



VIGILADA MINEDUCACIÓN

Influence of the distributive logistics for the foreign direct investment in Panama in the last three years

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Abstract

In order to make know the correct use of distributive logistics, this work aims to analyze the decisive factors so that a foreign investor decides to do business in Panama. The research is based upon various secondary sources that has been gathered through some researches about the topic and comparative analysis of Panama in relation to other countries in the region. In this way, it was gathered enough and trust information to hold the idea that an investment in infrastructure let have conditions auspicious in logistics, so, this turns the studied country would be pioneer in Latin America in logistics and infrastructure indicators, so, it shows that despite Panama be a small territory, it achieve to attract investors, showing a superiority related to other countries in the region.

Key Word: Distributive logistics, increased investment, Economic impact, foreign investment, Panama.

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Introduction

The distributive logistics plays a fundamental role at the time of making possible that a product passes by a series of activities thus to be able to transport so a product of an agile and safe way, in short it is the one that takes care of the planning, coordination, care and transfer of a product from its place of origin to the shipment of the product, reason why it has generated a great impact for the companies and the investors at global level, since a good logistic provides competitiveness and helps us to minimize costs.

This leads to what the products that can compete in the international market thanks to free trade agreements as we will see in the market of Panama.

Another fundamental role is investment, a fundamental requirement to be able to reach large markets and thus be able to increase income, therefore it is analyzed how risks are incurred when investing since it all depends on how the market moves and what type of decision the investor since they can lose or gain, although there is also the type of investor adverse to risk which does not generate greater uncertainty when investing because otherwise they would lose more than they invested.

On the other hand, we also conducted an analysis of the last three years, 2017, 2018 and 2019 where we will report on how the processes in the distribution logistics have advanced and how the economy and its dollarization has helped to maintain low inflation and in terms of imports, where it is possible to collect information on trends, characteristics and statistics of goods that are imported where the main suppliers have been the United States and China. And second to exports, there is a tool that highlights the main products, the main trading partners and the main exit points, as you can see it is a tool that allows providing information quickly.

It is worth mentioning that Panama is a country with an endless number of tourists that lately has become a seductive for potential investors thanks to its economy since it is possible to develop productive investment experiences that generate great benefits for the country's economy as we previously mentioned.

1. Formulation of the project

1.1 State of the art

Increasingly we can identify how the world has evolved due to constant changes related to foreign investment, and even more so when it comes to distributive logistics, given that it is one of the most important factors to consider in international business and more if it is about investing.

Later on, some background information is related that shows the advances that are being lived during the last five years.

The authors Estupiñán & González, (2018) in their thesis for their PHD on the impacts on Panamanian international indicators as a result of the opening of the third set of Panama Canal locks, based themselves on a series of theories that have sought to determine and understand the model. Theories such as the traditional one of international trade and modern international trade. As well as surveys and indexes that indicate the growth that the passage through the canal has had, they also seek to determine the impacts that the country faces in international trade since the expansion of the Panama Canal, since this new opening represents great economic and opportunities commercial, since they must vary their portfolio to expand their horizons. It was determined that the opening of the third set of locks provided an increase in the storage and transportation sector. Imports benefited by 8% and exports were lower by 3.8%.

The book on the evolution of the logistics sector and support of the Ibero-American Development Bank in Panama (2018) deals with the evolution of the transport sector and the transformation of the Panama Canal in which the IDB is seen to have made progress in increasing of the Panamanian economy, They also emphasize how improvements to Panama's road infrastructure have increased foreign direct investment, as well as how transportation and logistics strengthening are attracting benefits, from the implementation of policies and technological to achieve that Panama is worldwide with an international logistics trade in which the canal plays an important role.

On the other hand, the article by Bernal Payares & Aguilar Gonzalez, (2015) entitled Panama as a multimodal logistics center of the Americas in a globalized world is based on how Panama with as many points in favor as its different accesses by air, water and land; its geographical position and with the help of the dollar as the basis of its economy; its climate and far from natural disasters can become one of the largest platforms worldwide, providing connection between the Pacific and Caribbean oceans through the Panama Canal, a multimodal transport and its different ports, using as a basis for your article the descriptive methodology documentary. He concludes that Panama is a privileged country since logistically it has an excellent position communicating the two oceans, free of hurricanes and earthquakes, giving a business point of view this are key to its growth.

We see then the great importance that has had to study deeply the logistics, like base in all in all company and in the development of a country, if we have knowledge on this topic and make proper use of it, leads us to have a development at world-wide level contributing to the economy of the country being more agile and efficient as it mentions Mr. Andrés Castellanos.

In other words, logistics optimally determines and coordinates the right product, the right customer and the right time. Logistics is therefore not a functional activity but a model, a reference framework; it is not an operational function, but a planning mechanism; it is a way of thinking that will even make it possible to reduce uncertainty in the unknown future. (Castellanos, 2015)

The book highlights logistics as an achievement of the world at an international level, and since it has played a fundamental role in the development of a country that wants to be recognized and developed, it begins with the history and its logistical evolution the different types of logistics that there are within which three important types stand out, normally known as the supply chain where in each step logistics is implicit, production and distribution, where it is important to remember that they all have equal importance but where distribution may or may not depend on the company, making it more risky in terms of care and detail. That is why we want to focus on this book, so this book complements our work very well and we hope to agree on it quite a bit, since it is very focused on what we want to raise in this work.

It is also important to highlight foreign investment and the benefits that it brings. Since the beginning of the First World War, the "liberal ideology that prevailed in government circles convinced politicians that foreign direct investment represented an indispensable contribution to efforts to promote economic development". (Bulmer, 2017) , It is demonstrated in this space that all investment brings with it economic benefits and that since it began with the liberal ideology, where it was understood by it in this context as the reduction of the power of the state, and that the companies and people could develop at international level without pressure of the same state it was given around the world generating that the economy grew to giant steps this book highlights the economic evolution of all Latin America and helps us to understand how the market has moved that is in what benefits a country and as little by little the Latin countries are emerging.

1.2 Problem Statement

Economic growth and foreign investment are closely related components since for a global economy they are fundamental and essential determinants for sustainable development or for the success of countries, the higher the growth, the more road and airport infrastructure, etc.; more is foreign investment. Since it determines its capitalization, the entry of foreigners is one of the greatest options a country has to make that leap from transition to being an open and successful economy.

Based on this, what conditions or factors accompany the process in which foreign countries want to invest, taking into account that foreign direct investment is one of the safest ways to achieve a sustainable economy; Panama has the necessary conditions to receive them, the ability to assume the challenge of increasing foreign investment, but, does the country have a good internal logistics which covers a globalized world that is prepared and comes with every time and more challenges?

Panama has a strategic geographical position and has been characterized by being one of the most important connection centers for the world, driven mainly since the opening of the Panama Canal and from there, manages to be a great exponential of Central America, therefore, the attention is focused on this country and it is key to analyze yes by having this privilege it's used it correctly or taking full advantage of its differentiator as it is in distributive logistics versus others.

According to studies carried out by Farromeque, (2016) "Panama's logistics structure offers a remarkable contrast between the Canal Zone, with its world-class infrastructure and services, and the rest of the country with its deficit of basic logistics services and connectivity". For which the Panama Canal represents in its great majority the best infrastructure to give capacity to a globalized world with services in distributive logistics of first quality, nevertheless internally the country does not exist logistic comparison before the channel, this could generate that the fort only is to pass the merchandise, generating that only some sectors are benefited, leaving behind those that still are not exploited, even the same Panamanians do not take advantage of the fact to work or to be part of a foreign company, having an exceptional system of distributive logistics integrated in the whole country or in the industrial zones, Panama could not only be an economically sustainable

country, but also a world-class country, so if Panama wants to be a center of foreign investment, it will need a good network of distributive logistics infrastructure throughout the country.

Based on this, it is necessary to analyze the factors that constitute a risk at the time of the investment, since it is necessary to take considerations, for example, if a company wants to invest in an unknown country the first thing it looks for is to study it to look at all the possible variables to see the viability analyzing the benefits and gains that each one would have.

To conclude, the new locks that were opened in 2016 were a great investment in infrastructure which improves the logistics of this country, it is expected that foreigners are more interested in the country seeing as a potential investment, thus being a great motivation to invest in the entire Panamanian logistics system.

Problem question:

How has distribution logistics influenced foreign investors or multinationals for them to invest in Panama in the last three years?

1.3 Objectives

1.3.1 General Objective

To determine the characteristics of the distributive logistics that influence the foreign or multinational investors that make the decision to invest in Panama in the last three years.

1.3.2 Specific Objectives

- Characterize the processes that lead to an adequate distributive logistics as a support in your investment decision.
- Establish profiles of foreign or multinational investors identifying interests according to their needs.
- To propose which is the relationship of the distributive logistics with purposes of foreign investment in the last three years.

1.4 Justification

1.4.1 Theoretical justification.

This paper presents the context of the distributive logistics for investment purposes in the last three years in Panama, where the competitive advantages there are to respond to the business and investment environment are highlighted.

Panama offers the possibility of investment due to its innovation and logistic capacity as a business platform since it is a great driver of growth and economic development for this country and the world as well as for all investors who see as a great opportunity to make an investment in Panama.

This country has a great strategy designed around the Panama Canal which makes a huge contribution to the global trade in foreign trade with extensive knowledge, power in decision making and the ability to provide specialized advice for companies wishing to make investment and logistics.

1.4.2 Social and/or Business Justification

At present, the economic growth of a country is based mainly on the logistics sector, which is why we see that Panama in recent years has relied on the logistics aspect as one of its strategies for expansion and positioning at the global level.

Panama as a fundamental part of its government policy has designed a plan that seeks industrial modernization which is based on investment of the necessary infrastructure which the country requires in order to meet the needs that are appearing in the diverse and changing business world.

Public investment is the engine that promotes the growth of countries, there are important projects such as the expansion of the Panama Canal and the subway.

1.4.3 Personal justification

The positive impact that it has in Panama due to the port system is the main motor of national development through the justified investment in the strategic position that is geographically located, which offers the possibility of offering different services such as:

financial, economic, cultural and of the most important as they are it the sector of the transport and of the logistics, taking advantage of the competitive advantages that it has Panama and its connectivity, which allows an efficient and economic system that greatly enhances trade in the region and worldwide

1.5 Frame of Reference

1.5.1 Theoretical mark

Panama is a country located in Central America, its official name is Republic of Panama and the capital is named Panama, its name is derived.

Of those who suppose that such a name belonged to the chieftain who lived in the region when the conquistadors made their appearance there; those who assume that it means land or place of the butterflies; those who assume that it corresponds to a tree known by that name, abundant in the Isthmus and particularly in the site on which the old city of Panama was built (Bautista, 2017),

It has an area of 75,517 km², bordering Colombia to the east and Costa Rica to the west, is highly mountainous and stands out for its Panama Canal.

In the Panamanian history it stands out from the arrival and conquest on the part of Rodrigo de Bastidas to the coasts of the Isthmus, where the Royal Audience of Panama is founded, of there it passes another historical landmark with the colonial epoch where it separates of Spain in 1821, Panama enters then to the epoch where it joins Colombia from November 28, 1821, until November 3, 1903 that happens his separation, here his history as independent country begins up to today.

