant the country is to global trade. The canal, often viewed as the lifeline of the economy, spills its benefits into diverse industries, making Panama a unique and attractive destination for investment of all kinds.

We sat down with private-sector players from every corner of the economy to explore their hopes, fears, and aspirations. We discovered a business community that, while not without its problems, is optimistic and, crucially, willing to invest in Panama's future. Some of those challenges include income disparity, a lack of skilled labor in some areas, and susceptibility to external forces due to the country's reliance on global trade. The dollarized nature of the economy, however, has allowed it to weather storms more successfully than its neighbors.

We hope *The Business Year: Panama 2024* will be a key handbook for anyone looking to better understand, and invest in, this "hub of hubs." ✖

*This publication has been produced by The Business Year International's expert cadre of journalists, writers, editors, and designers. The content contained within is original and was compiled by our team on the ground.*

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# EXECUTIVE SUMMARY

*Panama is growing beyond expectations in many areas, underlining the significance of its eponymous canal post COVID-19, as well as efforts to leverage its location to attract investment.*

**PANAMA ANTICIPATES ANOTHER YEAR** of economic expansion in 2023, driven by its strategic location as a transit point between the great oceans. In an interview with *The Business Year*, Minister of Economy and Finance Héctor Alexander expressed optimism, emphasizing stability and a promising growth outlook. Projections from the IMF and World Bank forecast a robust 5% economic growth rate for the year. The nation's economic resurgence in the past two years has been remarkable, with GDP surging by 15.8% in 2021 and 10.8% in 2022, outpacing global and regional averages.

## THE GREEN PATH

In 2023, Panama, one of the world's three carbon-negative nations, continues to pioneer sustainability in Latin America and the Caribbean. Collaborative efforts between the public and private sectors drive innovative measures, solidifying Panama's role as an environmental leader. The Interinstitutional Environment System, storing vital data on natural resources, underscores Panama's commitment to conservation and transparency. The Ministry of the Environment's Good Practices Guide for Business Sustainability aligns companies with international standards, reflecting market demands. Panama's adherence to the Escazú Agreement, or to give it its full name, the Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean, also emphasizes transparent governance in environmental issues. Achievements include basin reforestation, the Environmental Protection System combating illegal practices, and the First 50 Carbon-Neutral Organizations initiative.

## THE CHOSEN ONE

Panama has been designated by the US Department of State as one of seven countries globally to cooperate with in strengthening the semiconductor value chain. This collaboration, initiated under the International Fund for Technological Security and Innovation (ITSI Fund), recognizes Panama's strategic advantages, including the Panama Canal and a favorable business environment. The move assigns a pivotal role to Panama in the global semiconductor landscape, encouraging economic benefits and technological advancements. The country is also emerging as a vital hub for marine cable convergence, with tech giants like Google eyeing Panama for new submarine cable projects. Telecom Sparkle Italia plans to connect the US to Chile via Panama, leveraging the nation's unique position where multiple submarine cables converge. Panama's data centers, well-equipped to host new cables, offer reduced latency, enhancing efficiency.

In parallel, Panama is developing a technology free trade zone (FTZ), attracting major players like Google, Amazon, and Facebook. This is coupled with the private sector's wider digital transformation.

**A RESILIENT HUB**

Panama’s logistics sector, contributing 33% to GDP, stands as a vital player in the Americas. Ranked second globally in FTZs, Panama’s strategic location and robust infrastructure make it an obvious logistics hub. In container movement, the first half of 2023 witnessed challenges, with disruptions giving way to a drop of 5%-10%, influenced by economic, political, and environmental factors. Regardless, Panama’s logistics sector has pushed ahead with digitalization, leading to the adoption of new technologies. The Panama Canal, a linchpin in global trade, confronts a formidable challenge with a severe drought recently impacting its efficiency. The El Niño-induced drought reduced water levels, prompting canal authorities to reduce daily ship transits. This not only poses a threat to Panama’s annual revenue, but also elevates maritime transportation costs and emissions.

**HOUSE HUNTERS OF THE WORLD**

Panama’s construction and real estate sector encountered challenges during and post-pandemic, influenced by broader economic shifts. Industry experts interviewed for this publication note a pre-pandemic downturn due to government infrastructure investment pauses. The pandemic worsened issues, halting construction for seven months. In adapting to remote work, the sector shifted toward smaller, lower-margin projects amid investor uncertainties. Despite challenges, signs of recovery emerge as companies cautiously return to pre-pandemic projects. However, heightened competition impacts pricing dynamics and profit margins.

**EMPOWERING PANAMA**

As we step into 2024, Panama’s energy sector is advancing toward sustainability and climate resilience. In an exclusive interview with Jorge Rivera Staff, the now former National Secretary of Energy, we explored the latest developments propelling Panama’s energy matrix forward. Emphasizing diversification as a response to climate challenges, Rivera Staff noted a substantial increase in wind and solar generation, reaching 15% in the first semester. Panama aims to elevate renewable energy to 90% of total generation, doubling capacity in wind and solar farms. With climate change adaptation in focus, Panama collaborates with IRENA, forming a workgroup to monitor climate-related developments. Legal proposals for sector democratization, prosumer concepts, and energy commercialization aim to increase market competition. Key priorities include creating an energy transition fund, regulatory adjustments, and strategic communication. Generadora Gatun, a partnership between InterEnergy Group and AES Corporation, contributes 670MW to Panama’s energy mix, promoting economic and social development and highlighting the strategic use of natural gas for stability and renewable energy integration.

**THE SURE BET**

Despite global challenges posed by COVID-19, Panama reached FY2019 international arrival figures by June 2023, generating an impact of USD2 billion on tourism. The four-year-old PROMTUR initiative, aligned with the Panama Tourism Authority, emphasizes sustainable tourism, conservation, and research. This approach showcases Panama’s diverse ecosystems and biodiversity, drawing visitors from key markets like the US, Canada, and European countries. PROMTUR not only prioritizes sustainable tourism, but also promotes Panama as a hub for business events, leveraging its connectivity and hospitality infrastructure. As the campaign enters its third year, Panama aims to attract over 5 million tourists from nine key countries, contributing to social development and aligning with its sustainable tourism goals by 2025. Initiatives like the Associative Leaders Program and the Panama Association Hub further position Panama as a unique destination. ✖

