

Country Commercial Guide: Panama FY-04 Table of Contents

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CHAPTER 1. EXECUTIVE SUMMARY

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COMMERCIAL OVERVIEW

Due to its strategic location at the mouth of two oceans, Panama, from the time of the conquistadors, has served as the crossroad of trade for the Americas. Today the country is an international trading, banking, and services center. Trade liberalization and privatization over the last several years, while flawed, have added some substance to these assertions. Panama's dollar-based economy offers low inflation and zero foreign exchange risk. Panama's Government actively seeks foreign investment.

Due to the evolution and composition of Panama's largely services based economy, the extent and nature of local competition is limited in most non-service sectors. Although the United States is Panama's most important trading partner, with about 35% of the import market, and U.S. products enjoy a high degree of acceptance in Panama, competition is strong in several sectors including: telecommunications equipment, automobiles, heavy construction equipment, consumer electronics, computers, apparel, gifts, and novelty products.

Panama's merchandise imports decreased in 2003 by 1.0 percent over 2002 to a total of US\$3.1 billion. The value of Panama's total merchandise exports in 2003 reached US\$808 million.

The Colon Free Zone represents an important regional market. Free Zone imports totaled US\$3.99 billion in 2003, with exports of US\$4.478 billion. These figures mark a decrease of 10.4% and 7.1% respectively in comparison to 2002, when imports decreased 0.6% and exports increased 0.4%. The total net contribution of the CFZ to the Panamanian trade balance (Exports-Imports) was US\$487.7 million, up slightly from 2002. Zone imports are mostly luxury goods, electronic products, clothing, and other consumer products. Because of this product mix, U.S. market share is somewhat lower in the Zone than in Panama. Hong Kong is the Free Zone's biggest supplier, while Colombia and Ecuador are the two largest destinations for Zone re exports.

Panama's economy is based primarily on a well-developed services sector, accounting for about 80 percent of GDP. Services include the Panama Canal, banking, the Colon Free Zone, insurance, container ports, and flagship registry. Agriculture, fishing, manufacturing, and mining account for roughly 16 percent of GDP.

Manufacturing is principally geared to production of items such as processed foods, chemical products, construction materials and a small and declining clothing sector. The manufacturing sector developed under a sixties style import substitution high tariff regime. Panama started to reduce duties on manufactured items from up to 100% to a maximum of 15% in 1998. Panamanian manufacturers now face increased price competition vis-a-vis imports in many sectors.

Agriculture, forestry and fisheries make up about seven percent of GDP. Some agricultural imports are still subject to high duties while non-tariff barriers have proven to be a persistent obstacle to agricultural market opening.

BUSINESS TRENDS AND OPPORTUNITIES

Consumer attitudes and many brand preferences are similar to the U.S. American television, radio and U.S. magazines are all available and popular in Panama. Panamanians frequently travel to the U.S. for vacation, medical treatment, study, and business. Their buying patterns and tastes are similar to ours.

U.S. goods and services enjoy a reputation for high quality and are highly competitive. Panama boasts the highest per capita GDP in the region US\$3,906 (2003). Income distribution is skewed to the benefit of a relatively small, consumer goods-oriented, economically powerful class. This class enjoys a very high level of disposable income. They prefer high quality trend-setting goods where price is a secondary determinant in the purchasing decision. The majority of the population however has limited disposable income, with price and availability of credit critical to their buying patterns.

Sharply lower import duties have made U.S. products more competitive with locally manufactured items in recent years. The U.S. market share of the Panamanian market was 34.1% in 2003. The U.S. also had 10% of the Free Zone market in 2003.

Panama has potential for substantial growth in the areas of electric power generation, health care services, port services, land development, road construction, water distribution and purification, telecommunications, and tourism.

TRADE AND INVESTMENT CLIMATE

Panama has no restrictions on the outflow of capital or outward direct investment. Its accession to the World Trade Organization in mid-1997 opened up trade and lowered tariffs across the board, giving Panama the lowest average tariff rate in Latin America. The Moscoso government reversed some of these reductions by raising some agricultural goods' tariffs dramatically in late 1999 and early 2000. While the new tariff levels remained within WTO accession levels, Panama continues to obstruct agriculture imports via a slow and arbitrary procedure for issuing phytosanitary permits.

Panama's inflexible labor laws are a source of concern for prospective investors. Firing practices are excessively regulated which reduces labor mobility and inhibits hiring. The monthly minimum wage was increased in July 2003 to between US\$266 and US\$324, depending on job sector and location. While inexpensive in global terms, Panama's minimum wage is relatively high in a Central American context.