Illustration 1 Location of Panama



Here we see Panama's location geographically, taken from:

Panama Logistics Cabinet. Year 2017

- **Panama Canal:** The Panama Canal is a navigation route or seaway that connects the Caribbean Sea with the Atlantic Ocean and in turn with the Pacific Ocean, being a meeting point for the main commercial routes of products and cargo, is a reference for Latin America and the world of port infrastructure where it assumes an international route with business opportunities.

The Panama Canal is one of the greatest works in the history of mankind, especially considering the means available at the time it was built. It is also, without a doubt, one of the most useful, and was built with such restraint and care that it basically remains and functions today as it was conceived. Its work, as opposed to that of Suez, did not only require the opening of a gap in the terrain, but also required the erection of a water bridge which, by means of a system of locks, lifts the boats by hydraulic propulsion to an artificial lake, from which they then leave, after having sailed through it, using the same procedure. (McCullough, 2004).

Illustration 2 Panama Canal.



*Comparison of the new 2016 locks in Panama to the previous ones opened
Taken from: Week Magazine 6/4/2016 "Panama Canal Expansion Ready"*

The Panama Canal has gone through several changes to be able to face the globalized world we have, giving better opportunities for the international traffic of goods, that's why having it with the best infrastructure is mandatory for this country, and for the year 2016, it was

given to the world the opening of new locks, expanding its canal, with a new access to the Pacific, an achievement for those ships like the Post Panamax and Super Post Panamax, with capacity to load up to 14,000 containers (teus).

- **Foreign Investment:** As far as foreign direct investment is concerned, it can be said in a few words that there is a party or an entity interested in an economy or an economic interest, this can be called a "direct investor" and the other party that plays this role is the one on the other side that offers its economy or its work to the investor in order to create an economic alliance in different countries, understood as the foreigner.

In general, the countries receiving FDI expect it to generate job creation, contracts with new ideas, technologies and working practices, higher tax revenues, promotion and creation of industrial fabrics, etc., and thus all the benefits that can be caused to improve the well-being of their societies (Magrovejo, 2005)

From a market perspective, FDI may be horizontal when the production process takes place in the host country and vertical when production is part of a global production process. In both horizontal and vertical foreign investment, production processes may or may not involve a proportion of domestic inputs.

Such FDI may be directed towards the production of goods or services with different levels of technology, and the impact on the host economy will therefore be different (Rondero, 2010).

There is a direct relationship in the influence of foreign direct investment with respect to the economic growth of a country, given that it not only represents profits for the sector in which it is being invested, but also brings with it the convention of other economic areas such as new jobs, transport and mobility, and so on, moves the country if infrastructure is required is made great progress in trade and international recognition and everything that this involves if the majority of processes are carried out within the same country, although it also has its negative side, as if it is more global if it brings products from abroad, or if the company or incoming investor brings problems such as pollution or unfriendly ethics with the country to invest.

We enter into another important topic that we relate and is the logistics where we can say that it is defined as a set of means and processes that need a process to carry out in an organization either of services or especially of distribution, According to Carro Paz & Gonzalez Gomez (2013) "Logistics is planning, operating, controlling and detecting opportunities for improvement in the process, its objective is to permanently satisfy the demand in terms of quantity, opportunity and quality at the lowest possible cost to the company", implying that logistics is in constant evolution, since it seeks to be at the forefront in satisfying the demand.

For Prieto Diego, (2014) "Logistics is an economic engine in developed countries and will increase in the coming years, it will increase as the modalities of foreign trade intensify" it is also important to note that for the author "Logistics allows companies to act successfully in three fundamental lines and related to each other.

- Improve service to both internal and external customers, in order to achieve their own satisfaction.
- Optimize relationships with suppliers.
- To continuously improve all the processes of supply, production, distribution, maintenance and after-sales service of the companies".

1.5.2 Conceptual Framework

Let's talk about important variants that integrate a whole logistic and investment axis, let's start with the Infrastructure, it consists of the set of works and services that work in a correct and concrete way, road infrastructure is the means by which land connectivity for the transport of people and cargo is carried out allowing productive activities, it is important that a country has at its disposal the best infrastructure conditions to meet the needs of investors and its community, which is why it is a focus of attention and a very good reference when it comes to achieving an increase in productivity.

In economic, social, and environmental development, infrastructure works are highlighted by the formation of networks, so that these classifications end up being blurred to the extent that, for example, the construction of roads in a city can improve access and connection with the rest of the country and the world. Sánchez Calderón (2008)

Infrastructure plays a very important role for countries so much so that they have their own global Given this, there are many variables as that of a quality of life for people, as a global connectivity that leads to business and particular interests over those who have a good connectivity and both road and construction solutions, which is why foreign direct investment alone is not enough if you do not have good works.

Increased investment alone is not enough: more and better investment is required. To this end, along with improving financing and investment and infrastructure systems, it is imperative to review the way in which State works are planned, evaluated, monitored and audited, so as to ensure that these investments have the expected social impact (Cipoletta, Pérez, & Sanchez, 2010)

Development and competitiveness, everything complements each other when we take these concepts into account. If we talk about infrastructure, we must mention an exponential development that goes hand in hand with trade and economic growth, then we must know what development is and why competitiveness is generated or there are measurements from one country to another.

According to Smith, such a superior country would not benefit from international trade. In contrast, for Ricardo, the superior country should export and specialize in goods where it has the greatest absolute advantage, and the inferior country should export and specialize where it has the least disadvantage (Buendía, 2013)

We understand by this that to achieve being a superior or developed country, you must export the products or services that we know how to do best and import what we do not have or we have at a disadvantage, however as we know today there are many countries that manufacture everything, or that know how to do very well and not only that, but their internal policy allows their people to work for less, thus causing the products they make to be sold much cheaper than the rest, thus beating the competition for example, for Porter (1999): 170) this theory has been overshadowed in advanced sectors and countries by the globalization of competition and technological development.

Then we find a new concept that applies for today that is for Michael Porter, the Competitiveness of a nation depends on the ability of its industry to innovate and improve; companies in turn gain advantages over the best competitors in the world

because of the pressure and the challenge, then we see Porter's focus on efficiency where a process such as distribution is more efficient and effective, we will see Porter's diamond that is the model that determines the factors that make countries more competitive and through which they achieve business success to understand a little.

Graphic 1 Diamond from Porter

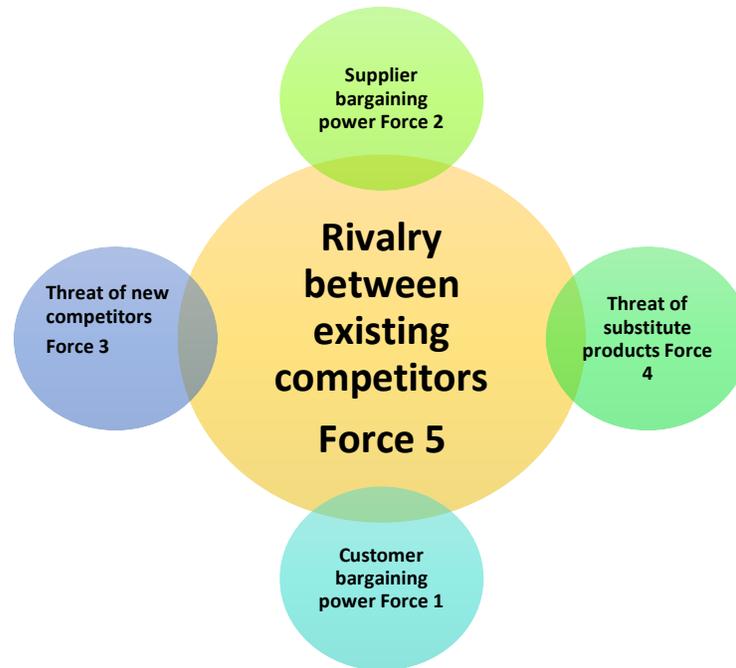


Chart based on the five forces in Porter's book.

Taken from: own elaboration.

National prosperity is created, not inherited. Businesses gain competitive advantage by encouraging innovation. And their ability and drive to innovate is affected by the four attributes that constitute the "ace poker" of national advantage and are reflected in the top rhombus. Each ace in the poker game refers to the essential factors for achieving international leadership. Poker acts as a system: often the effect of one card depends on the state of the others. Porter relies on the analysis of the rhombus to present some of the policies that government and companies should follow. (Porter, 2009)

1.6 Methodological Framework

1.6.1 Research Method

- **Research focus**

As a methodological research approach, we will start from the general to reach the specific, that is, we will address the concept of logistics in general, and the Foreign Direct Investment, to then focus the study on the distributive logistics, and on the investment profiles, starting from disaggregated variables to then integrate them and determine the characteristics that make Panama a potential investment focus.

- **Type of study**

The type of study to be implemented in the work is of a descriptive nature, since it seeks to describe the characteristics of the companies and foreign investors who wish to invest in Panama.

1.6.2 Research methodology

Information will be obtained through research sources such as data collection, through the techniques, means and procedures defined to develop the method. It specifies how the correct selection of research sources, design and application of data collection methods, research techniques, among others, is carried out.

- **Techniques and instruments for collecting information**

Instrument technique, by means of this technique it is expected to obtain information through a material means or useful elements to implement, such as cards or storage media such as computers, in which important notes will be kept and extracted either when we are going to carry out the consultation process by secondary sources.

- **Information selection and analysis**

Once we have the information collected, we hope to have enough information to define the most appropriate to the study, the most relevant is that we hope to have reliable sources, both according to the subject and not, to embrace the whole context that we want to shape, to make a comprehensive project and according to the object of study.

- **Bias Control**

We hope to counteract the bias in the following way, as the study is reflected in the secondary sources will be compared with pages or official sources such as the Inter-American Development Bank, reports of the presidency of Panama, books published that have already been referenced, notes and comments compared with the news, official sources such as those of the IMF, World Bank, and ECLAC, additional to the government pages of Panama. With all these consultations we will be able to obtain a complete analysis, so that our selection goes according to the work and is as truthful as possible.

1.7 Scope

The objective of this work is to establish the influence of distributive logistics in order to determine the characteristics by which foreign or multinational companies decide to invest in Panama. A structuring and research work will be done in Medellin, Colombia, where from there, we will build the work looking for the information from reliable and true sources, it will have an extension of 75 days of research.

2. Characteristics of logistics processes for investment purposes

2.1 Characteristics of logistics

Talking about a logistics process leads to talk about many variants and processes, logistics can integrate from taking a product to a certain point, or the distribution of large companies that involves a number of members, for example we have a company that looking from the inside and its processes begins logistics since this company begins with the purchase of their materials, processing, packaging, he sent the transport, not only ends there, also includes a chain that involves all who are part as distributors, vendors, suppliers and among others.

We then see how important it is for an organization or company to pay attention to its logistics system and the consequences that can result from a bad exercise or practice of it, it is essential time, implies profit or loss that would be if it is practiced in a wrong way.