**GDP PER CAPITA (2022)**

SOURCE: STATISTA

USD17,409

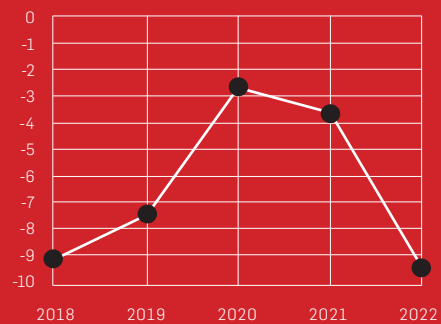
**INFLATION (2022)**

SOURCE: WORLDDATA.INFO

2.9%

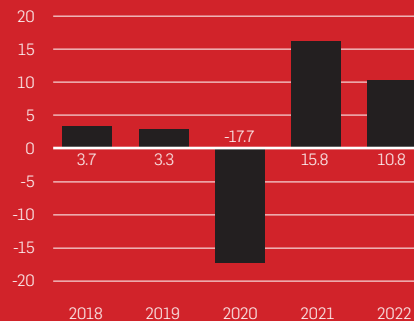
**TRADE BALANCE (USD BN)**

SOURCE: FOCUS ECONOMICS



**GDP ANNUAL GROWTH (%)**

SOURCE: THE WORLD BANK



**FEBRUARY 12, 2023**

President Laurentino Cortizo receives Panama's Indigenous Women's Economic Empowerment Plan (PEMIP 2025-IDB) from Vice Minister Juana López during a community tour.

**MAY 21, 2023**

The World Tourism Organization (OMT) asserts that Panama is leading the surge in community tourism. The OMT supports Panama's Innovative Community Tourism Experiences Contest, emphasizing the importance of sustainable tourism in rural and indigenous communities.

**OCTOBER 10, 2023**

Panama and Costa Rica introduce a "humanitarian corridor" for the direct transfer of migrants. The joint effort aims to facilitate the safe and orderly movement of migrants between the two countries.

**NOVEMBER 7, 2023**

Panama hosts the opening of the 2023 World Robot Olympiad (WRO), welcoming delegations from over 80 countries.

**MARCH 15, 2023**

The Inter-American Development Bank's annual assembly begins in Panama, addressing poverty, climate change, and banking concerns amid recent US and European bank failures.

**SEPTEMBER 12, 2023**

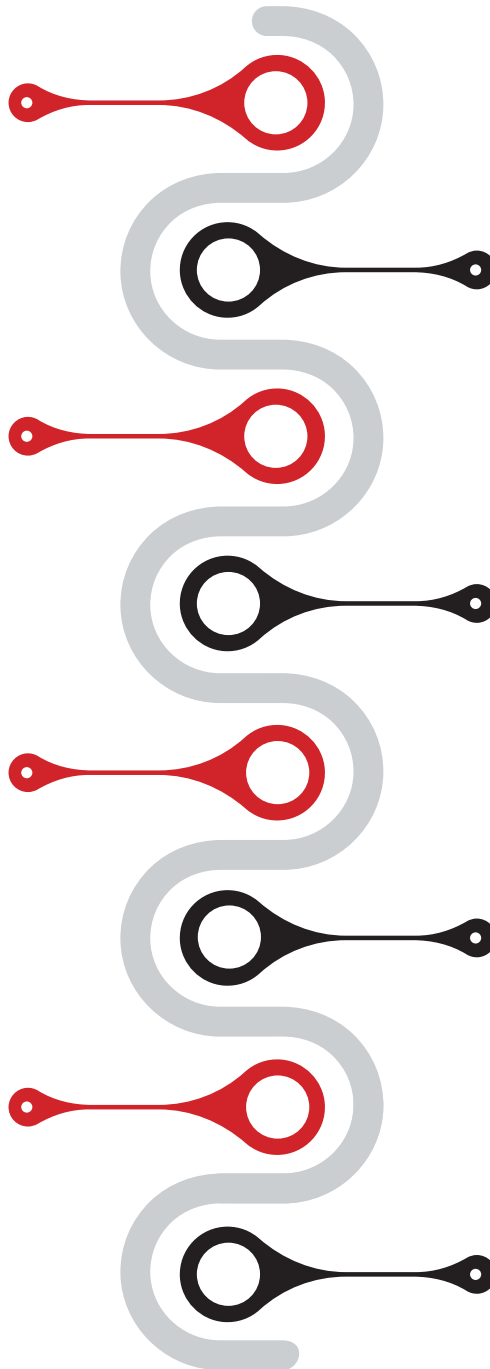
The Panama Canal authorities warn of potential passage restrictions over the coming year due to prolonged drought affecting the canal's freshwater lakes.

**OCTOBER 27, 2023**

Panama is removed from the Financial Action Task Force (FATF) Grey List after making significant progress in combating money laundering and terrorism financing.

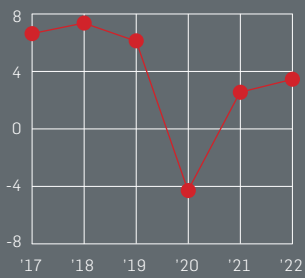
**NOVEMBER 28, 2023**

The Supreme Court rules a law extending operations at the Cobre Panamá copper mine operated by Canadian firm Quantum Minerals unconstitutional. This comes after significant social unrest and opens the door to lengthy arbitration.



## FDI, NET INFLOWS (% OF GDP)

SOURCE: WORLD BANK



## PANAMA EMBASSY AND DIPLOMATIC MISSIONS SNAPSHOT

SOURCE: EMBASSY-WORLDWIDE.COM

Foreign embassies in Panama	33
Foreign consulates in Panama	30
Panamanian embassies abroad	36
Panamanian consulates abroad	19



# Diplomacy

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## FROM SEA TO SHINING SEA

**P**anama, a nation that ever since the opening of its eponymous Canal has been a strategic crossroads for international trade, connecting the Pacific and Atlantic oceans, is attracting an increasing amount of FDI. Despite bumps in the road, including the fallout of COVID-19 and energy crises tied to an overreliance on hydropower, the government has pushed ahead with strengthening the investment climate, a strategy that appears to be paying off.

Panama's commitment to anti-corruption mechanisms has reinstated its status as an FDI magnet. The country's unique characteristics, including its strategic geographical location, have made it a crucial player in international commerce and logistics. In 2021, Panama achieved historic GDP growth of 15.3%, showcasing its resilience and recovery after global challenges. The government's prudent public policies resulted in a 10.8% growth in 2022, along with low inflation and mortgage rates, making Panama an attractive destination for investors. And its efforts resulted in removal from the FATF Gray List in November 2023.

To enhance its position as a business destination, Panama has focused on bolstering its logistics and energy industries. The country achieved an impressive feat in 2022, with 82% of its energy consumption coming from renewable sources. Investments like a USD1-billion project for a 670-MW, LNG-powered plant and a USD1.5-billion investment in a new port by MSC underline Panama's commitment to addressing energy and supply chain challenges.