The privatization program in Panama has largely been concluded. It started with the sale of a state cement company and a state-owned fruit company. The Government awarded concessions for a private toll road in 1994, cellular phone service, another private toll road in early 1996, and two ports in mid-1996. Intel, the Panamanian telephone company, was partially (49%) sold in mid-1997 and is now being managed by the British firm Cable and Wireless. The Cable & Wireless monopoly ended on January 2003 for all fixed line, long distance and international services. Government-owned casinos and race tracks were privatized in 1998. The power parastatal was restructured and converted into eight companies, which were partially sold to the private sector, in August 1998. Four American companies participated including Enron, Coastal, AES and Constellation. Two sugar mills were privatized in 1998 to local groups with some Colombian participation. The Moscoso administration declined to privatize its inefficient water utility and Social Security System.

Although there had been substantial new foreign investment in recent years, notably in call center operations, most of it resulting from privatization, foreign investment has slowed dramatically since 2000, as opportunities and enthusiasm for further privatization dwindled. Instances of questionable government practices have soured some large international firms on doing business in Panama. These include past bidding procedures, contract obligations, and a slow and imperfect judicial system.

The combination of relatively high costs for both electrical power and labor makes unit production costs higher than average for the region. Lack of consistent access to imported agricultural inputs due to arbitrary import procedures has also led to foreign investor complaints.

An interesting sector for foreign investment is in the former Canal Zone and associated military bases. Panama received a total of 364,000 acres of such territories in late 1999, including two large military bases, one of which was a major air base (Howard) that could be used as an air cargo hub or an aircraft maintenance and repair facility. The Government is actively looking for investment in the fields of tourism, marine services, ports, and in-bond assembly and manufacturing. Nearly four years following the U.S. turnover, investment in these transferred properties has not met expectations, despite a recent high profile investment by Dell, in a 500 person call center.

A supporter of free trade agreements, the Moscoso administration completed Panama's first free trade agreement (FTA) with El Salvador in 2003. Panama also finished a FTA with Taiwan that went into effect on January 1, 2004. Panama began FTA negotiations with the United States and Singapore in 2004. While the current Government hopes to conclude negotiations of these agreements by the end of its term in August 2004, the signature of these agreements will most likely be by President-elect Martin Torrijos. Torrijos, a member of the Revolutionary Democratic Party (PRD), as well as a new group of legislators, local representatives (*representatives de corregimiento*) and mayors will take office throughout the country on September 1, 2004.

CHAPTER 2. ECONOMIC TRENDS AND OUTLOOK

MAJOR TRENDS AND OUTLOOK

The downturn of Panama's economy, which started in 1999, reversed itself in 2003. Panama still struggles to overcome the departure of the US military, low prices for its primary exports, higher prices for petroleum imports, reduced trade and investment due to the regional and worldwide economic slowdown, and contraction of domestic demand, however, growth in tourism, telecommunications, and maritime sectors along with booming growth in construction portends that 2003 gains in the Panamanian economy might continue.

According to the Government of Panama (GOP), the economy grew 4.1% in real terms in 2003, compared to 0.8% real growth in 2002. Although Panama's 2003 per capita GDP is among the highest in the region at US\$3,906, this figure is unreliable as an indicator of prosperity overall, because of Panama's highly skewed income distribution. Panama's income distribution is second only to Brazil in the hemisphere in terms of inequality. The Survey of Living Standards, produced by the World Bank and the Government of Panama in 2000, estimated that 37% of all Panamanians live in poverty, including over 50% of children under age 10, and 95% of the indigenous population. GDP grew 6.7% during the first trimester of 2004. The GOP predicts GDP growth of 4.5% for 2004.

Unemployment crept downward in 2003, officially reported as 12.8% with private economists believing it to be several points higher. Private economists also estimate Panama's chronic underemployment to be 20-25%.

When elected to office in 1999, President Moscoso pledged to increase social spending, slow down privatizations and protect certain areas of the agricultural sector. In following through on

these promises, the government blocked the privatization of its water utility (IDAAN). The GOP is, however, in the process of modernizing IDAAN'S operations and infrastructure.

In protecting politically important agricultural areas, the government raised tariffs on selected "sensitive" products in late 1999 to the maximum amount allowable under the WTO regime, but since then it has lowered them on average 1-3 percentage points per year. The 5-year phase-in period will end at the end of 2004, to coincide with scheduled commencement of the FTAA. This should translate into lower agricultural tariffs for a variety of imports to Panama. In early 2003, the Ministry of Agriculture raised tariffs to the WTO ceiling for sausage products, depressing trade in this commodity.