Now, looking at it from an investor point of view, or from any person who wants to get involved with a company, we must always take into account not only the quality and the price, but that they arrive in the required time, arriving in good condition, and that the merchandise is not lost, and above all, that it is as it was proposed to us, so if we want to be considered for a project or a job where our company is underway, we must be able to offer these features not only to our customers but to all those involved.

Then considering these basic factors we will see what the main characteristics would be to consider:

Logistic Order
1. Planning of purchases
2. Consideration of Suppliers
3. Purchase Decision
4. Transport Selection
5. Distribution centers
6. Distribution

The table relates the order of the basic terms of a logistical process

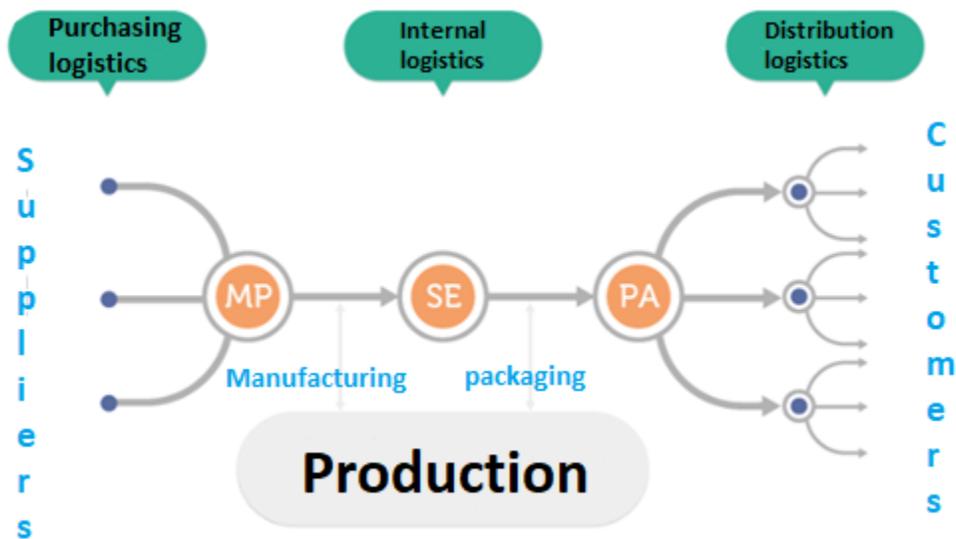
Taken from: own elaboration.

We will make a brief summary of what each one is and why it is important.

- **Planning of purchases:** once we have our contract business or process to perform, before planning purchases, understand if our company has the ability to meet this order, to deliver on time and if we have this, we will proceed to plan purchases, such as inputs and other things. It is important to take into account that with a good planning we will have everything we need, without having exhausted products or products that are left over, it is essential to have this point for a good optimization of resources.
- **Consideration of Suppliers:** It happens the same as in the planning of purchases and it is to evaluate that suppliers we have to disposition for the company, that their products if they are of quality that fulfill all the norms and policies, where we found them as it is also its time of delivery terms and conditions that forms of payment offer or that they are arranged to negotiate, all these variables understand that so beneficial it is for our business, since it is not only price and quality we must make sure that it is a legitimate company, or that if we have already bought to him that so reliable they are, of this it depends the production of our products and the delivery on time as well as quality and competitive price.

- **Purchase Decision:** Once we have the previous steps, we will proceed to buy the products already planned and to contract the suppliers that fulfill the requirements or negotiations previously acquired, we proceed then to the logistics of purchase and delivery of the merchandise, here we deploy our personnel for the location of materials and transformation of the merchandise, it is very important since from here the control of the products is taken, until its final stage.
- **Transport Selection:** Once we have our merchandise ready, including packaging and storage, we will proceed to select what transport we require, what are the terms we will handle, where our product goes, what conditions it needs to arrive in the best conditions, we will evaluate the price and delivery of the merchandise, and determine what is best for the transport of the merchandise, it is very important because it depends on this that our product is sent and arrives as it should be.
- **Distribution centers:** These centers are spaces in which products that are in transit are stored to achieve their distribution. Generally, they have specific requirements for their construction for the temporary needs that all products may have due to their rapid rotation in the supply chain. A large inventory is always stored and delivery is made to resellers and retailers in a short time.
- **Distribution:** Here we must already take into account for whom it is directed if there are several parts or only one, if the contracted transport must be directed to a single place or to several and it is where we plan which strategy is the best to use which routes, and in help with the transporter to achieve a good distribution and delivery of the final product.

Illustration 3 Logistics process.



Graphically, the logistic process is described where the interaction between suppliers and customers is seen

Taken from: ESIC What is Internal Logistics? The year 2018.

Now if these are very basic concepts to start knowing how logistics is, how it works and why it is so important.

Bad planning can lead to an exponential increase in costs and difficult management. While it is true that some organizations transmit their inefficiencies to their suppliers via price, internal logistics can be a seven-headed monster that can be very difficult to control without proper management (GONZÁLEZ, 2018),

So, it is important to know about it and for investors a bad practice of it can lead to change their mind, let's focus then on a key logistics for the proper functioning and cost savings, called distributive logistics.

2.2 Distribution logistics

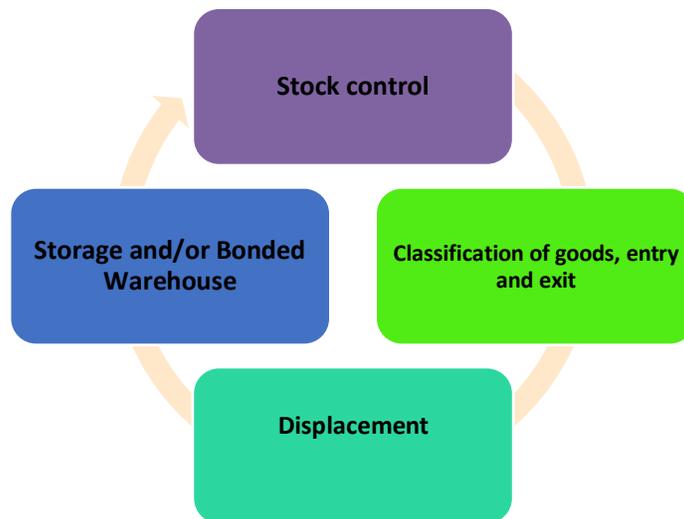
As its very name indicates, distributive logistics is about correct distribution, this entails two fundamental objectives: the first is to deliver in accordance with the client's agreements and the second with adequate attention to the product, and in more technical terms according to Bizen. "Distributive logistics is understood as the set of physical structures

and activities that connect the source of the product (factory) with the clients, coordinating at the same time the underlying information flow". (Bizen, 2019).

Understanding this we move to a distribution network as a gear where several components to be analyzed come together to make this an ideal logistics strategy for an exceptional investor. In this network we find four important operational functions for a correct distribution:

- Storage and/or bonded warehouse
- The displacement
- A control of the stocks
- And a classification of the incoming/outgoing goods according to origin/destination.

Graphic 2 Operational functions of a Distribution



Graphics demonstrates a connection between the factors mentioned in them, in the functions of a distribution.

Taken from: own elaboration.

In the distribution logistics we have the storage, which is divided into factory warehouse, central warehouse, and one peripheral, understand that the first one is a kind of container where the goods of a production plant are momentarily. This is due to the demand of the company to have a certain number of forecasts or products for the warehouse and needs to store those products produced while waiting for the orders of the clients, or to the fact that the company needs to group a certain amount of product to saturate and optimize the management of a means of transport. However, for the central warehouse is understood as a collection and classification center to centralize there and have available different products in a single point. And the last so-called peripheral warehouse is similar to the central warehouse, collection/sorting centre. But in this case it differs in that this warehouse can ensure an efficient and fast delivery to customers because it will be close to them.

This is a fundamental aspect since the right handling and management of space is the key to reducing unnecessary occupation and at the same time reducing costs in the warehouse, given that most of the time a high flow of goods is used. Therefore, it is essential to have a good logistics storage system.

Nowadays the eCommerce Logistics is a trend as the world has evolved strongly in technology and innovation, online stores have everything at hand for the end customer as: different forms and ease of payment, short term and affordable shipping costs and a logistical process order and as a main base a good storage in order to have the inventory whenever necessary. It is necessary to highlight the logistics system of Amazon.

The different types of storage are the following according to their purpose:

- 1. Public warehouses:** They belong to government agencies for the exclusive use of private companies, they do not have advanced technology, but serve as a bridge to store primary inventory for new e-commerce ventures.
- 2. Private warehouses:** This corresponds to purely private entities more than any wholesaler, distributor and/or manufacturer as they conform to a strategy defined at a strategic point.
- 3. Intelligent warehouses:** An intelligent warehouse is one of the newest types of storage in logistics. There, storage, fulfillment process and management are automated thanks to the use of artificial intelligence. Automation ranges from

software for inventory management to robots and drones that perform handling and transportation tasks.

- 4. Consolidated warehouses:** This is a type of warehouse that collects small shipments from different suppliers and groups them into larger shipments before distributing them to buyers. It usually specializes in shipments destined for the same geographic location. This is a very economical way of approaching order fulfillment, especially for small and start-up businesses. The capital investment and inventory volume required to use this warehousing option is also minimal, another consideration for startups.

- 5. Cooperative warehouses:** The cooperative organizations manage the cooperative warehouses where those who store the products can be the same people associated with the cooperative and also third parties who wish to carry out the storage in these warehouses, the advantage for the members of the cooperative are that they have low rates as opposed to other types of storage.

- 6. Customs warehouses:** They are duty free warehouses which become very attractive to importers because they can store their products for a long time, time that can be used to offer this merchandise to a good buyer and as such to the highest bidder and not have to sell them quickly and sell them at low prices. You can also store products with restricted access waiting to finish the documentation process that allows them to continue their delivery process and thus achieve complete delivery to their destination. In this system of storage, you can store imported products or goods before they have to clarify the entire process of customs duties.

Let's take an example:

For the displacement not only it is spoken of the exit of the products if not in how the company handles its interior in the handling of its materials, where this the zone of production and to where the materials arrive, and when they are ready, what place does the company have for them, That is why internally some access routes must be established to

- **Stock Control:** In the distribution logistics we have the storage, which is divided into factory warehouse, central warehouse, and one peripheral, understand that the first one is a kind of container where the goods of a production plant are momentarily. This is due to the demand of the company to have a certain number of forecasts or products (for the warehouse) and needs to store. It could be said in some way as the inventory of a company which is taken as an accumulation of materials in space and time, with an average of certain units, these in turn represent handling costs, either during their receipt, storage, inspection and dispatch, keep track of our goods leads to users or handlers of these products can perform their work without being affected by the lack of continuity in manufacturing or delay in delivery by the supplier.