The government has also implemented investment migration tools, such as qualified investor and friendly countries programs, aiming to attract foreign investors. Panama's status as a digital hub in the Americas is reinforced by its robust broadband connections, eight continental fiber optic cables, and a personal data protection law enacted in 2021, fostering an environment conducive to technology-intensive companies.

With over 50 special laws and regimes offering tax, labor, and migratory benefits, Panama provides a competitive edge for large firms estab-

lishing their operations in the country. Boasting a world-class banking and financial center, with the US dollar as its legal currency, Panama hosts more than 67 banks from around the world, ensuring transparent transactions in any currency. The country's political and legal stability, coupled with its commitment to sustainable and attractive investment regimes, position it as an ideal destination for global business.

Recognizing the opportunities within crises, Panama is strategically developing key sectors to ensure sustained economic growth. The country's focus on logistics, digitalization, green energy, sustainable tourism, and food industries is evident. Its nearshoring strategy, leveraging Panama's geographical connectivity, is seen as a solution to create added value in the manufacturing and logistics sectors. Despite the economic optimism, recent protests linked to the approval of a controversial mining contract have cast a shadow over Panama's political landscape. Mining rights for Cobre Panamá, one of the world's largest copper mines, were extended by the government but later deemed unconstitutional by the Supreme Court, effectively closing the operation down. As of writing, the mine operator, Canadian firm First Quantum, was heading for arbitration.

The protests, however, evolved beyond mining concerns, potentially influencing the upcoming general elections in May 2024. The political climate is uncertain, with former president Ricardo Martinelli and other candidates vying for office amid public dissatisfaction and concerns over the handling of the mining contract controversy.

Panama's journey as an investment destination is marked by economic resilience, strategic initiatives, and a commitment to sustainable development. While the recent political unrest poses challenges, Panama's strengths in diverse sectors, diplomatic ties, and pro-business policies position it as a nation poised for continued growth and investment. As the country navigates both economic opportunities and political uncertainties, the global business community watches Panama's trajectory with keen interest. ✖

## INTERVIEW

# STANDING *strong*



The Cortizo Cohen administration has been prioritizing economic growth, health, and social programs, achieving international recognition for its innovative responses despite all the challenges posed by the pandemic.

Laurentino Cortizo Cohen  
PRESIDENT

**Panama is considered to be the jewel of the Americas. What are some of the contributing factors that have led to this, and what are some of the advantages allowing Panama to stand out in the region?**

Panama is a small but geographically privileged country in the center of the Americas, which offers a unique value position for being the main multimodal logistics center in Latin America and The Caribbean, providing easy air, land and sea connectivity. Having relevant ports on the coasts of both oceans, a trans-continental railway and a newly expanded international airport, only confirms the fact that Panama has become a connectivity hub not only for the region but also for the rest of the world. The creation of SEM and EMMA special regimes to attract and encourage multinational companies to establish their operations in Panama, ensure tax, labor, and migratory benefits. As a result, more than 180 multinationals have established their regional headquarters in our country strengthening our position as a competitive and reliable destination for foreign investment. Panama also happens to be one of the three countries in the world—together with Bhutan and Suriname—classified as carbon negative was recently one of the first Latin American countries to comply with the 30x30 initiative of the UN to protect at least 30% of the planet's lands and waters by 2030.

**What strategies has your administration followed to foster the national interests and to strengthen Panama's potential?**

We are currently facing a post-pandemic scenario like the rest of the world, coping with ways to accelerate our main economic sectors, and focusing on a more sustainable approach on the road to economic reactivation. Panama has always been successful in taking advantage of its privileged geographical and strategic position in the global economy. It has also transitioned from being a mid-income country, to becoming a high-income country in a very short

***“Our national investment strategy tries to focus on sustainable investments with a strong social impact, ensuring equal opportunities for everyone and promoting gender equality.”***

period of time. There is definitely more room for improvement, as this pandemic has made us adapt and reevaluate our strategies to keep moving forward together as a country and develop action plans that will ensure a more sustainable future with the correct use of our resources. The transition to a green economy is imminent and necessary and has been one of the main goals of this office's management. Investment in key sectors such as health, infrastructure, and tourism will grant social economic and political growth. In Panama, as of July 1, 2019, both the government and civil society have carried out the Action Plan Uniting FORCES (Uniendo Fuerzas) with specific and concrete actions through an efficient and dynamic strategy, aligned with the previous National Plan Panama 20-30 for Sustainable Development Goals (SDGs), a long-term vision that incorporates the results of a national query that began on October 1, 2018, where more than 50 sectorial issues were brought to debate on multiple consultation tables, including more than 1,500 professionals from different sectors, specialists, technicians, government agencies, community leaders, and citizens. We believe that the benefits of economic growth have to be potentiated in order to create opportunities for every citizen, and we are ready and committed to face

**BIO**

President Laurentino "Nito" Cortizo Cohen obtained his degree in business administration from the University of Norwich in the US and his MBA and doctorate in international trade and marketing from the University of Austin, Texas. He was a member of the legislative assembly from 1994-2004, and between 2004 and 2006 he was appointed Minister of Agricultural Development during the administration of President Martín Torrijos Espino. In 2016, he decided to run as a presidential candidate, winning the primaries of his party. In 2019, he became the President-Elect of the Republic of Panama.

the multiple challenges that we need to face in order to achieve this. That is why our national investment strategy tries to focus on sustainable investments with a strong social impact, ensuring equal opportunities for everyone and promoting gender equality, which is extremely important for the continuous growth of the nation. We are working on strengthening the cooperation between the public and private sectors, in order to generate improvements and to create new and effective policies that will benefit the main investment, trade, and financial operations maximizing the human capital. The economic muscle of the private sector represents a major asset on the road to economic growth, so the mutual understanding and cooperation between these two sectors is by all means necessary.

**Considering your administration started right before the pandemic emerged, how did you reshape the initiatives you planned to implement before that challenging time?**

The pandemic certainly changed the world forever, and our government had barely started just eight months before we had to order a general lockdown to preserve human lives, and make sure our hospitals ICUs capacity did not collapse. Many of the programs and plans on our pipeline had to be put on hold, but many new initiatives replaced them. We faced this pandemic with economic strategies that we considered would help us endure together as a country, focusing on two main purposes: preserving the lives of Panamanian citizens and helping them to go through this unexpected economic impact through the incorporation of a social program called Panama Solidario. We implemented the monetization of the personal identification card, which allowed us to bring support to those who needed it most. This digital tool has been recognized internationally, awarding Panama for this important innovation. We were determined to address the health crisis created by COVID-19, by generating a strategy that would place human lives as a priority, through the timely purchase of vaccines, and investing in our own health system on infrastructure, medicine, and qualified personnel. We implemented a national strategy focused on the growth of the economy and formal employment. As a result of these actions, international organizations such as the IDB, the World Bank, and IMF placed Panama among the countries with the fastest economic recovery, with double-dig-

it GDP growth predictions well above the region of Latin America and many other economies (15.3% in 2021). Formal employment grew by 2.2%.