The government has taken some positive steps on the economic front. One of these was getting the go-ahead to use the Fiduciary Fund for Development (FFD) for debt alleviation. This was achieved through political negotiations that allowed funds originally earmarked for social spending to be diverted to debt relief. Another positive development is fiscal policy. The national dialogue also produced a law on fiscal accountability in 2002 that has led to a second reduction in government spending during 2002, which the GOP maintained through 2003, in order to meet the legislated cap on the deficit of two percent of GDP. This policy led the GOP to alter its classification of the annual tax revenue it receives from the Panama Canal Authority, in order to have the freedom to count the Canal's contribution as revenue and raise the allowable ceiling on government spending.

The government must resolve numerous issues in order to improve Panama's investment climate and stimulate economic growth. First, despite repeated calls from the private sector, the GOP has made no steps toward labor code reform. Second, the GOP has postponed any meaningful social security reform. Third, the GOP must develop the remaining 13,300 hectares and appurtenances that were transferred by the U.S. and designated by the GOP for development. The Interoceanic Regional Authority (ARI), which is responsible for the development and promotion of these areas, has been incapable of attracting significant new investment to make up for the loss of jobs and income resulting from the US Military's departure. Fourth, Panama's tax code provides an insufficient income stream. The government instituted an additional tax on goods and services in 2002, and initial returns show an increase of USD 30 million in tax income during the first trimester of 2003. In 2003, direct tax income rose 0.7% while indirect tax income was up 11.5%. Reforms to the actual income tax scheme have yet to be tested through tax collection. Fifth, although the GOP has been more responsive recently, the government has treated existing foreign investments inconsistently, responding slowly in some cases, thereby discouraging current and prospective investors from committing more resources to Panama.

Despite these challenges, some sectors of Panama's economy have done well. The strong services sector can expect to post solid growth in the near future, especially the maritime and hotel and restaurant sector. Other indicators, such as investment in telecommunications, several new tourism projects, the maritime and port sectors and non-traditional agricultural exports seem to be growing at an encouraging rate. One of the most dynamic sectors in 2003 was construction, with a growth rate of 28.6% and double the value of permits over last year.

The sectors of Panama's economy that suffered in 2003 were financial intermediation, manufacturing and traditional agriculture.

STRUCTURE OF ECONOMY/PRINCIPAL GROWTH SECTORS

Panama's economy is based primarily on a well-developed services sector that accounts for over three-quarters of GDP. Services include the Panama Canal, container port activities, flagship registry, legal services, banking, insurance, and the Colon Free Trade Zone. Retailing has been in a serious slump since mid-2000 but the commercial sector showed signs of recovery in 2003. Manufacturing and construction account for about 12% of GDP. Manufacturing is principally geared to production of processed foods, some apparel, chemicals, and construction materials for

the domestic market. Mining, agriculture, and fisheries make up about 8% of GDP, yet provide employment for 15% to 20% of the population. Primary products, some of which are exported, include bananas, shrimp, sugar, coffee, meat, dairy products, tropical fruits, rice, and corn. The sectors of the Panamanian economy with the greatest potential for growth in the medium term are ports, maritime services, telecommunications, tourism, energy and non-traditional agricultural exports.

Agriculture, fisheries, and mining

Panama's agriculture sector reduced its contribution to the GDP in 2003 by 0.1%, which stands now at 4.7% or US\$557.4 million. This decrease is primarily attributed to the decline of 4.3% in banana exports. Banana exports continued their three-year fall because of phytosanitary problems, access problems in EU markets, and labor problems. However, the Fisheries sector increased by 12.6% due to export growth in shrimp, tuna, and other fresh fish.

Other sectors that demonstrated growth were corn production (3.5%), rice production (3.0%), sugar, potato, onion, and lettuce production (1.5%) and flower production (2.2%). Fruit exports (mainly melons, watermelons, and pineapples) also continued to grow.

Panama paved the way for tuna exports by signing the International Dolphin Conservation Program Agreement in 1998. Tuna, fresh fish and fillet exports grew by 51.5% in volume in 2003. Anchovy and fish parts used in the production of fish oils and flour grew by 77.3%.

Production in the mining sector in 2003 grew by 32%. This growth is attributed to the increased demand for stone, sand, and clay. This growth also corresponds to the boom in the construction sector that included the expansion of the Pan-American highway and the second bridge over the canal. Cement production and premixed concrete also increased by 41.5% and 36.0%, respectively. Mining investment in Panama is encouraged by a 1988 mining law that provides incentives to investors, but whose impact to date has been lackluster. Indeed, mining sector growth has been limited in the past by excessive bureaucracy in authorizing exploration, opposition by local authorities and indigenous groups, slow implementation of a mining master plan, and low commodity prices. However, in June 2002, the GOP announced the formation of a broad coalition of interest group representatives to develop a proposal to reform the legal framework of the mining industry.