The movement that takes place in the warehouses, of each article in existence, forces to maintain in them a determined quantity of each one, which must be in agreement with the time and the frequency of consumption, as well as the lapse of time in which it is renewed, that is to say the delay that takes place from the time the existence is reviewed to emit the request of purchase, until the materials are available in the warehouse to satisfy the necessities of the users or consumers. (Manene, 2012)

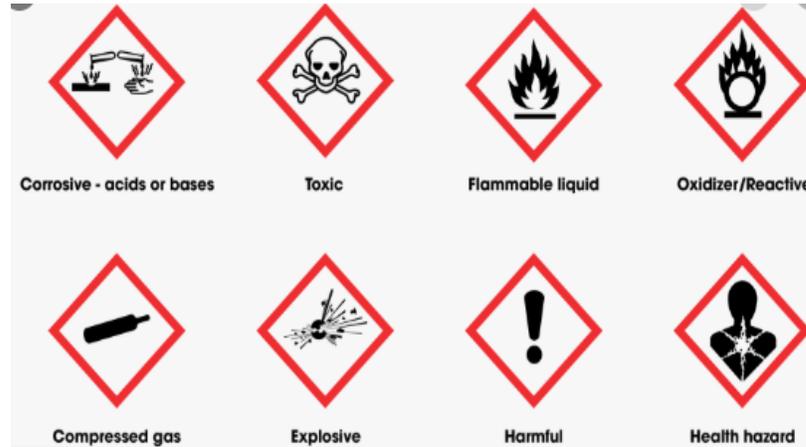
Taking this into account we see the importance of having a manageable inventory ordered and always available which leads us to the classification of the goods whether the goods are incoming or outgoing or we classify them by origin or destination. When we have a business that involves an international scope it is very important to know the classification according to the different types of goods that exist, given each of them is subject to a regulation and specifications from its packaging, marking and also at the time of loading and transport. It is therefore important to take this into account. When the products arrive to us, we must classify the merchandise, according to how we have our inventory or how we keep control of our stocks, and as much as in internal or external logistics we can apply these concepts.

2.2.1 The Harmonized System

This system aims to simplify the exchange of goods for international transport. The WCO World Aduna Organization given the great globalization and growth of the market worldwide forced to put a system for the classification of goods that could be raw materials, raw products, semi-products or processed products, also known as "Harmonized System of Description and Coding of Goods", known as "Harmonized System" or "HS" and the use of the HS is already used in customs tariffs.

- **Classification according to their nature:** This classification is given as its name implies by its origin or nature.
- **Dangerous nature:** are products that present inherent risks such as chemicals, petroleum products, gases, or flammables. These are regulated by a special regulation, which depending on which product and which country they are destined to, we must investigate.
- **Fragile nature:** are products that must be transported and handled with great care, because they could easily break. For example, glass objects, ceramics, eggs, etc.
- **Perishable nature:** are products that have a short shelf life of approximately 1 to 7 days, for example dairy products, fruit, or flowers. Temperature-controlled transport is taken into consideration.
- **Non-perishable nature:** are products that have a longer shelf life, for example packaged foods that do not require refrigeration.
- **Live animals:** in this case depending on the country and the animal a law applies to them and this legislation should be consulted before handling them.
- **Dimensional nature:** are products of considerable size that require special handling and transport.

Illustration 5 Figure Product or Merchandise Marking.



Some markings to be used on goods according to their origin or nature
 Taken from: Frepng.es

Product classification

A correct classification of products is very useful for suggesting strategies for full logistics, and for knowing why products are supplied and distributed the way they are.

2.2.2 The product life cycle

The products that are forced to carry out a logistic process are exposed to several risks that we mentioned before, but these are composed of a physical part and another intangible part, called the total offer of the logistic product.

Classified as such:

Table 2 the total offer of the Logistic product.

Physical portion	Intangible part:
Weight, volume, shape, peculiarities, performance and durability.	It is the communication, to provide the correct information and on time, satisfying the needs of the client.

Comparative table of physical portion and intangible portion
 Taken from: own production

- **Product features**

These are: whether they are perishable or not, flammability and substitutability, weight, volume and value.

Grouped into four categories:

1. Substitutability
2. Risk characteristics
3. Weight-volume ratio
4. Weight-value ratio

- 1. Substitutability**

It happens when people find no or very little difference between a company's product and that of the competition, so the customer can often be easily switched to another. That is, the customer is very willing to take a second-choice brand when the first one is not immediately available.

- 2. Risk characteristics**

They can be characterized in whether they are perishable or not, whether they are flammable or not, the value, the tendency to explode and exposed to theft. Special care must be taken in their handling and transportation.

- 3. Weight-volume ratio**

This relationship is significant, as transportation and storage costs are directly related to them. They must make good use of transport, and storage facilities, for products with low volume density in the means of transport, care must be taken before the weight limit that can be transported is reached. In weight-based handling costs, they tend to be high in relation to the selling price of the product. When the density of the product increases, storage and transport costs fall as a percentage of the selling price.

- 4. Weight-value ratio.**

This relationship means that products with low value-weight ratios have a low storage cost, but high movement costs, while the cost of transport is stabilized with the weight.

We see that if the product has a high value-weight relationship, it is convenient to minimize the amount of inventory maintained.

Taking into account these characterizations of logistics helps investors to have a clear idea of how important a good system is so that they can be sure not only about the quality of where they are investing but also that everything will go well and in the shortest time possible. Identifying these variants entails a full understanding of how the company performs its functions and whether in some way a large investment could make it more efficient or not, given that if an investor were to identify flaws in the system, he would not have security for his investment.

2.3 Panama and its logistical performance

As we had already mentioned before, Panama offers a very good structure at a Latin American level was investigated, and it was found that in recent years has had a relationship in its growth with the variables seen becoming the first Latin American country to overcome both in infrastructure and logistics, which is remarkable, and therefore draws the attention of investors, is largely due to the expansion of the canal that took place on June 26, 2016, where the work was completed is connecting thousands of people by increasing the cargo capacity of ships passing through the Canal and seeks to strengthen trade relations with the world. (PANAMA, 2016)

In the words of Minister of Economy and Finance Dulcidio de la Guardia, "the expanded Canal will have a double economic impact on Panama. On the one hand, it will significantly increase the contributions that the Panama Canal Authority makes to the State as of 2017; and on the other hand, it will have a multiplier effect on our economy in general, especially in the logistics and transportation sector, which will translate into more investments, more employment and more exports".

And this is already true in the World Bank, where in its Rankin in logistics and infrastructure Panama went from being below Argentina and Chile in 2007, to being in the first places for 2016 and 2018.

Latin America Logistics Performance Index Ranking

Table 3 Logistics Performance Ranking 2007

Ranking	País	Puntuación
32	Chile	3,25
45	Argentina	2,98
54	Panamá	2,89
56	México	2,87
59	Perú	2,77
61	Brasil	2,75
66	El Salvador	2,66
69	Venezuela (Rep. Bol. de)	2,62
70	Ecuador	2,60
71	Paraguay	2,57
72	Costa Rica	2,55
75	Guatemala	2,53
79	Uruguay	2,51
80	Honduras	2,50
82	Colombia	2,50
96	República Dominicana	2,38
107	Bolivia (Est. Plur. de)	2,31
122	Nicaragua	2,21

This table shows the ranking in logistics performance in some Latin American countries for 2007.

Taken from: Repository ECLAC Diagnosis and proposals for the improvement of logistics and customs processes in the region of Central America and Panama

Logistics ranking for Latin America and worldwide in 2016

Table 4 Logistics Performance Ranking 2016

Ranking Latinoamerica	País	Puntuación	Ranking Mundial
1	Panama	3,18	45
2	Mexico	3,14	48
3	Brazil	3,12	50
4	Uruguay	3,01	53
5	Chile	2,97	56
6	Peru	2,87	64
7	Argentina	2,83	66
8	Colombia	2,67	81
9	El Salvador	2,66	83
10	Ecuador	2,66	84
11	Honduras	2,44	110
12	Costa Rica	2,55	94
13	Venezuela	2,34	122
14	Guatemala	2,30	130
15	Bolivia	1,90	154

This table shows the ranking in logistics performance in some Latin American countries for the year 2016.

Taken from: elaboración propia con datos sacados de El Banco Mundial, Ranking a nivel mundial de logística.

Logistics ranking for Latin America and worldwide in 2018

Table 5 Logistics Performance Ranking 2018

Ranking Latinoamerica	País	Puntuación	Ranking Mundial
1	Panama	3,33	35
2	Chile	3,13	43
3	Brazil	3,09	46
4	Mexico	3,02	52
5	Argentina	2,78	68
7	Colombia	2,87	56
6	Ecuador	2,75	70
9	Honduras	2,72	75
8	Costa Rica	2,70	79
10	Uruguay	2,71	78
12	El Salvador	2,56	91
11	Peru	2,42	110
13	Guatemala	2,25	136
14	Bolivia	2,21	139
15	Venezuela	2,21	141

This table shows the ranking in logistics performance in some Latin American countries for the year 2018.

Taken from: The data is based on data from the World Bank, Rankin Global Logistics.

When the World Bank report was presented, the World Bank's Director for Central America, Humberto Lopez, stressed that logistics is a sector that can help Panama on the path to development, taking advantage of the geographic conditions it has and the Canal to position itself as the logistics hub of the region. And by that time, Panama's economy in 2015 had increased by 6% over previous years.

Apart from this, the infrastructure also stands out since logistics goes hand in hand with the development of infrastructure, which is why it is an encouraging call for investors who wish to establish themselves commercially in the Republic of Panama, There are several options that allow you to take advantage of this geographical position, apart from the Canal are the port facilities, economic benefits and incentives offered by Panama for the establishment within the Colon Free Zone, and the Export Processing Zones and the Panama Pacific Area.

2.3.1 The Colon Free Zone

It is a Global Logistics Center for the world. It generates annual commercial transactions of US\$11 billion in imports and re-exports. With more than 400 hectares with more than 2,000 established companies and 250,000 annual visitors, the free circulation of the American dollar as legal tender, is connoted as a great advantage, some of its benefits are:

- Fiscal incentives that are under an exceptional system of tax-free sales or production and on imports and exports to foreign countries.
- Free of tax on income generated abroad.
- The largest cargo collection and redistribution Centre in the Americas.
- Air terminal in the France Field sector for the transport of passengers or traders between the cities of Panama and Colon.
- Lease Back or investment recognition system; Protection

Illustration 6 Colon Free Zone



We see in this illustration the entrance to the Colon Free Zone

Taken from: Excellencies New Panama, November 08, 2016

2.3.2 The Processing Zones for export

They are Free Trade and Free Enterprise Zones, specifically delimited, where all the infrastructures, facilities, buildings, systems and support services are developed, as well as the operative organization and the administrative management that are necessary, for the companies of all parts of the world, whose activities are the production of goods and services for export that are manufactured, assembled or processed in the Export Processing Zones; The sale of goods and services, as long as their processing involves local added value Any national or foreign natural or legal person interested in the activities of production of goods and services can also establish itself in the Processing Zones. The rates for services and the prices of products are freely set by each company that provides or produces them according to the rules of supply and demand, bearing in mind the competitiveness required to participate.

2.3.3 Panama-Pacific Special Economic Area.

It is a delimited area with a special legal, fiscal, customs and immigration regime, aimed at encouraging the free movement of goods, services and capital, in order to attract and promote investment and job creation.