**What short-term goals does your government have by 2024?**

Our main objective is to implement actions in order to improve the quality of life of the Panamanian family. A useful, efficient, capable, and service-oriented management to reach all citizens, especially those that are in most need. With that being said, we are moving forward with our government plan, implementing the actions that lead to good governance, rule of law, a competitive economy that generates employment, and fighting poverty and inequality through a dynamic government executing priority actions and tasks in order to complete our goals. All of this while maintaining a special focus on quality education and values. That is why the main goals of our Government Plan are focused on meeting the needs of the population, taking advantage of the economic growth of our country, and keep on improving our service culture by the exponentiation our Panama Canal.

**What footprint would you like to leave in the country after the conclusion of your administration?**

As President of the Republic of Panama, my mission has been to lead the country in an exceptional time, facing the great challenges of a pandemic and the consequences of the Ukraine war. Rest assured that I will do whatever is necessary to continue moving forward with the help and support of all Panamanians. I am well aware that due to the circumstances we have faced, we had to take difficult and drastic measures. However, we will turn this into opportunities for our country. I am proud to say that this crisis has brought out the best in Panamanians. I am sure that by working together, there is nothing that the Panamanian people can't achieve. That is why I feel confident, that Panama will emerge from this in a stronger and better position to face the upcoming challenges. I would like to see a more prosperous, inclusive, digital, and sustainable country, and that is why we are working very hard to achieve this. That is our commitment. We are well aware of Panama's huge potential, and I feel honored and grateful to be able to contribute every day, in order to advance towards those objectives. ✖

## INTERVIEW

# SAFE *haven*



The Ministry of Private Investment is actively promoting Panama internationally through digital hub initiatives, special laws incentivizing investment, and a focus on forming strategic alliances with global partners.

José Alejandro Rojas Pardini  
MINISTER OF PRIVATE INVESTMENT

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**Panama has over 50 special laws and regimes offering benefits for big firms**

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**Historic GDP growth of 15.3% in 2021**

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**Fostering Panama as logistics, digital, and green energy hub**

**BIO**

José Alejandro Rojas Pardini, an accomplished leader in private investment and real estate development, holds the position of Minister of Private Investment. With a strong foundation in industrial engineering from Purdue University, he brings extensive experience from his tenure at General Electric (GE) and key roles in GE Consumer Products, GE Healthcare, and GE Capital. A valued board member for prominent organizations, his expertise and dedication continue to shape Panama's economic landscape.

**What makes Panama a great investment destination?**

Our priority as a government was to establish the necessary conditions to strengthen the investment climate and security after the challenges presented by the pandemic and a war that brought an energy and a supply chain crisis. Social, economic, and political stability in our country have been key to a solid and sustainable recovery, allowing for stable and strong growth. Panama has worked hard to re-establish itself as a destination for FDI by installing anti-corruption mechanisms. There are also a series of unique characteristics that position Panama as a country with an ideal business environment to invest and establish operations. In 2021, Panama achieved historic GDP growth of 15.3%, and following its public policies by 2022, the country grew by 10.8% while seeing inflation of 3.2% and a 30-year mortgage rate of 1% below the US rate. Some ratings agencies and multilaterals expect GDP to grow over 6%. With a privileged geographical position, free from natural disasters, the country offers an excellent quality of life, global quality medical services, high technology, robust and reliable broadband communications, political and legal stability, sustainable and attractive investment regimes, commercial openness, and access to important international markets. Panama is a world-class banking and financial center, with the US dollar as its legal currency. We are home to more than 67 banks from around the world, developing transparent transactions in any currency.

**What initiatives is the government taking to promote Panama internationally as a business destination?**

Taking into consideration the current global situation, we have started to enhance our logistics and energy industries in order to promote Panama as a business destination. We are working to provide solutions to the energy and supply chain sector, and in 2022 82% of the energy consumed in Panama was renewable, positioning the country as the eighth-highest renewable energy consumer in the world. During our administration, we have implemented investment migration tools such as Qual-

ified Investor and Friendly Countries, which are extremely relevant to attract foreign investment into Panama as a destination. Apart from being a country with a solid banking jurisdiction, Panama also hosts 180 multinational firms that manage their regional operations under the manufacturing (EMMA) and Multinational Headquarter Law (SEM). It is important to mention that during the pandemic 48 new firms established operations in Panama. We are on the way to becoming a digital hub in the heart of the Americas. There are eight continental fiber-optic cables located through Panama with unlimited connectivity, offering the same connectivity one would find in London or New York, allowing technology-intensive companies to develop their products or services from here at a lower cost. Panama has over 50 special laws and regimes to incentivize investment in key sectors, which provide tax, labor, and migratory benefits and expedited procedures for certain businesses. This gives our country a competitive edge to be positioned as an attractive destination to develop business and investments.

**Which countries have potential to partner with Panama, and what approach is the government taking here?**

Currently, a series of new trends are reconfiguring global value chains, shortening supply chains in search of lower costs, less risk, and greater agility. Companies have a greater interest in guaranteeing the supply of their products, as well as minimizing environmental impacts, reducing their carbon footprints. The positive outcome in Panama is that due to our excellent relationships with all countries around the globe, we are able to welcome investment from every corner of the world. Our main focus is the implementation of first world transparency tools and strategic alliances with trusted partners. We understand that the social, economic and political stability of our country has been the key to a solid economic environment. Panama can be considered as a beacon of liberty, free market, prosperity, and democracy in Latin America. This goes hand in hand with the government vision to become a business hub for our region. ✖

# TWO-WAY *growth*

Ryad Mezzour  
MINISTER OF ECONOMY,  
MOROCCO

Morocco and Panama have significant opportunities for collaboration in sectors such as trade, agriculture, fisheries, health, ICT, renewable energies, tourism, and automotive industries.