Manufacturing and construction

Industrial activity decreased 1.5% to US\$983 million in 2003, in addition to the 4.9% decline in 2002 and the 5.7% decline in 2001. Principally, this decrease is attributed to the closing of the refinery in August 2002. Lower demand for the production of textiles, shoes, sugar, and fruits also contributed to the decline.

Construction activity grew tremendously by 28.6% in 2003 with construction permits growing by 152.1%. This growth can be attributed to increased demand by home buyers as well as increased private and public sector investment. The number of home buyers increased because of the reduction in interest rates, reduction in the income tax for workers with salaries less than US \$800, suspension of property taxes, and the increased credit capacity of the banking sector. Private sector projects included Los Pueblos Albrook Mall, Hospital Punta Pacifica, Centro Commercial Multicentro, Cuatro Altos en Colón, among others. Public sector construction projects included Santo Tomás Hospital, the second bridge over the Canal, and the expansion of the Interamerican highway. It is important to note that this increase likely will not continue at the same rate in 2004 and 2005 due to decreased demand for large projects, such as luxury buildings and commercial centers. The extension of Law 65 of October 29, 2003, also contributed to the increased growth in the sector. This law continued the schedule of preferential interest rates for buyers purchasing homes in value up to US \$62,500.

Banking and finance

Panama's innovative banking sector remains at the forefront of modernization and globalization. It is one of the main pillars of the economy, employing some 10,000 people, and continues to attract new entrants to the market. In June 1998, Panama's banking sector came under new legislation that provides for a strong, well-financed Superintendent. Other features of the law include: Basel Accord standards for capital adequacy, enhanced authority to intervene and close banks, tougher standards to account for troubled loans, and limits on lending to related parties. Panama's banking sector has also been at the forefront of efforts to combat the inroads of money laundering and other international criminal activity.

Financial intermediation shrank by 8.1% in 2003 because of a decrease in external operations as well as 2002's credit loss to Brazil and Argentina. However, interest rate margin increases implied there was an improvement in the profits of the banking sector.

Retailing

Panama's retail sector had been in a serious slump for over three years, especially in the durable goods category. The slowdown in bank lending that began in early 2000 and the reduction in consumer demand that resulted from rising unemployment hurt sales of automobiles and furniture. However, in 2003, the commercial sector, including the Colon Free Zone, increased 3.3% to US\$1.76 billion. As a direct result of the exoneration of taxes for people with salaries less than US \$800, more disposable income entered the retail sector. The strong growth in the construction sector also fueled commercial purchases. The automobile market also demonstrated signs of recuperation, growing by 13.3% over last year.

Panama Canal

The Panama Canal Authority (ACP) is the Panamanian government agency that took over the duties of the Panama Canal Commission (PCC) when the Canal transferred to Panamanian control on December 31, 1999. In 2003, the ACP's net profit was US \$257.9 million, its largest in history. Oceangoing commercial transits through the Panama Canal increased by 0.4% to 13,274, while total toll revenue rose 20.4%. In 2003, net tonnage of transits increased 4.4% to 247.9 million tons. The October 2002 increase in transit tolls and the increased service fees, improved the profitability of the Canal.

Design work has begun on a third set of "Post Panamax" locks. The GOP is expected to move forward with a national referendum during 2005, as required by Panama's Constitution, on the expansion of the Canal through the construction of this third set of locks. If, given the green light, the project's value is estimated to be between US\$4-9 billion and would take around 10 years to complete. Canal management is also studying the possibility of projects to improve access to the Pacific entrance and provide sufficient fresh water reserves to operate the Canal well into the foreseeable future.

Colon free trade zone

The Colon Free Zone (CFZ) is the largest of its kind in Latin America and worldwide is second only to Hong Kong. In 2003, the CFZ imported USD 3.99 billion and exported USD 4.48 billion. These levels reflect a decrease in free zone imports of 10.4 percent, and a decrease in exports of 7.1 percent, compared to 2002. The total net contribution of the CFZ to the Panamanian trade balance for 2003 (Exports-Imports) was US\$487.7 million. The decrease in re-exports was caused primarily by the economic crisis in South America, the CFZ's principal market, although resumed growth in those markets portend a return to growth in 2004.

Tourism

The number of visitors to Panama in 2003 increased by 9.9% to 1,430,000 (including both tourists and transit travelers – e.g., cruise ship passengers that disembarked in Panama). Tourist expenditures were also up by 11.1% to US\$584.7 million. Much of the increase came from the many cruise lines that disembarked in Panama and hotel startups outside Panama City. In the 2002-3 cruise ship season, there were 145 port calls and more than 160,000 passengers. The 2003-4 season looks to have been even more successful. The hotel and restaurant sector grew by 7.6%, generating US\$301.4 million in 2003.