The benefits that he brings to those who establish themselves in this area are: in Importing and exporting all kinds of goods, free of tax, without imposing additional registration and reporting obligations, except those that are expressly stipulated in the regulations and rules that are issued in the development of the Law. Foreign workers can also be employed to work within the area as established, there is also an attractive customs regime, tax incentives, labor and immigration that make it a good option for the foreign investor.

- Apart from the customs benefits, the Panama Canal and Free Zone has a first-class International Banking Center. Through the Decree Law 9 of February 26, 1998, the Panamanian banking activity is updated to the requirements of the new millennium and also has its tourist attraction. Therefore, Panama has a special legislation of incentives for the tourist development to propitiate the investment in new works, as part of the norms of incentive the possibility is opened for investors who wish to

invest in the construction of marinas and docks, through the figure of the Administrative Concession.

Thanks to these policies that benefit foreigners, and to investments, it has managed to achieve a world-class infrastructure, also recognized by the World Bank.

Infrastructure ranking for Latin America and worldwide in 2016

**Table 6 SEQ Table 1* ARABIC 6 Infrastructure Ranking
Year 2016**

Ranking Latinoamerica	País	Puntuación	Ranking Mundial
1	Panama	3,28	38
2	Brazil	3,11	47
3	Mexico	2,89	57
4	Argentina	2,86	59
5	Uruguay	2,79	61
6	Chile	2,77	63
7	Peru	2,62	75
8	Ecuador	2,47	88
9	Colombia	2,43	95
10	Venezuela	2,35	102
11	Costa Rica	2,32	107
12	El Salvador	2,25	114
14	Guatemala	2,20	127
13	Bolivia	2,11	134
15	Honduras	2,04	143

This table shows the ranking in infrastructure performance in some Latin American countries for the year 2018.

Taken from: Own elaboration with data taken from The World Bank, World Logistics Ranking.

1977

They put an end to the U.S. colonial presence in the Panama Canal, which was being returned to the Latin American country.

1993

Its basic function is to administer, safeguard and maintain the areas transferred to Panama based on the execution of the 1977 Panama Canal Treaties.

1994

Strategy of the logistics cabinet Panama 1994.

1997

Autonomous entity of the Panamanian State, established by Decree Law No. 7 of February 10, 1998, which unified the maritime competencies that until that date were held by the National Port Authority.

1999

The Canal Passes from U.S. Administration to Panama.

2006

It was held in Panama on Sunday, October 22, 2006 and approved a proposal for the expansion of the Panama Canal.

2009

The objective is to align the resources and potentialities that the country possesses, for the achievement of the goals and objectives of competitiveness and growth of the maritime sector of Panama.

2012

The objective of developing policies, together with private companies, that promote Panama.

2014

National Plan in Cargo Logistics.

2015

It is constituted by the Hydrobias, where about U\$S 201 million will be invested for the modernization of river ports.

2016

On June 26, 2016, the Expanded Canal.

Infrastructure ranking for Latin America and worldwide in 2018

Table 7 Infrastructure Ranking Year 2018

Ranking Latinoamerica	País	Puntuación	Ranking Mundial
2	Chile	3,21	34
1	Panama	3,13	42
3	Brazil	2,93	50
4	Mexico	2,85	57
5	Argentina	2,77	62
6	Ecuador	2,72	69
7	Colombia	2,67	72
8	Costa Rica	2,49	84
9	Honduras	2,47	88
10	Uruguay	2,43	94
11	Peru	2,28	111
12	El Salvador	2,25	114
13	Guatemala	2,20	122
14	Bolivia	2,15	129
15	Venezuela	2,10	134

This table shows the infrastructure performance ranking in some Latin American countries for the year 2018.

Taken from: Own elaboration with data taken from The World Bank, World Logistics Ranking.

Although by 2018 Panama is under Chile because apart from the expansion of the Panama Canal there has been no infrastructure works that are of great contribution to the country, but nevertheless the government always emphasizes the importance in this issue hoping to improve, so the logistics cabinet of the Republic of Panama, in its national logistics strategy for 2030 of the year 2017, has several strategic axes within which is the connectivity and land accessibility.

Illustration 7 Evolution of Panama's logistics sector



This illustration shows how Panama has evolved over the years in terms of logistics.

Taken from: Logistics Office Republic of Panama.

"The global connectivity infrastructure is the complementary strength to the geostrategic positioning. The unique infrastructure of the Panama Canal, the port terminals as a "bioceanic port" system and the Tocumen International Airport". (Alemán, 2017), this means that it is important to have a well-developed infrastructure, given that Panama's GDP is largely made up of activities related to the Panama Canal, the financial sector and tourism.

3. Investor profiles.

We see how the ports in Panama are the main axis of all marketing, Logistics and international transport and as such is what develops much of its economy.

"The ports of Panama are specialized in marketing systems, logistics and international transport, the efficiency in its operations makes these ports promote the growth of trade, in addition its strategic location allows connectivity with other ports in the world, making it a strategic center for business". (Vélez & Alejandra, 2018)

When we analyzed the different profiles and we were able to identify the interests that can have foreign investors in the necessities to make an investment in the country of Panama, diverse possibilities and proposals of interest can be seen since it has a without number of options that manage to call the attention of a good investor who wishes to see profitable his investment and a favorable growth, is possible to emphasize how important is the objective of the same one since very important aspects like for example the money to invest are touched.

According to the above, it can be determined that an investor is defined as a person who seeks successful investment initiatives that can be given, sometimes the different companies specializing in this type of issues can provide your company a good approach according to their role or need.

So, taking into account the above we are going to name some fundamental factors for the profile of an investor:

- The curve in the timeline and the age of the investment is what gives us the ability to know in how long the investment will yield positive results.
- It helps us to identify how much income is received in real time as well as in the future.
- The more debt you have, the less you can save.
- The capital is what represents the economic support with which the investments are going to be made.

- If you have a good capacity to save, this will allow you to take advantage of opportunities or face difficulties that may arise.
- Risk tolerance, how much money you're willing to risk.
- You must have basic knowledge about what you are going to invest in, as it is easier to make an investment in something, we know about than in something we do not know about.
- The object of the investment always defines what the investment will be used for.
- The profitability that is sought is the return that is sought to be obtained later on for the investment made.

It is important to emphasize that a broker regularly has an investment advisor where he questions the resources, needs and investment objectives with a level of risk that the investor would be willing to take.

"In an essay conducted by Dapena (2005), professor of Economics and Finance at the University of the Center for Macroeconomic Studies of Argentina (UCEMA) on the Determinants of Investment, he states that: part of the product generated annually in an economy is allocated to investment, which allows replenishing the stock of capital used in the production process, and increase it to support the future growth of the economy and generating employment, many factors are key in making a decision, providing security to investment and this in turn promotes that new capital comes". (R, 2005)

Thus, we will mention the different positions of an investor with regard to the definition of the attitude to risk and own risks in a foreign investment.

3.1 Risk profile, in terms of attitude

3.1.1 Conservative.

Its main objective is to mitigate risks as much as possible, the conservative investor is characterized by being less tolerant of risk and valuing security. Therefore, he is on a continuous search not to lose some or all the money he invests. Since it does not matter that the profits acquired are low.

3.1.2 Moderate.

Its main objective is to have greater profitability options which leads it to have more risks. It should be noted that this profile is characterized by caution when making decisions, since it is always willing to tolerate moderate risk in order to increase its profits.

3.1.3 Aggressive.

His main objective is to have the highest possible returns; therefore, he will always be willing to take the risk no matter how high it is because it is characterized by an aggressive profile. Most of them are young investors with a solid economic background and usually medium to high incomes.

It is not recommended to have the aggressive attitude when you do not have enough solvency or money flow.

3.2 Risk profile, as far as a foreign investment is concerned

1. Risk of changes

At this stage we must take into account two types of investments, which are the international investment and the national investment; one differs from the other by the fact that both positive and negative cash flows generated by such investment attribute an availability risk and a risk of exchange rate fluctuation between the currency of the country receiving the investment; this is why Rodner has established certain types of "sub risks" taking into account whether the flows are deferred in time; that is, whether they provide a short or long term risk. The "sub-risks" are:

2. Risk of currency availability:

This study is focused on the environment when the country that is the recipient of the investment may have various inconveniences causing a shortage of foreign currency, thus affecting the payment of some service provided, payments for exports, payments for technology.

3. Risk in the exchange rate:

This item deals mainly with the various increases or decreases that can have the exchange rate of the investor's currency, as well as the exchange rate of the local currency, this may depending on the context affect or favor the investor.

4. Economic risk:

This chapter explains how variations (increases and/or decreases) in the exchange rate between the country receiving the investment and the local country can affect the long-term profitability of the company receiving the investment; it should be borne in mind that profitability plays a super important role here, since it is when the rate of return produced by an economic benefit is measured and if this does not work or meets the established goals, you could enter into a dispute over possible economic risk.

5. Political risk:

This risk is focused on changes in legislation and this may focus on a single law or a set of laws; reflecting the position of the country receiving the investment towards the investor, a change in tax rate may also be affected. The main risk is that the company may not be affected by the lack of stability that a business partner country and/or region may have at some point.

As for the investors, according to the **website Panama America**, a group of businessmen bet on investing in the commercial area of Panama since they have the right idea that it is a highly crowded area, highlighting of course, that it has a great potential for growth.

"Panama Pacific has 1 million square meters dedicated to commercial space, more than 650 hectares to parks, recreation and more than 20 thousand residential.

Daniel Ábrego, founder and CEO of Intercontinental Logistics Corp. (ILC), explained that he decided to move to the site because of its proximity to the airport and ports, tax and labor benefits and one-stop shopping". (Castillo, 2018).

This gives a high competition in the market to the investors, which opens a high possibility to negotiate and make exports or in its effect imports to Panama.

It is essential to give them some reasons why it is feasible to invest in Panama:

- 1 **Stability:** Since 1989, Panama is a sovereign and independent state as it has had a democratically solid government, without political instability, the current President Laurentino Cortizo.
- 2 **Economic growth:** Over the last decade, Panama has been one of the fastest growing economies in the world. The average annual growth was 5.0% over the last five years. Growth in Panama in 2019 is projected at 4.5% (versus 3.7% in 2018) but with risks. (Banco mundial, 2019)

Panama is becoming very attractive for all kinds of investors since it has provided in the last 5 years a promising economic growth against other countries that in many occasions are decreasing.

- 3 **Near the United States:** Panama is very close to the U.S., most cities are only 3 or maximum 5 hours in flights from major cities in which you can develop very good business due to the TPC that is between Panama and the U.S. where you have 95% of products free of tariffs, which encourages much more export of all products that can be produced in Panama. (Panamericana, 2017)

You can see the different options of negotiations that can be achieved and what Panama offers in terms of profitability and growth option for the investment that can be made:

1. Certificates of deposit from Panamanian banks offer from 4% to 5% interest in U.S. dollars.
2. Panama's Credit Union Certificates of Deposit offer 5% to 8% interest in U.S. dollars.
3. Corporate and Government of Panama Bonds offer from 4% to 6% interest in U.S. dollars.
4. Reforestation investments in Panama offer 2% average appreciation in teak wood plus land appreciation, in U.S. dollars. Teak reforestation in Panama had a 460% return over the last 20 years with an annual average of 23%.
5. The rental investment property of the Panama Pacific Project offers from 7% to 10% capitalization rate in U.S. dollars.
6. Beachfront lots in Panama with an average annual appreciation of 10% to 15%, in U.S. dollars.
7. Agricultural land in Panama with an average of 7% to 8% annual appreciation, in U.S. dollars.