**In what specific sectors do you see opportunities for collaboration and trade growth between Morocco and Latam?**

Given the international context of disruptions in the global value chains, collaboration between Morocco and Latin America is essential and we need to reinforce our cooperation. Many sectors offer complementarities and enormous opportunities for collaboration and trade growth to be seized by the respective business communities such as trade, agriculture and agronomic research, fisheries, health, investment, ICT, transport, renewable energies, digital transition, tourism, chemical-parachemical sector, pharmaceutical sector, R&D, or support for SMEs. Furthermore, Morocco and some Latin American countries could establish close cooperation in developing their automotive industries through exchanging experience and collaborating between engineering and R&D institutes. The Kingdom of Morocco has developed a competitive automotive platform over the years and is now moving to producing electric batteries. This is basically a great opportunity to work on joint ventures. In addition, as Panama has the most significant commercial fleet in the world, the naval sector could be an upcoming sector where Morocco and Panama can cooperate. To promote these opportunities, we first need to establish the legal framework with, for example Governmental Joint Cooperation Commissions that aimed at strengthening cooperation, encouraging, and involving the private sector to get closer to their counterparts to seize identified opportunities. In addition, it is important to consider the role that joint business can play too.

**Can you highlight the strategic importance of Panama within Morocco's trade and economic relations with Latam?**

Morocco, like other emerging and developing countries, has liberalized its foreign trade to make it an engine of growth and development. It has signed a set of FTAs with 100 countries, allowing access to a market of 2.3 billion consumers and adopting a new approach to diversify trade relations with strategic partners, including Latin American nations. The Kingdom of Morocco, within its strategy for establishing alliances with promising partners in priority sectors, has always maintained long-standing politico-economic relations and friendship with Latin American countries, including Panama. These excellent ties experienced a decisive turning point following the Royal Visit in 2004 to this region that gave them new impetus and revived multisectoral cooperation with many Latin American countries. Morocco has also developed cooperative ties with regional groupings, notably the signing of the commercial framework agreement with Mercosur in 2004. Panama is quite similar to Morocco, as it is mainly export oriented and highly dependent on trade, with many FTAs in Central America, Canada, Singapore, Taiwan, and the US. The Kingdom's relations with Panama are exemplary and marked by friendship, even if trade and economic ties are below the potential offer by our respective economies. The overall value of bilateral trade amounted to only USD4.6 million in 2022. We need to be more substantial and diversified and work together to identify ways and means to raise bilateral trade to the level of the two countries' aspirations through targeted actions.

**How can Morocco leverage Panama's strategic location and infrastructure to enhance its access to the broader Latin American market?**

Panama occupies an important geographical position by connecting North America to Central and Latin America. The Panama Canal is essential in facilitating international trade and boosting national commerce, providing access to over 650 million regional consumers. With its proximity to major markets in North and South America, Panama enables global companies to establish a strong presence while minimizing transportation costs and transit times and reducing warehousing costs dramatically compared to North America. The rapprochement between Morocco and Panama could benefit both countries. Morocco will be a gateway for Panama to Africa and the Maghreb, while Panama can play the role of a hub for the Kingdom to approach Latin American markets. We have signed a number of cooperation agreements, one of which relates to ports, maritime transport, and logistics and should go beyond with the implementation of joint promising projects in different sectors. ✖

#### BIO

Ryad Mezzour has been the Moroccan Minister of Industry and Trade since 2021. A graduate of ETH Zurich, he brings diverse experience to his role, having worked at ABB, Deloitte, and as General Manager of Suzuki Morocco. Mezzour held key roles in government, including chief of cabinet for the Ministry of Industry, Trade, Green, and Digital Economy. His career showcases a commitment to advancing Morocco's economic landscape.

## GUEST SPEAKER

# STRENGTHEN *ties*

The economic and commercial relationship between Panama and Morocco has continued to strengthen over the years via extensive diplomatic efforts and strategic partnerships.



Bouchra Boudchiche  
AMBASSADOR,  
EMBASSY OF MOROCCO IN PANAMA

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## **Goal to establish FTA between Morocco and Panama**

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## **Morocco could be doorway to African region for Panamanian companies**

**How would you assess the overall economic and commercial relationship between Panama and Morocco?**

This forward-looking dynamic, launched in 2004 by the King of Morocco through visits to several Latin American countries and reinforced by the installation of more ambassadors in the region, has enabled the Kingdom of Morocco to diversify its relations and strengthen its ties with various regional groupings. Although the Republic of Panama and Morocco established diplomatic relations in 1997, the opening of the Moroccan Embassy in Panama in 2016 is a vital part of the strategy to strengthen south-south ties, particularly with Africa and Latin America. Morocco has been granted observer status in the Central American Parliament (Parlacen), the Latin American and Caribbean Parliament (Parlatino), the Andean Parliament (Parlandino), the Central American Integration System (Sica), and the Pacific Alliance. Morocco's strategic geographical position makes it an international gateway to African countries, while its cutting-edge continental economic policy encourages tripartite cooperation as an investment instrument in Africa. Morocco has become an economic platform for transnational actors who wish to prospect the African market, using the services and facilities provided by the Casablanca Stock Exchange. Projects such as Dakhla Atlantic Port also serve to enhance Morocco's economic growth and its projection toward sub-Saharan countries as well as international prominence. Morocco has also developed economic ecosystems and value chains with its partners on the African continent, directing more than 60% of its investments abroad to neighboring countries, positioning itself as the largest African investor in West Africa and the second on the continent. The development of FTAs can improve national well-being overall, and an FTA between the two would help establish new bonds of cooperation and solidarity between Latin America and Africa. The Moroccan Embassy in Panama has demonstrated its desire to intensify cooperation through a number of concrete actions including organizing a visit to Morocco for Panamanian business leaders; establishing contact between Panama's Fiscalía General de Cuentas and Morocco's Cour des Comptes, culminating in Morocco's participation in the second Bilateral and In-

ternational Congress of the Cour des Comptes; and actively participating in the various events held by the Panamanian authorities and institutions.

**Can you provide insights into the partnership between the Panama Canal Authority (ACP) and the Tanger Med Port Authority?**

When the Moroccan Embassy in Panama opened in 2016, a mutual cooperation agreement was signed between the Panama Canal Authority and the Tanger-Med Port Authority. The key goals of this agreement was to take advantage of the potential of both zones to foster the emergence of a platform enabling companies to cover the most competitive regions of America, Europe, and Africa; facilitate the establishment of companies and logistics operators wishing to do business in these two free trade zones; strengthen cooperative relations, particularly at industrial level, between companies established in the Colón zone and the free zones of Tangiers; attract investment and ensure the international expansion of companies from both countries; and ultimately make Tanger Med the gateway for Panamanian companies to European and African markets, while the Colón free trade zone will give Moroccan-based companies access to American, Latin, and Caribbean markets.