In 1994, the National Assembly passed a law granting incentives to investors in the tourism sector (primarily tax and tariff exemptions and long leaseholds), although investors have complained that overly bureaucratic application and approval processes have benefited only a few resorts. The government has high hopes for eco-tourism, but promotion budgets have been meager.

Overall, Panama has enjoyed a decade of moderate growth in the tourism sector, and should see faster growth in the years ahead. The government has put aside US\$10 million for a public relations and advertising campaign, but due to red tape and a slow process to sign with an agency, the funds have been utilized very slowly. Although a lack of infrastructure, promotion know-how, and trained personnel hamper tourism development, future infrastructure projects should help boost future revenue moderately.

New restaurants, a cruise port terminal and duty free shops at the former Fort Amador are one success story, as is the Figali Convention Center, constructed for the recent Miss Universe pageant.

GOVERNMENT ROLE IN THE ECONOMY

From 1968 until 1989, Panama was governed by a military regime that took a statist approach to economic development. While price controls were applied to many goods, government involvement was generally less pervasive than that in other countries that pursued import substitution policies. In 1990, under the democratically elected Endara government, Panama embarked on a policy reform program to modernize government operations. Political opposition from entrenched special interest groups, however, diluted the substance of reforms.

An even more ambitious program of reforms was begun under the Perez Balladares administration that took office in September 1994. This administration passed reforms in banking, labor regulation, the tax code, and fiscal management (funding a near bankrupt government pension program). The Government also negotiated WTO accession, re-negotiated Panama's US\$3.5 billion foreign commercial bank debt, privatized state-owned enterprises, and lowered tariff protection to the lowest average rate in Latin America. However, the Perez Balladares administration reversed course on prudent spending as its term ended and launched ambitious activities that increased public debt to troublesome levels.

The Moscoso government has shifted its policy focus away from liberalization and toward poverty alleviation and increased social spending. The government increased agriculture tariffs dramatically on several agricultural goods, and put off the privatization of the country's water and sewage utility and its international airport. Under pressure from farm groups, Moscoso's government has periodically used non-tariff measures to impede imports of some agricultural products arbitrarily. Opportunists in the legislature have occasionally succeeded in passing laws that run contrary to economic liberalization, including one controlling drug prices and another abolishing incentives to import new materials for processing in Panama. In 2000, under pressure from union organizations, the government decided to raise Panama's minimum wage by approximately 12%. In July 2003, the GOP again raised Panama's minimum wage by roughly 4% to between US\$0.82 and \$1.58 per hour, depending on job sector and location.

In early 2001, facing a worsening economic downturn, the government reached out across society to participate with business, labor, and social leaders to suggest steps to reactivate Panama's economy through a series of national dialogues. The proposals, announced in March 2001, generally called for the government to streamline its bureaucracy and speed up execution of public works. The implementation of many of the proposals has been slow and spotty. A major breakthrough in the dialogue occurred when negotiations reached agreement to allow some funds from the Fiduciary Fund to be used to pay down debt and to set a cap on government deficits.

The government regulates the activities and pricing of private telecommunications and energy suppliers. Banks and other financial service providers are regulated by a variety of bodies to ensure solvency and protection of the public's interest. The entity set up to protect consumers, prevent monopolistic practices, and defend against unfair trade (CLICAC) has generally managed cases impartially and worked according to plan.

The use of the U.S. dollar as Panama's currency means that fiscal policy is the government's principal macro-economic policy instrument. Because Panama does not issue its own currency, government spending and investment are strictly bound by tax and non-tax revenues and the government's ability to borrow.

BALANCE OF PAYMENTS

Panama's goods and services export earnings have traditionally been among the largest in the region relative to GDP. This is because the country has profited from its geographical location and dollar-based economy to develop a strong services sector. Net services surpluses and foreign direct and financial investments have traditionally financed large merchandise trade deficits.

Services: Service exports in 2003 were up 7.9% to US\$2.56 billion. This growth is a result of increased port activity, canal tariffs, tourist expenditures, CFZ, and banking services.

Merchandise: Panama's merchandise imports totaled US\$3.07 billion in 2003, up 6% from 2002. Panama's merchandise exports increased by 11.2% to US\$808 million in 2003. Separately, the Colon Free Zone contributed more than US\$487 million in 2003 to Panama's trade balance.

Debt: From 2002 to 2003, Panama's external public debt increased 2.42% to US\$6.5 billion while total debt increased 1.63% to US\$8.66 billion. Foreign official creditors hold 23% of the debt, while the private sector holds 77%, almost exclusively in the form of Brady Bonds and Eurobonds. After nearly a decade, Panama returned to international capital markets in 2000, borrowing US\$750 million, partly to refinance large principal payments due in 2002. Moody's Investors Service and Fitch Ibcu Duff & Phelps rate Panama sovereign debt Ba1 and BB+, respectively. Both ratings are just below investment grade and are among the highest among developing country debt. However, Panama's debt generally trades with less volatility and a lower risk premium than most other Latin American issues.