(R, 2005).

4. Distribution logistics relationship for foreign investment purposes.

The relationship that has been developing in the last three years in the country between distribution logistics and foreign investment has a lot of strength due to the different efforts that Panama has been developing to improve the roads that connect the different ports, with which it counts and also with the center of the country, we can also see how the storage influences in a positive way since it proposes to have an ample growth which also offers tariff and tributary benefits for the investors who are fixed in Panama like center of investment and transitory step of the merchandise.

What is proposed is that investors have the opportunity to take risks since this decision is very positive due to the economic growth that the country has since it has very good economic strength a good stability of constant growth, good infrastructure projects all this showing that the risk levels for investors are not so high and on the contrary will be safe.

As mentioned before, the distribution logistics consists of a correct distribution which mainly consists of two essential elements that are: the correct delivery according to the terms agreed with the client and to guarantee a good practice in the handling of the product. For this reason, Panama is no longer known only for its Interoceanic Canal, but it has become a very important point for the management of handling, distribution and transportation of goods, and this demonstrates in itself the relationship between distribution logistics and that investors on it decide whether to invest or not.

R.V. Delaney defines it as: "Logistics is the management of inventory in motion and at rest and the objective of the logistics manager is to achieve the lowest level of investment in inventory in order to ensure customer service and the maintenance of efficient production". (Pinheiro de Lima, Rodríguez, Breval, & Follmann, 2017)

This logistical evolution of Panama has made it go from basic warehouse management to storage and inventory operations to complex, under the concept of "One Stop Shop" these components are:

Flexible customs rules constantly evolving, a high level of port infrastructure with maritime connectivity in both oceans and land connectivity between the Atlantic and Pacific ports, road connection with rail or trans-isthmian road. Air hub with capacity and variety of

destinations and operations 24/7. Given the changing markets, and the constant search for logistic efficiency has forced Panama to evolve with an efficient logistic scheme.

Already with the data we have and the evolution that Panama has had we can see how they are connected with the logistic process against the growth of the economy of the country. At the country level, with respect to central government revenues, Panama reported a tax burden of 10.2% of GDP in 2015.

"The economy's indicators rose. In 2016, the transportation and logistics sector was the main item of the Panamanian economy, representing 18% of the country's GDP".

Central America and Dominican Republic:

Real GDP growth rates, 2015-2016

Table 8 Real GDP growth rates Years 2015-2016

País	2015	2016 *
Costa Rica	3,7	4,3
El Salvador	2,5	2,3
Guatemala	4,1	3,5
Honduras	3,6	3,4
Nicaragua	4,9	4,5
Panamá	5,8	5,9
República Dominicana	7,0	6,0

Fuente: CEPAL.

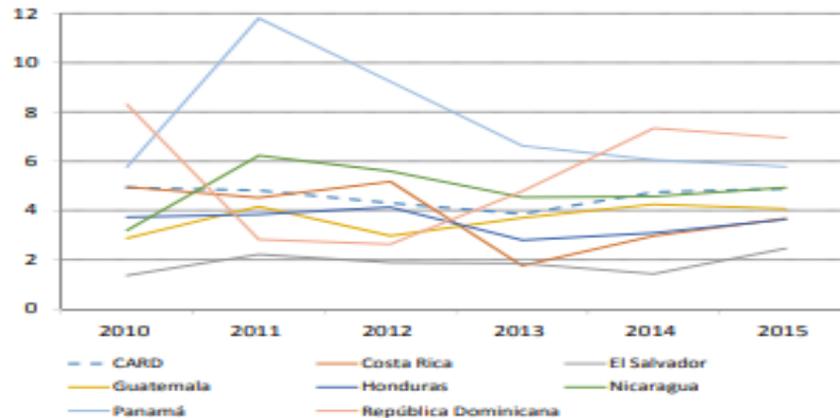
In this table we can see the economic growth of some Central American countries for the year 2015-2016.

Taken from: ECLAC "Central America and the Dominican Republic: Economic Evolution in 2015 and Perspectives for 2016. Economic Study".

Central America and Dominican Republic:

Gross Domestic Product 2010-2015

Graphic 3 Gross Domestic Product 2010-2015 Central American Countries



In this graph we can see the gross domestic product (GDP) for the years 2010-2015

Taken from: ECLAC "Central America and the Dominican Republic: Economic Evolution in 2015 and Perspectives for 2016. Economic Study".

At LegisComex, we can see that the country has a positive growth due to the fact that it rounds up 8.9% annually in the last 5 years, which promises to continue being the main engine of development of Panama leveraged the main items such as: transport and logistics.

The Inter-American Development Bank, IDB, shows us how from 2016 to date has been having a positive growth, highlighting as sectors of greater impact on the economy the logistics sector one of which provides one of the main items in terms of reference of the Panamanian economy is concerned, along with the transport sector represent 18% of the country's GDP. From 2015 to date, it has been growing at an annual rate of 8.9% and it is estimated that it will continue to be one of the main engines of development in Panama.

Panama has been one of the fastest growing economies in the world, averaging 4.6% per year over the past five years. Panama has grown 9.65% annually in the last three years, thanks to the growth of its transport and logistics sector, which accounts for 21.6% of GDP. The country is in a stage of economic growth, with an average annual incremental rate of 9.65% in the last three years. (Marulanda, 2017)

Central America and the Dominican Republic: Main growth and investment indicators 2012-2019

Table 9 Investment Growth Indicators in Central America 2012-2019

	2012	2013	2014	2015	2016	2017 ^a	2018 ^b	2019 ^c
<i>(En tasas de crecimiento)</i>								
Producto interno bruto^d								
Centroamérica y República Dominicana	4,4	4,5	4,8	4,9	4,6	4,0	4,0	4,0
Centroamérica	5,0	4,4	3,9	4,2	3,9	3,8	2,9	3,3
Costa Rica	4,8	2,3	3,5	3,6	4,2	3,3	3,2	2,9
El Salvador	2,8	2,4	2,0	2,4	2,6	2,3	2,4	2,4
Guatemala	3,0	3,7	4,2	4,1	3,1	2,8	3,0	3,0
Honduras	4,1	2,8	3,1	3,8	3,8	4,8	3,7	3,6
Nicaragua	6,5	4,9	4,8	4,8	4,7	4,9	-4,0	-2,0
Panamá	9,2	9,6	5,1	5,7	5,0	5,4	4,2	5,6
República Dominicana	2,7	4,9	7,6	7,0	6,6	4,6	7,0	5,7
PIB por habitante								
Centroamérica y República Dominicana	2,7	3,4	3,3	3,5	3,1	2,4	2,5	...
Centroamérica	3,2	3,2	2,2	2,7	2,2	2,1	1,2	...
Costa Rica	3,4	1,0	2,2	2,4	3,0	2,1	2,0	...
El Salvador	2,0	1,5	1,1	1,5	1,6	1,4	1,5	...
Guatemala	0,5	1,2	1,7	1,8	0,8	0,5	0,7	...
Honduras	2,0	3,8	1,5	2,1	2,0	3,1	1,9	...
Nicaragua	5,2	3,8	3,7	5,1	3,5	3,7	-5,0	...
Panamá	7,6	8,1	3,6	4,3	3,6	4,0	2,9	...
República Dominicana	1,6	3,8	6,6	6,0	5,6	3,6	6,0	...
Formación bruta de capital fijo								
Centroamérica y República Dominicana	8,2	5,3	6,4	10,4	4,6	2,4
Centroamérica	11,5	8,0	4,5	6,9	2,0	3,3
Costa Rica	9,9	-0,3	3,3	3,0	4,8	-4,7	2,3	...
El Salvador	2,8	6,9	-6,4	2,2	3,8	0,8	9,1	...
Guatemala	3,6	1,5	4,4	5,9	2,7	3,1	3,8	...
Honduras	3,7	-1,9	0,6	12,3	-6,8	7,5	5,6	...
Nicaragua	20,6	5,3	3,3	21,1	3,5	1,7	-17,8	...
Panamá	20,8	20,4	8,7	6,5	2,0	7,0
República Dominicana	-0,5	-2,5	12,3	20,6	11,4	0,5	11,5	...

Fuente: Comisión Económica para América Latina y el Caribe (CEPAL), sobre la base de cifras oficiales.

^a Cifras preliminares.

^b Cifras estimadas, por los respectivos Bancos Centrales, excepto El Salvador y Panamá que se refiere a estimaciones de la CEPAL.

^c Cifras estimadas, por CEPAL.

^d Sobre la base de cifras en dólares a precios constantes de 2010.

Table of indicators of total GDP, per capita and gross fixed capital formation, in the regions of Central America, from 2012 to 2019

Taken from: ECLAC Central America and the Dominican Republic: Economic Evolution.

At present, Panama is considered a logistics hub thanks to the constant investment that has been made in port and airport infrastructure, and also on the other hand the expansion of the Canal and the expansion of one of the airports with the largest influx of people such as Tocumen, which has allowed it to find the best 10 countries in the world with the best

structures for the movement of products. Emphasizing that logistics is the sector that helps Panama the most in the path of development.

According to the Logistics Performance Index which is prepared every two years by the World Bank, the country went from position 45 in 2014 to 40 in 2016, achieving the first place in Latin America, above countries with great development such as Mexico, Brazil and Chile.

In this way, we have that Panama has great quality of port infrastructure, which allows a significant reduction in shipping costs, allowing to be the one who leads the ranking among the countries associated to the OECD.

According to what Mr. Manuel Ferreira, who is the director of Economic Affairs of the CCIAP, says.

It is shown that for Panama there is an economic growth of 5% in 2017, being driven by economic sectors such as storage, transportation, communications, wholesale trade and the construction sector, which are those that represent an important impact on the economy of Panama. (Panacamara, 2017)

Panama's economy grew in 2018 by 3.7% below the growth estimated by the authorities having 2017 as a reference year and some international organizations.

Central America and Dominican Republic:

Real GDP growth rates, 2017-2019

Table 10 GDP growth rates in 2017-2019

País	2017	2018^a	2019^b
Costa Rica	3,3	3,0	2,9
El Salvador	2,3	2,4	2,4
Guatemala	2,8	2,9	3,0
Honduras	4,8	3,7	3,6
Nicaragua	4,9	-4,1	-2,0
Panamá	5,4	4,2	5,6
República Dominicana	4,6	7,0	5,7
Promedio CARD^c	4,0	4,0	4,0

In this table we see the GDP growth in the last three years for the countries of Central America

Taken from: ECLAC GDP growth rates for 2017-2019

The data provided by the General Comptroller of Panama in which it can be seen that during the year 2018 there was a growth of 3.7% in the production of goods and services in the Panamanian economy, which was compared to the gross domestic product compared to the previous year. The main economic activities related to the external sector are the Colon Free Zone, and financial intermediation and one of the most representative is the Panama Canal.