**What opportunities can Panama offer Moroccan investors considering it as a potential investment destination?**

There is no shortage of business opportunities in Panama. The country is a stable, secure economy with a well-developed legal system and excellent infrastructure. Panama is also a member of the UN, the WTO, and the G20. It offers a variety of economic opportunities for businesses, including the ability to expand into new markets with relative ease given its well-developed transportation infrastructure, which facilitates travel and access to resources. Panama's business climate is also extremely positive, with low corporate taxes and a wide range of resources available to help businesses succeed. Despite the brutal economic slowdown caused by COVID-19, Panama's GDP growth in 2021 reached 9.9%, the highest in Central America and above the average for South America and the Caribbean. ✖

### BIO

Bouchra Boudchiche is a diplomat and ambassador representing Morocco in Panama. With a rich background in international relations, she holds a diploma in political science from Pontificia Universidad Católica de Chile and a degree in international relations from SEI-Universidad Rey Juan Carlos Madrid. She has excelled in various diplomatic roles, including director of American affairs at the Ministry of Foreign Affairs. Her impactful contributions include expanding the Mohammed VI Library in Panama, emphasizing cultural diplomacy.

# ROCKY ROAD *to the polls*

*Much in the way that a few bad restaurant reviews often overshadow many good ones, so too political terms are often remembered for their trials and tribulations.*

**T**wo pain points in particular concern us here. Panama is edging toward general elections set for May 5, 2024, and incumbent president Laurentino Cortizo is ineligible for a second consecutive term. The most recent tribulations almost certainly mean defeat for his PRD party's candidate, Vice President José Carrizo. Chronologically, we first turn to COVID-19, which struck early on in Cortizo's term and took an 18% bite out of 2020's GDP. The second tribulation, still unfolding as this article was written, while sparked by an economic decision, tapped something deeper in the national psyche.

On October 16, Panama witnessed the start of mass protests, strikes, and blockades that brought the nation to a standstill, attracting global attention, most notably hoisting red flags among the international business community. The spark was that month's rapid approval of a new Cobre Panamá mining contract. The president has found himself between a rock and a hard place. On one hand, he was mandated to advance the economy. Yet, he now faced charges of folding to big business to the detriment of national interest and the environment. At the time, the Chamber of Commerce put the cost of protests at USD1.7 billion. Meanwhile, business groups put the daily cost of disrupted supply chains nationwide at nearly USD80 million.

## **FAMILIAR CONCERNS OVER NATIONAL SOVEREIGNTY**

The mining deal was the latest cause of disappointment for many citizens already suffering low purchasing power, inequality, inadequate public services, and rising crime despite the sheen of commerce in the capital city. Additionally, the systemic corruption that has dented national reputation—recall the Panama papers—led many to suspect irregularity behind a poor deal for Panama all round.

## **A COPPER-BOTTOMED DEAL?**

Cobre Panamá, among the world's largest copper mines, is also the largest private investment in Panama's history. The copper deposit, identified in 1968, was described as an economic asset on par with the Canal. Operated by Minera Panamá, a local subsidiary of Canadian firm First Quantum Minerals (FQM), it is also partly owned by South Korea's state-run Korea Resources Corporation. After lengthy legal challenges, the mine received a record-speed National Assembly ruling last year granting a new long-term contract ratified by President Laurentino Cortizo on October 20.

President Cortizo's administration labeled the copper contract a victory. However, vocal critics insisted that history was being repeated and that essential yet finite resources should not go cheaply to foreign corporations. The Supreme Court agreed, cancelling the deal, effectively closing the mine. By the new terms, Panama would have received annual revenue of USD375 million from the mine, including taxes and increased royalties. Critics also found this low compared to the mine's 2021 gross profit of USD1.065 billion, not to mention the environmental cost.

## **A SUPREME (COURT) DILEMMA**

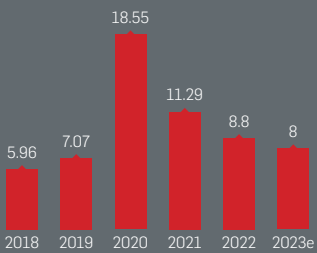
President Cortizo's initial reaction to the protest was to ignore it, although once its scale became apparent, his 180-degree shift raised eyebrows that may remain raised to Panama's economic detriment. The president initially proposed a national referendum on the deal before then rethinking that path to instead decree an indefinite moratorium on future mining. The moratorium was signed into law on November 3. Significantly, the new law banned the renewal of existing concessions while allowing Minera Panamá to operate the copper mine in Colón province for 20 years, with a potential 20-year extension. This rang alarm bells for all future investments in the sector.

What is more, legal experts noted that in constitutional law, the Minera Panamá contract law at the heart of recent turmoil could not be canceled by another law and only by Panama's Supreme Court of Justice. The plot thickened when the court indeed declared the contract unconstitutional, propelling Panama to international arbitration, an arena where it will likely lose after lengthy deliberations. Mining investment's kryptonite is an unpredictable mining code. The primary concern curbing investor appetite among mining enterprises is political commitment to free market operation. One way or another, it will certainly be a theme in the run-up to the elections.

There is no ignoring the fact that Cobre Panamá delivers 4% of Panama's GDP, accounting for around 75% of its exports. The country simply cannot afford to jeopardize its operations for fear of worse economic and social repercussions. Therefore, political candidates in 2023 will need to square the circle and commit to economic stability while, at least vocally, extolling Panama's national sovereignty in the face of commercial imperatives. Another option might be to pin their badge to the development of alternative and topical economic sectors such as ecotourism. ✖

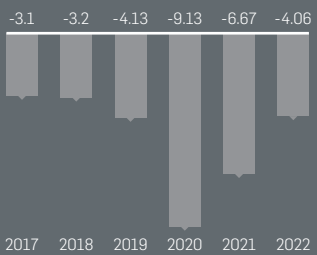
## UNEMPLOYMENT RATE

SOURCE: STATISTA



## BUDGET DEFICIT (% OF GDP)

SOURCE: TRADING ECONOMICS



## GDP BY SECTOR

SOURCE: STATISTA



- 68.15% Services
- 26.17% Industry
- 2.62% Agriculture



A shopping center pictured in Colón

Image: Juan Camilo Jaramillo

# Economy

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## GEARING UP FOR GROWTH

**P**anama, a country known for its strategic location and economic resilience, is anticipating another year of growth in 2024. Minister of Economy and Finance Héctor Alexander is optimistic about Panama's economic prospects for 2023, emphasizing its stability and promising growth outlook.