INFRASTRUCTURE

Panama has a relatively well-developed infrastructure. Inter-city highways are generally well maintained, allowing goods and services to move with relative ease. The widening of the Interamerican Highway as well as the completion of two highway toll roads connecting Panama City to the heavily populated northern and western suburbs has decreased transportation time for both cargo and passengers to these areas. A new road offering access to Bocas del Toro province from the Interamerican Highway should allow for continued growth in that province. Roads remain poor in the sparsely populated Darien province and to areas such as San Blas that

have good tourism potential. An Inter-American Development Bank loan is in place to finance infrastructure development in various remote areas, most notably in the Darien. Recent investment in highways, ports, and the railroad in the Panama-Colon corridor have strengthened an increasingly efficient and effective intermodal transport sector.

Panama has two international airports, the largest being Tocumen International Airport in Panama City and a much smaller air facility in David, Chiriqui. Tocumen offers direct service to most countries in Latin America and the United States through COPA, Panama's home based carrier, of which Continental Airlines owns 49%. Panama also has the potential to develop two other international airports within the next decade. The GOP touts first, the former Howard airbase as a potential international cargo or maintenance and repair hub. The other, the former US France Field facility, is being considered by local developers with international backing as a location for a new international airport of modern design and comprehensive facilities to handle cruise ship passengers, Colon Free Zone merchandise, and products from a planned high-tech industrial park adjacent to the existing facilities in Colon.

Panama privatized its power generation and distribution facilities in 1998, taking in over US\$600 million in sales and assuring needed investment. Power generation is reliable. With electricity demand forecast to grow at six percent annually for the next several years, new power plants are being planned. The government retains ownership and operation of the power transmission utility, but the law allows for private generation by large power users. Separately, one US investor complained that during the privatization process, the GOP intentionally misstated costs and value of its assets, thereby causing the US-based company to pay an inflated price. The matter is in process of binding arbitration. Another still awaits repayment of tariffs it was forced to pay while importing tariff exempt equipment, as well as millions of dollars in lost revenue due to GOP restructuring of its energy contracts shortly after it assumed the corporate paper of what had been a government entity.

Port development continued in 2002. US owned Manzanillo International Terminal (MIT), already the largest and most efficient container port in Latin America, contracted to buy two additional "super post Panamax" cranes, reflecting anticipated growth. Moreover, the government responded to MIT's repeated effort to gain much-needed land for expansion, although the transfer has yet to be finalized. Meanwhile, Hutchinson Port Holdings (HPH) of Hong Kong finished the first phase of construction of its US\$100 million port project at the Pacific entrance to the Canal. Sparking political controversy and accusations of corruption, HPH gained enormous new concessions, which would essentially obviate any financial responsibility HPH would have to the GOP under its original concession. Currently, the Supreme Court of Panama is reviewing this concession renegotiation to determine its constitutionality.

U.S. partners Kansas City Southern Industries and Mi-Jack Products completed in 2001 a US\$75 million rehabilitation of the Panama Canal Railway that links both coasts by train for the first time in nearly 20 years. The main function of the railway is to serve as a pseudo-dry canal, allowing the shuttling of containers between Panama City and Colon, but because of the increase in cruise ships docking in Panama, there are the beginnings of a brisk passenger business as well.

Cable & Wireless (U.K.) continued operating the telecommunications utility that it acquired in May 1997. Its concession granted monopoly rights on local, long distance and international service until 2003, when all telecommunications services, except cellular, opened to competition. Unlimited licenses are issued and rates are dictated by the marketplace. In spite of initial glitches in implementation, the deregulation is moving forward, Cable and Wireless and BellSouth have exclusive rights to provide cellular phone service until 2007, although newcomers offering new technologies are testing those concessions. There are already five broadband, fiber-optic cables that touch or transit Panama, thus offering significant growth possibility in the telecommunications and high-tech sectors.

CHAPTER 3. POLITICAL ENVIRONMENT

NATURE OF POLITICAL ENVIRONMENT WITH THE UNITED STATES

2003 was the Centennial year of Panama's independence, 100 years since a bilateral treaty gave the U.S. the right to build and unilaterally control the trans-isthmian canal (and the surrounding zone) that was completed in 1914. This sometimes controversial relationship, which the U.S. also used as the point from which it projected military force throughout the hemisphere, was ended by mutual agreement through the 1977 Panama Canal Treaties. As stipulated, the U.S. passed management of the Canal to Panama and closed the last military base in the country by December 31, 1999.