At the Center for Economic Studies of the Chamber of Commerce of Panama, the Industries and Agriculture of Panama". The report shows that Panama's economy continues to grow 3.9% compared to 2018 and the expected 4.5%, with a downward trend.

On the other hand, the main activities that show an increase are the internal ones such as wholesale and retail trade, real estate and construction, regular passenger transport, water and mines, telecommunications, electricity and quarrying, private health, education, among others.

The transport, storage and communications sector grew by 7.8% due to cargo passing through the Panama Canal and passenger air transport, while financial intermediation increased by 3.7% as a result of greater placement of financing.

The transport, storage and communications sector grew by 7.8% due to cargo passing through the Panama Canal and passenger air transport, while financial intermediation increased by 3.7% as a result of greater placement of financing.

Table 11 PIB, by category of economic activity Years 2014-2018

Descripción	Producto Interno Bruto a precios de comprador (en millones de balboas)				
	2014	2015	2016	2017 (P)	2018 (E)
Producción de mercado					
Agricultura, ganadería, caza y silvicultura	747,4	753,8	780,6	789,8	815,5
Pesca	186,2	181,2	161,0	162,1	158,6
Explotación de minas y canteras	559,2	614,9	664,9	718,6	741,1
Industrias manufactureras	1.992,3	2.060,8	2.084,5	2.139,4	2.170,5
Suministro de electricidad, gas y agua	1.274,5	1.406,0	1.549,0	1.662,6	1.704,8
Construcción	4.651,0	5.256,4	5.679,9	6.152,3	6.346,3
Comercio al por mayor y al por menor	6.510,2	6.707,0	6.978,0	7.228,9	7.483,8
Hoteles y restaurantes	907,9	951,0	972,2	995,7	964,4
Transporte, almacenamiento y comunicaciones	4.608,6	4.733,3	4.820,4	5.368,3	5.723,7
Intermediación financiera	2.436,6	2.621,0	2.811,4	2.937,6	3.032,4
Actividades inmobiliarias, empresariales y de alquiler (contabilidad, jurídica e inmobiliaria)	2.693,4	2.825,6	2.904,0	2.976,3	3.038,6
Servicios de educación privada	329,6	359,0	398,2	414,3	435,6
Producción para uso final propio					
Actividades de servicios sociales y de salud privada	422,4	456,9	466,6	480,1	505,5
Otras actividades comunitarias, sociales y personales de servicios (casinos, lotería, otros)	625,0	643,3	667,2	678,9	706,7
Construcción	410,5	506,4	546,7	591,9	611,9
Actividades inmobiliarias, empresariales y de alquiler	2.136,4	2.208,8	2.306,9	2.370,7	2.440,9
Hogares privados con servicio doméstico	183,5	178,2	169,3	172,0	176,5
Otra producción no de mercado (1)					
Administración pública y defensa; seguridad social de afiliación obligatoria	1.033,1	1.093,2	1.245,0	1.393,6	1.487,1
Educación	741,8	754,4	798,4	850,0	994,5
Actividades de servicios sociales y de salud pública	392,4	424,6	463,3	475,4	506,3
Otras actividades comunitarias, sociales y personales de servicios	70,7	76,4	79,2	84,1	84,8
Valor Agregado Bruto, en valores básicos	32.865,4	34.773,2	36.481,0	38.544,3	39.982,5
Más: Impuestos a los productos netos de subvenciones	1.535,3	1.596,4	1.692,3	1.763,9	1.811,0
PRODUCTO INTERNO BRUTO A PRECIOS DE COMPRADOR	34.404,0	36.376,3	38.178,2	40.315,8	41.804,3

This table provides the GDP by category of economic activity, in volume measures years 2014-2018 for Panama

Taken from: Instituto Nacional de Estadística y Censo Panama, Indices of Economic Activity.

It is always driven by the financial and logistics sectors, among others, according to the data presented by the National Institute of Statistics.

According to the Panama Canal Authority, it shows us how the great part of the income that was given in fiscal year 2019 is shown a measurement made between October 1, 2018 and September 30, 2019. (Zuñiga, 2016)

It is shown as 3,077 million dollars, representing the collection of tolls and maritime services. For the Panama Canal Authority, this income is shown "mostly" by the direct segment of the container ships that must transit between ports and the different logistics centers.

Illustration 8 Panama Canal – picture



Here we see Panama's progress on the canal.

Taken from: Made for minds. The Long Road to the Panama Canal Expansion

- **A long and difficult story**

The expansion of the Panama Canal, which opens this Sunday, June 26, cost \$5.25 billion. The process was not free of difficulties: workers' strikes, suspension of the works due to lack of money, two-year delays in the delivery of the works and costs over budget marked the operations of the consortium in charge of the infrastructure (Zuñiga, 2016)

Panama's logistics platform has largely been developed to provide a great support to international trade and in turn to the global market. It has standards and is organized into logistics components. Panama has as such a set of logistic components that provide a good operation which has been growing year after year, for much more than a century, in an organic way in a coordinated system. This synchronization comprises of components which include airports, ports, special economic zones (Free Trade Zones), and a large interconnection network that includes primary highways to name a few which are the Transisthmian and Pan-American Highways, streets, highways, roads and corridors which are geographically very well intertwined to transit the entire country and thus be able to provide and make Panama an important Hub for the entire regional and international trade sector.

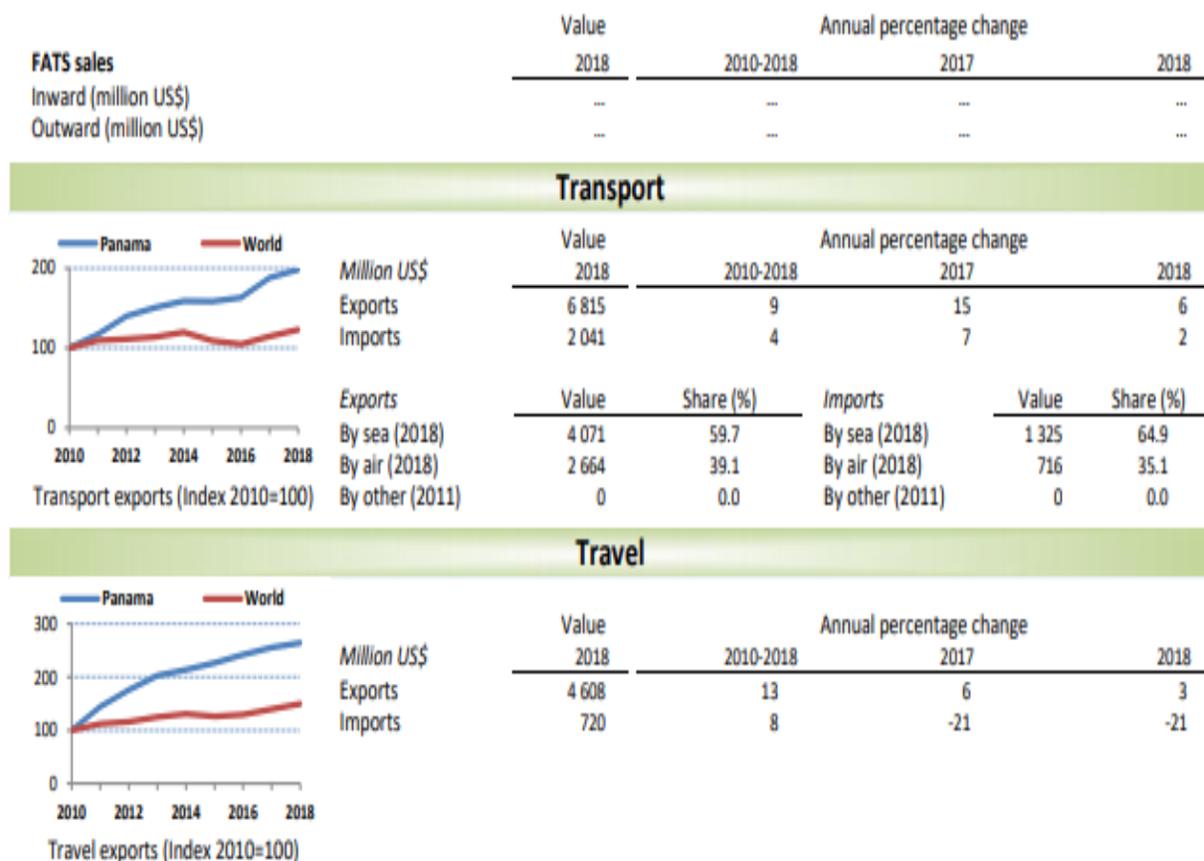
Panama has a geographical location that benefits it greatly along with the current expansion activities that are continuously being developed from the large infrastructure that has been motivating in a great way the locals as well as the foreigners to take into account the country as a platform of great potential regarding the markets of Canada, United States and Latin America through the transshipment of containers as a consolidation center. The level that Panama offers of great level for the connectivity by means of the Canal attracts notoriously as much to multinational companies and investors as great supply of the country.

It is for this reason that as Panama is a small country geographically speaking, it allows for immediate communication between the different means such as: airports, ports, railways, special economic zones (Free Trade Zones) and the local economy. For this purpose, different specialized areas are provided and those constituted specially dedicated to storage

and other operations that can be carried out logistically and that can take advantage of the constant transformation for the accessibility dedicated to the world class transportation service and for the commercial tradition. (Zuñiga, 2016)

4.1 Commercial profile

Graphic 4 Comparison of exports and imports Panama and the world.



This graph shows the comparison of Panama with other countries in the world in terms of exports and imports in millions of dollars, for the years 2010 with intervals of two years until 2018.

Taken from: World Trade Organization

4.1.2 Exports

In Panama a tool was developed for public use which is in charge of this process is the Center for Innovation and Logistics Research Georgia Tech; where you can observe and obtain different characteristics, trends and statistics of the different products that are exported from Panama. This tool allows them to provide information on the destinations of Panamanian exports to anyone who may need all this information.

In 2019, the value of exports, excluding those from the Colon Free Zone, amounted to USD 713 million, that is, 6.1% more than the previous year.

The most important exports in terms of FOB value were bananas, fish meal and oil, coffee, beef, melon and clothing. The destinations with the highest export value were the Netherlands and the United States. (Georgia Tech Panama, 2019)

This tool is composed of the following sections:

Exports from Panama (Panama exports): presents the total value (FOB) of goods exported from Panama over the years, as well as highlighting the main products, the main trading partners and the main exit points.

- Exports of Panama (Panama exports): presents the historical behavior of exports of goods from Panama both in value and weight.
- Main exit points show the main exit points for exports.
- Top countries: this section provides information about our main trading partners.
- Top products: presents information on the main products exported in accordance with the Harmonized System.

Exports from Panama

Graphic 5 Exports from Panama measured in FOB and Net Weight. Year 2007 to 2009.



In this graph we can see the movement in exports from Panama in FOB terms and in Net Weight.