In a recent address at the Executive Meeting of the Chamber of Commerce, Industries, and Agriculture of Panama (CCIAP), the minister highlighted Panama's remarkable economic performance. Projections from prominent institutions, including the International Monetary Fund (IMF), the Economic Commission for Latin America and the Caribbean (CEPAL), and the World Bank suggest a robust economic growth rate of approximately 5% for Panama in 2023. These projections not only underscore Panama's resilience, but also support its continued investment-grade status. Panama experienced a substantial rebound in its economic growth in the past two years. In 2021, the country's GDP surged by an impressive 15.8%, followed by a notable 10.8% growth in 2022. These growth figures outpaced both global and regional averages. Key sectors driving this growth include trade, contributing 28.4%, construction 22.6%, and transportation and logistics 14.1%.

Foreign direct investment remains a crucial driver of Panama's economic strength, with a remarkable increase of 49.3% recorded by the third quarter of 2022. The employment landscape is equally promising, with 92% of the generated employment being formal. Between September

2020 and April 2022, the employed population increased by 214,672 individuals, marking a 13.2% rise. Formal employment saw an even more substantial increase, with 196,738 people employed, translating to 21.6% growth. As a result, the unemployment rate declined from 18.5% in September 2020 to 9.9% in April 2022, a significant reduction of 8.6%. Panama's commitment to fulfilling all 15 actions of the Financial Action Task Force (FATF) action plan in 2023 also needs to be highlighted, with removal from its Gray List a significant moment in the year.

Alexander also noted Panama's remarkable progress in reducing both general and extreme poverty during the pandemic. In 2021, the country's general poverty rate stood at 21%, while extreme poverty was at 9.5%. These figures compare favorably with Latin American averages, which reported total poverty rates of 32.3% and extreme poverty rates of 12%, according to CEPAL.

José Alejandro Rojas, Minister Counselor for Facilitation of Private Investment, summarizes all these positive economic trends of Panama in a few words: "Panama's social, economic, and political stability has underpinned a solid and sustainable recovery, making it an ideal destination for investment and business. Our strategic focus on key sectors, including logistics, digital, green energy, and sustainable tourism is in sync with evolving global value chains. We see nearshoring as a solution for resilient supply chains and Panama's geographical position and logistics infrastructure enable us to provide a sustainable and resilient solution." ✖

## INTERVIEW



Carmen Gisela Vergara  
EXECUTIVE DIRECTOR,  
PROPANAMA

## OPEN *arms*

With over 30 international partners, PROPANAMA collaborates closely with bilateral chambers to attract FDI and promote exports.

### BIO

*Carmen Gisela Vergara is an expert in international trade law, business development, trade negotiations, integration, and trade facilitation. With over 25 years of experience in Panama and the region, she has held influential positions, including serving as Secretary General of SIECA and Minister of Trade and Industries. Vergara has made significant contributions to regional economic cooperation and industry advocacy. She has also been a prominent speaker at various events and has written specialized articles for local and international publications. With her strong educational background and extensive expertise, Vergara is recognized as a leading authority in international trade law and business development.*

**What are PROPANAMA's main initiatives in terms of sustainability?**

Energy and tourism are two key areas of a country's sustainable strategy. Energy is needed to promote any kind of endeavor, and Panama aims to make the matrix even more sustainable. Right now, it is about 85% renewable; in fact, in some months last year, over 90% of the energy that was used in Panama came from renewable sources. The Energy Transition Strategy is moving in that direction, and we already have the biggest wind farm in the region. In 2022, we doubled our solar park, and more companies and homes are now using solar technology. We are also promoting urban mobility through electricity, the management of waste to produce energy, and new sources of energy such as green hydrogen, which is the star of our energy transition strategy. The energy transition strategy has identified projects from now until 2030 that total over USD4 billion in potential investments for Panama to achieve the desired transformation level. Furthermore, the tourism sector could not be absent in a sustainable strategy, especially since it is also one of the oldest engines of progress in the country. Our country has a variety of offers for all types of tourists, especially the conscientious tourists. We are also promoting sports tourism, conventions, and gastronomy. All these go hand in hand with business tourism because we have the biggest convention center in the region and excellent connections to the entire Americas with 300 Copa Airlines flights per day to over 80 cities, not to mention airlines from Europe and the Middle East that also offer direct flights to Panama as well as budget airlines like Wingo and Sansa.

**How does PROPANAMA support the development of sports, talent, and manufacturing activities in Panama?**

PROPANAMA promotes local talent through its participation in fairs and exhibitions in different sectors, fashion is one of them, as part of the creative industries sector, showcasing our local designers and their work at international events.

We complement Panama's state-of-the-art infrastructure with our commercial agreements with 59 countries around the world. That opens the door to over 1.5 billion consumers globally instead of just the 4 million people who live here. For companies that want to manufacture in Panama, we provide not only all the benefits that have been negotiated in these agreements, but also over 40 different investment laws for different kinds of commercial activities. For manufacturing, we have several alternatives, depending on the specific product and business stage. We have over 200 companies manufacturing everything from medicines to rum in the 17 free trade zones in Panama. Panama Pacifico, another former US military base, is now being transformed into a progressive development center that is attracting companies from all over the world, like Dell, Pepsico, and 3M.

**Who are PROPANAMA's main international partners, and how do they contribute to promoting Panama's investments and exports?**

We have over 30 international partners currently, and part of our strategy is to successfully collaborate with either bilateral chambers or chambers within the countries that we target to either attract FDI or as a place for our export offerings. We cannot single out anyone because they are all equally important to us. Whenever we travel, whether it is for a commercial fair or an investment mission, we rely on our partners to connect us to the right people in the country we visit, namely, those who are interested in investment in Panama or in buying our goods or services to promote in their countries. We continue to grow our base of contacts internationally so that we can better promote Panama. For our international missions, we always partner with the private sector of the country of destination. We also travel extensively with the Lawyers' Association of Panama, the Banking Association, the Real Estate Association, and private companies that are interested in that market and want to be part of that mission. ✖

# WORKING *on all fronts*

Among its other goals, CCIAP is actively working to promote digitalization and automation in the public sector and foster a culture of innovation by encouraging the adoption of digital devices, digital transactions, and automation of processes.