Over the last five years, the U.S. Government and the Government of Panama (GOP) under President Mireya Moscoso have redefined relations between the two countries in a constructive fashion. As Panama's importance has increased as a global maritime actor with the world's largest merchant marine and the region's busiest ports and second largest free trade zone in the world (after Hong Kong), in addition to the Canal, the relationship has focused increasingly on cooperation in security and law enforcement programs in order to protect the growing trade and investment relationship.

During President Moscoso's meeting with President Bush in June 2003, the two countries agreed to explore realistic options for pursuing free trade and to evaluate Panama's proposal to be designated as a "distant foreign port" in order to expand the operations of the U.S.-based cruise ship industry in Panama.

MAJOR POLITICAL ISSUES AFFECTING BUSINESS CLIMATE

Since her election in May 1999, President Moscoso expressed a commitment to abide by agreements made by her predecessor with the IMF, the World Bank, and the World Trade Organization. Her administration also respected the politically unpopular privatizations of several parastatal enterprises carried out by the Perez Balladares administration.

The Moscoso government has slowed the pace of economic liberalization, with more attention to the short-term welfare of Panamanians temporarily disadvantaged by economic dislocations and import competition. On the other hand, it has elevated the pursuit of a free trade agreement with the United States to the top of its policy agenda. The Moscoso administration recovered a narrow majority in the Legislative Assembly in the fall of 2002 after two years in the minority. The GOP's weak legislative base and a series of corruption scandals have impeded major reform efforts and increased budgetary constraints.

Although the transfer of the Canal and U.S. military properties were expected to increase opportunities for private investment, the trend in private investment has dropped sharply. Besides negative international conditions and the tailspin of the domestic economy, the strong government publicity campaign to promote investment has not been able to overcome a confusing, unclear GOP statement of economic objectives and vision and the increasing problems encountered by some existing major investors. That said, U.S. companies have been increasingly successful in participating as suppliers to Canal operations and maintenance. In addition, former military properties still hold great potential for major investments in tourism, transportation, trade, communications, and other as-yet-unexploited sectors.

Although Panama is one of the most economically developed countries in the region, problems such as trans-national crime, corruption, entrenched poverty, and spill-over problems from Panama's troubled southern neighbor, Colombia, remain serious challenges for Panama's future.

Influential individuals in the private sector have expressed strong reservations regarding the judicial sector in Panama, particularly the maritime tribunal, which they view as cumbersome, slow, and at times, corrupt. The Inter-American Development Bank, the U.S. Agency for International Development, and several other international donors have initiated programs to assist the GOP to reform the justice system.

BRIEF SYNOPSIS OF POLITICAL SYSTEM, SCHEDULE FOR ELECTIONS, AND ORIENTATION OF MAJOR POLITICAL PARTIES

Panama is a representative democracy with three branches of government: executive and legislative branches elected by direct vote every five years, and a nominally independent judiciary appointed by the executive. Because the current Panamanian judicial system is inefficient at best, and corrupt at worst, many U.S. companies doing business in Panama have arbitration agreements in place as an alternative to the courts.

Since the U.S. military intervention that removed dictator Manuel Noriega in 1989, Panama has passed through a generally successful process of democratic institution building that has been validated by two national referendums and three general elections, held every five years, the latest in May 2004. President-elect Martin Torrijos of the Revolutionary Democratic Party (PRD), as well as a new group of legislators, local representatives (*representantes de corregimiento*) and mayors will take office throughout the country on September 1, 2004.

A series of national dialogues on major issues did produce an important agreement on fiscal responsibility, but efforts related to educational and social security reform failed. A referendum on expansion of the Panama Canal through the construction of a third set of locks parallel to the original two will probably have to wait until at least 2005.

The president has broad powers under Panama's constitution, but must work with a 71-member unicameral Legislative Assembly (LA). A greater number of legislators (78) will take office in September 2004. President Moscoso's Arnulfista party, along with several smaller parties, now holds a narrow majority, but 42 of 78 recently elected legislators represent the Revolutionary Democratic Party (PRD). The PRD, allied with four representatives of two other parties, controlled of the Assembly through the summer of 2002, making it difficult for Moscoso to move forward controversial initiatives such as reform of the tax code. A major scandal in the Assembly prompted its leaders to cooperate for a brief period with the Executive branch. The Assembly even passed a major Executive branch initiative to use portions of a government trust fund from privatizations for debt reduction. Several legislators elected in 1999 as members of one party "defected" to the ranks of other parties for the 2004 campaign.

Although the Legislature lacks the strong budgetary authority wielded by the U.S. Congress, it does play an important role in shaping political, economic and social initiatives.