Taken from: Georgia Tech Panama, Logistics Innovation and Research Center. "Export Statistics"

Illustration 9 Main countries to which Panama exports



In this illustration we see the main countries where Panama exports

Taken from: Georgia Tech Panama, Logistics Innovation y Reseach Center. "Export Statistics"

4.1.3 Imports.

Within the tool developed to be able to visualize and analyze the information of the different movements of the imports that Panama makes. It is possible to obtain information on trends, characteristics and statistics of the goods that are imported to have clear this information. One of the main groups of goods for import in Panama is part of the tariff group which includes the sector of machines, fuels, mechanical devices, vehicles and their parts, electrical machines and devices for reproduction and sound and pharmaceutical products.

Panama's main commercial suppliers are the United States and China. "The value of imports, excluding those of companies operating in the Colon Free Zone, amounted to USD 12.836 billion, 3% less than in 2018."

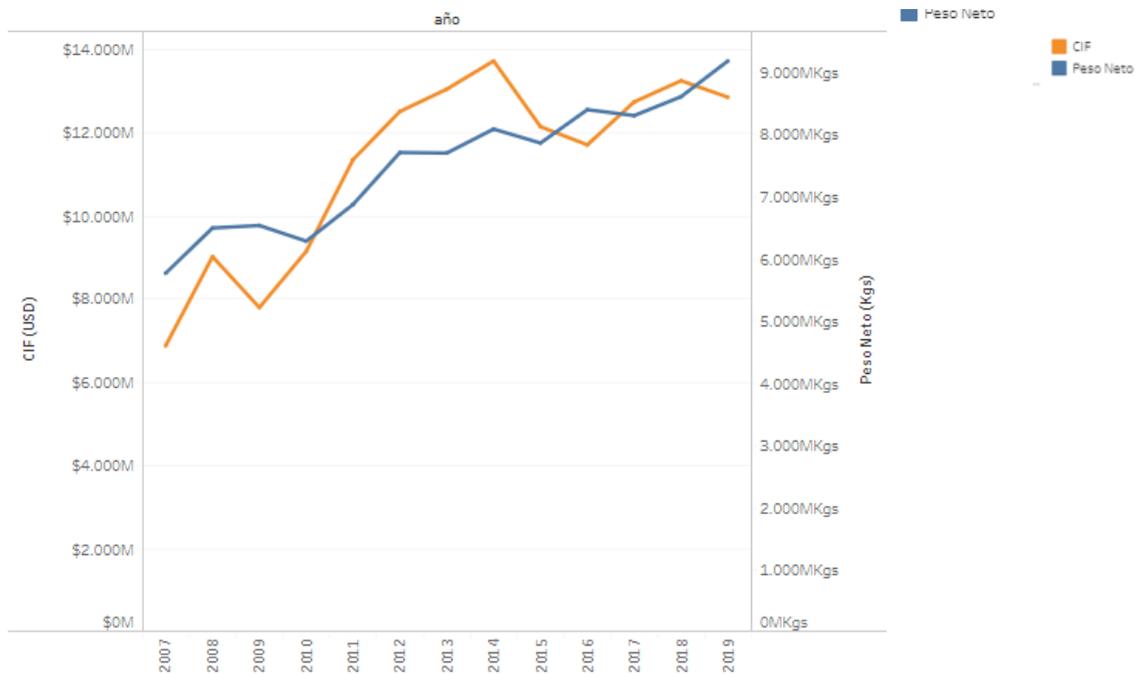
Even in the last trade war between China and the United States, Panama was affected, suffering a drop in GDP representation of 1%.

This tool is composed of the following sections:

- Imports from Panama (Panama Imports): presents the total value (CIF) of goods imported into Panama over the years.
- Main entry points show the main entry points for imports.
Top countries: this section provides information about the main countries of origin where the goods come from.
- Main products (Top products): presents information on the main products imported in accordance with the Harmonized System.
- Main products (Top products): presents information on the main products imported in accordance with the Harmonized System.

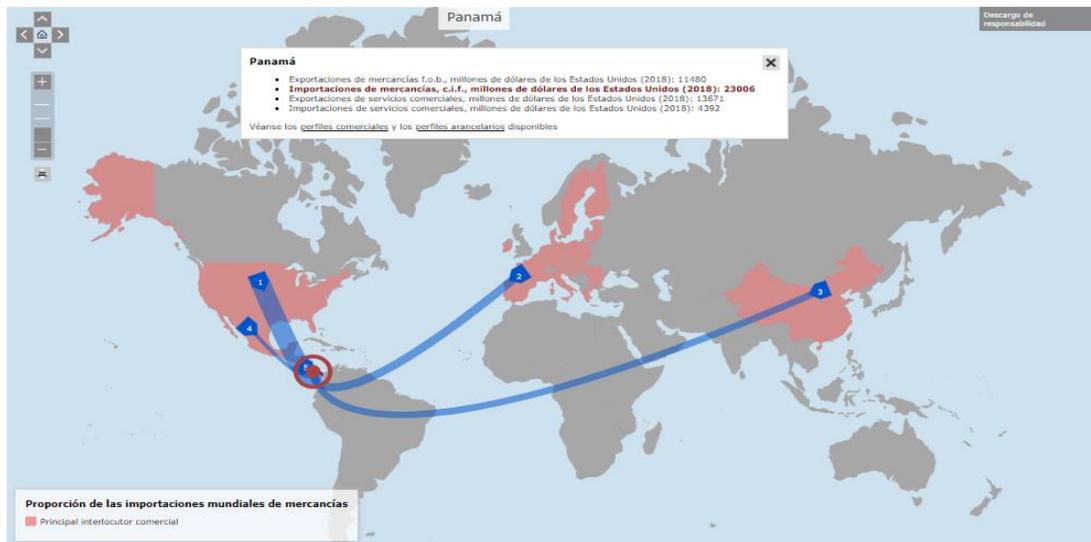
Import Statistics

Graphic 6 Imports from Panama in CIF and Net Weight Terms Years 2007-2019



In this graph we can see the Imports of Panama in terms of CIF and Net Weight Years 2007-2019
 Taken from: Georgia Tech Panama, Logistics Innovation and Research Center. "Export Statistics"

Illustration 10 Imports from Panama

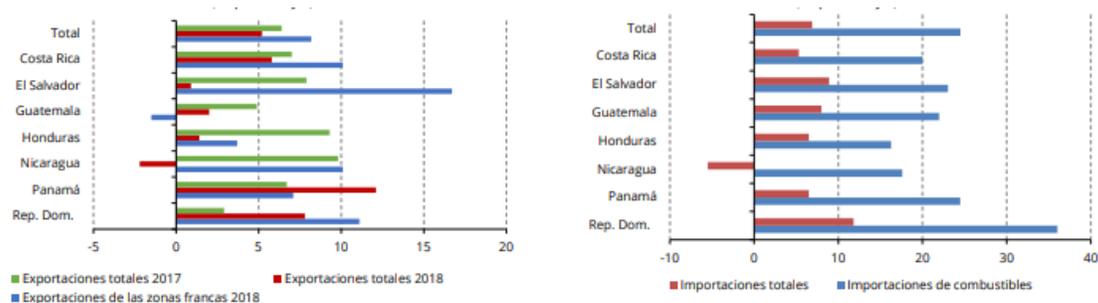


In this illustration we see the main countries from which Panama imports
 Taken from: Georgia Tech Panama, Logistics Innovation and Research Center. "Export Statistics"

Panama as a logistic and investment center becomes very attractive for different possibilities that can be observed since this country has a good monetary stability, a continuous growth in the topic of infrastructure, solid Banking System, and something that stands out above all and makes it be recognized globally is the channel since through this it becomes commercially strong and one of the countries business center to carry out different import and export businesses in addition it is a country that as a currency trades with the dollar.

Central America and the Dominican Republic: year-on-year change in the value of exports and import, 2017-2018

Graphic 7 Exports and Imports Panama and Central American Countries Years 2017-2018

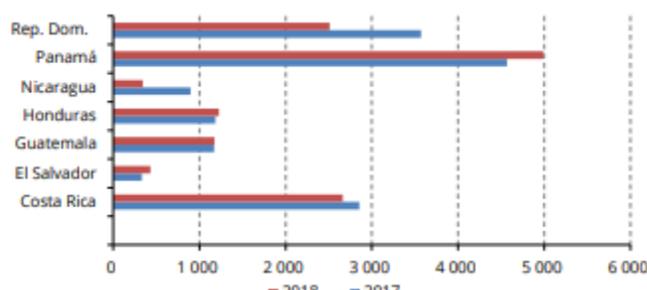


These graphs show Central America's exports and imports and additional exports from free trade zones. 2017-2018

Taken from: ECLAC Central America and the Dominican Republic: Economic Evolution.

Central America and the Dominican Republic: foreign direct investment flows, 2017-2018

Graphic 8 Foreign Investment Flows in Panama and Central American Countries Years 2017-2018.



These graphs show Central America's foreign investment flows in millions of dollars. 2017-2018

Taken from: ECLAC Central America and the Dominican Republic: Economic Evolution.

Panama shows a constant growing tendency in its economy since in all the economic indicators always it is observed that it has an average of growth that this between 3 to 5 % annual, the banks that are in Panama are solid and very well capitalized between the competitiveness are more than 50 between foreign and local banks.

The advantages of the exchange coverage in Panama offers a great variety of possibilities to enter strongly to the market by the cost of the import and the export of the product because according to the dispositions of article 694 to the fiscal code of Panama is not applied any type of income tax the income that can be produced from outside of Panama, that is to say that there is a great benefit and great income to the foreign investor; the transactions that are carried out by means of the dollars bring more benefits since there are no devaluations, in the same way the dollarization of the economy has helped to maintain the low inflation, together with this the channel of Panama, the tourism and the free zone leads the economy of a direct way, the country constitutes a strategic center for the investment that constantly is carried out in favor of this logistic development.

5. Conclusions and Recommendations

5.1 Conclusions

Thanks to the effort that Panama has made to innovate in its works like the canal, it has managed not only to be the first in Central America in logistics and transport but also in Latin America, it is highlighted in the present work that by giving it an ideal handling as far as the logistics of the country, it goes very much of the hand with which the investors are attentive to this panorama, It was possible to demonstrate through comparisons and graphics that not only in the last three years it has increased its power in imports and investments, but it has been a hard and constant work that makes history from 2016 to 2019 significantly increasing these factors as the level of exports and investments, so it means that Panama has been heading in the right direction.

Panama is aware of its growth around the canal, which due to its high flow has been forced to make an expansion and its continuous contribution to the growth of the economy, and has already seen the need to create new highways to make better connections in which they are wider to transport containers to the center of the country and its warehouses which are under construction and growing, which are increasingly seen by the different ways of storage in terms of tariff issues and tax benefits and all this thanks to the welcome that the country is having, Another of the country's own growth is in the transport sector, thanks to all the welcome achieved by the canal and its various ports for the internal communication of Panama and also to get the different goods that are in constant transit there.

5.2 Recommendations

Panama has a long way to go in terms of logistical adaptation in its internal areas not related to the canal, since it is evident that its greatest achievement has been towards the Panama Canal and free zones. If it wishes to become a power in logistics and infrastructure in all areas, it must also have unanimous integrity in all its works.

Panama has a great opportunity which already has installed and what they should do is continue working on its development which are the different ports which are already in operation which are five in total and for its good geographical conditions benefits and additional connectivity that provides the channel.

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