Adolfo Fábrega  
PRESIDENT,  
CHAMBER OF COMMERCE, INDUSTRIES  
AND AGRICULTURE OF PANAMA (CCIAP)



## What steps is the chamber taking to encourage a culture of innovation?

For Panama to become a digital hub, we first have to talk about digitalization and the automation of processes. In terms of fintech, there are up-and-coming companies emerging all the time, with companies like Yappy becoming a success. In terms of mobile statistics, Panama has always been a leader in terms of devices per capita; and Panamanians are supportive of digital devices and digitalizing their transactions. Right now, there are many institutions that have started their digitalization journeys, with electronic queue numbers for visitors, for example, and an increasing number of public-sector transactions becoming fully digitalized. One of the main priorities of the chamber of commerce is working with the government to not only digitalize but also automate procedures or processes in the public sector. We have received excellent feedback from the government, firstly by developing a culture where we view ourselves as being innovative, technology, and digitally driven. That culture is already immersed in the most important sectors in Panama, including financial services, logistics, and increasingly even in the public sector. The mindset will be embedded across the entire country soon, after which we will be able to create an innovative community in the public sector, which the chamber of commerce is also working on with alliances locally. We can create an image of innovation and forward-looking technology-oriented citizens who will eventually be able to create a successful digital hub. We have formed several alliances to encourage more innovation in

the country and have been in touch with many countries that have had success in this, including Israel, the US, and India.

## How does the chamber encourage greater digital connectivity in schools?

Talent will always be an issue. Panama is a small country, and we want to do more. We have been developing a close relationship with Universidad Tecnológica de Panama (UTP) and other similar universities to foster that talent that the country needs. We also work closely with the new Instituto Técnico Superior Especializado (ITSE) that has immense potential to help develop more innovative talent. Panamanians are viewed as willing and able to quickly adapt to develop the talent that we need and adopt new technologies such as AI more quickly and readily than neighboring countries. The Chamber of Commerce is also working on helping the government by providing support in terms of ensuring schools are digitally connected. Currently, below university levels or technical specializations, there are fairly low levels of digital connectivity in schools, especially the more remote ones. However, right now, we have the option of Starlink, which was not an option before.

## To what extent is CCIAP promoting responsible mining?

Panama represents 1.5% of the global copper production. Mining in Panama is not making much noise even though we are doing great job. We have a responsible mining project that is a success in terms of sustainability and not only protecting its workers and the surrounding economy and communities but also in

terms of the environment, which is not easy in that industry. However, Panama needs to modernize and revise its mining code before it approves new mining projects. We need a strong code that protects the Panamanian economy, the environment, and our workers. That enables us to not only become a successful mining country, but also be responsible at the same time. Panama is a carbon-negative country, and we want to keep it that way. In order to be a carbon-negative country and keep growing in that percentage distribution of thermal versus green energy, we will therefore be well poised to have a smooth transition into electronic vehicles, which would be amazing. If we are able to have significant green energy and a solid percentage of electronic vehicles in Panama, we can become a reference in the world. ✖

## BIO

*Adolfo Fábrega is president of CCIAP for 2023-2024. He served as first vice president of CCIAP and main director of the Group No. 6 – ICT. In addition, Fábrega was the main director of Fábrega from 2020-2021 and 2021-2022 and substitute director from 2019-2020. Fábrega has over 15 years of professional experience in the ICT sector. Currently, he is President & General Manager of Pensanomica, S.A., as well as Arion Intelligence Corp. Fábrega has been an active member of various boards of directors in CONACYT and the board for the Creation of Laws and Regulation of cyberterrorism and cybercrime, among others. He holds a BSE in information systems engineering from University of Notre Dame.*

# PANAMA'S *SEA* change

*Panama's brand-new Special Economic Area (SEA) in Aguadulce—also known as the Aguadulce Special Economic Zone (AEEA)—marks a profound advancement for the national and regional economy.*

**P**anama has 22 free zones nationwide, and the latest scheme features a port project for cargo and passenger handling and warehouse infrastructure. The AEEA project was set in motion by a law that supports the launch of new industries or projects. For our purposes, the key law proposed the creation of the Special Economic Area of Aguadulce and the Multipurpose Port Terminal in the province of Coclé on an area of 1,758ha owned by the state, designed to accelerate economic performance. The law laid out the organizational and administrative structure of the SEA, regulated by the Comptroller General of the Republic.

In fact, in early 2023, Minister of Commerce and Industries Federico Alfaro Boyd presented four bills during the plenary session of the National Assembly to shift Panama's production and export activities into higher gear. The laws promoted local industrial efficiency and inter-company synergy for improved competitiveness and knowledge transfer. It follows, too, that by boosting local capacities, greater confidence can be instilled among existing and potential suppliers and consumers, all preconditions for FDI commitment. The Quality Infrastructure Law Project, for example, was aimed at improving the competitiveness of Panama's goods and services and inculcating the adoption of a policy that ensures standardization, accreditation, conformity evaluation, and metrology.

The project also spells employment, estimated at over 40,000 direct and indirect jobs, importantly spreading benefit beyond Panama City and building on Panama's proud boast of being a hub of hubs. The latter characteristic encourages major manufacturing and export firms to take advantage of reduced operational costs.

## TEMPTING THE INVESTOR

In September 2023, at the eighth Latin Ports Forum, Ámbar Ruiz Chaperón, General Director of Free Zones of the Ministry of Commerce and Industries, underlined the significance of free zones to the port's development strategy. For Panama, which annually shifts north of 8.5 billion TEUs, such zones present the chance to venture into value-added activities

that create employment and production chains, thus mitigating the risk of supply chain fragility.

In a TBY interview, Counselor Minister for Agricultural Affairs Carlos Salcedo spoke of AEEA's win-win proposition for residency. "Aguadulce's special economic zone has the same tax incentives as Colón Free Zone or Panama Pacifico." Furthermore, "this tax sacrifice will have a multiplier effect, generating public employment and well-being. It will further spur green tourism, blue tourism, local commerce, and logistics [and] encourage greater exchange between two oceans." Moreover, "all investments for the facility," which are approaching completion, "will be private, and the state will only facilitate the laws, tax incentives, space, and concessions."

AEEA provides customs, immigration, labor, and tax benefits to resident firms that will likely number 350 initially, generating 8,000 direct and 4,000 indirect jobs on an investment of USD1 billion. Investment in the zone encompasses logistics, maritime and airport services, related high-tech, and call centers. For inventory-control efficiency, AEEA provides automated movement control with resident firms responsible for accurate record keeping of all entry, exit, transfer, and transformation of merchandise, products, equipment, and other assets owned by them.

## EXPORT...

Panama exported products worth a total of USD2,356.3 million in the first seven months of 2023. The sum was broken down into USD1,651.8 million in copper, USD545.8 million in other products, and USD158.7 million in shipments from free zones and special economic areas. Notable for the period was the double-digit rise in agricultural, industrial, agro-industrial, and fishing products of 10.7%, compared to the same period of 2022.

## ...FROM THE NEW PORT

The Aguadulce Multipurpose Port Terminal, meanwhile, is a deepwater facility allowing the export, import, and re-export of finished products and services, products leaving by air from airports located in the central provinces; products made by companies



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