The Democratic Revolutionary Party (PRD), founded in 1979 as the political wing of the Omar Torrijos dictatorship, is by far Panama's largest and best-organized political party. The PRD allied with the Popular Party (PP), formerly the Christian Democratic Party (PDC), during Panama's May 2004 elections. Their presidential candidate, Martin Torrijos Espino, son of the deceased dictator Omar, won a landslide victory (47.4% of the popular vote), carried primarily by PRD votes. The PRD has traditionally appealed to the young and the urban poor and has over registered 400,000 members. The PP, a centrist party with strong business ties, has approximately 50,000 registered members

President Moscoso's Arnulfista Party (PA) is the political legacy of her late husband, three-time Panamanian president Arnulfo Arias. It is Panama's second largest, but finished third in the May 2004 elections. With approximately 200,000 registered members, the PA's popularity traditionally

derives from Panama's rural "interior" provinces. Not ideologically driven, Arnulfista Party faithful have generally taken their political cues from the top, although recently they have become more independent.

Other business-oriented parties include *MOLIRENA* (Spanish-language acronym for the National Liberal Republican Movement) and *Cambio Democrático* (Democratic Change - CD). Their bases remain the middle and upper classes inside Panama City. Solidarity and the National Liberal Party (PLN) (a party of influential business people) were both formerly aligned with the PRD, but switched their support to the Arnulfistas in 1999 to provide the Moscoso government with stability. Whereas the PLN and MOLIRENA remain allied with the Moscoso Administration, Solidarity broke ranks to support the 2004 presidential campaign of former president Guillermo Endara Galimany (1989-94), himself a founder of the Arnulfista Party. Endara finished a strong second in the May 2004 elections winning 30.9% of the popular vote, well ahead of Arnulfista candidate José Miguel Alemán Healy (16.4%) and CD candidate Ricardo Martinelli (5.3%).

The reputation of all of Panama's political parties, along with the three branches of government have continued to erode as a result of the notoriety and frequency of scandals involving the Executive, the Legislature and the Supreme Court.

CHAPTER 4. MARKETING U.S. PRODUCTS AND SERVICES

DISTRIBUTION AND SALES CHANNELS

Business practices in Panama are very similar to those in the United States. Business tends to be direct and straightforward. On average, Panama City accounts for 65% of total national sales of consumer goods, the remaining 35% is distributed among the principal cities of David, Colon, Santiago and Chitre.

Generally, the marketing channel structure in Panama is simple. Direct importers act as wholesalers and in many cases also as retailers. This situation is common in the case of apparel, automotive parts and hardware products. In the case of consumer goods, food and medicines, the retail operation is separate from the wholesale operation. For industrial goods, sales are normally handled by local exclusive agents or distributors. In other cases, local firms order directly from U.S. brokers or the manufacturer.

Some of Panama's major importers are also regional distributors for Central and/or South America, with warehousing facilities located in the Colon Free Zone (CFZ). Generally, CFZ importers/distributors have affiliated stores in Panama City for retail sale to the local market.

USE OF AGENTS/DISTRIBUTORS; FINDING A PARTNER

According to Panama's constitution, nationals and foreigners are treated equally under the law. Both Panamanian and foreign companies must fulfill the same basic requirements to organize and operate most types of business activities in Panama. There are restrictions on foreigners participating in retail trade and practicing certain professions. In practice, however, there are legal ways to overcome these restrictions. U.S. firms interested in retailing should consult a local attorney.

There is no law regulating the relationship between international suppliers and local agents and distributors. This relationship is only governed by the private agreements made between the parties involved. In cases of contract termination or disputes, the private contract clauses prevail over any other document or practice.

Individuals may engage in business activities in their own names or through legal entities. The most commonly adopted form of legal entity is the corporation (sociedad anonima). Other types of legal entities commonly used in Panama are: general partnerships, simple limited partnerships, joint stock partnerships and limited liability companies.

The U.S. Commercial Service offers U.S. companies assistance in identifying potential business opportunities in Panama. We offer the worldwide Gold Key Service (GKS) for those who wish to travel to Panama and the International Partner Search (IPS) for those companies who cannot immediately visit Panama. Both services assist U.S. companies in locating appropriate representatives in Panama. To request our services visit our website: www.buyusa.gov/panama.

FRANCHISING AND DIRECT MARKETING

Panama is receptive to U.S. style franchising. The market for both specific and general franchising opportunities is attractive. Panama maintains no control on royalty payments or transfers. Recreation, entertainment services, fast food, automotive, and hotel and motel franchises are readily marketable as the local market demands better facilities and services. The U.S. Embassy recommends consulting a local attorney for details on how to set up a franchise in Panama.

Key factors for market success in Panama are: high quality, customer service, brand-name recognition and attractive packaging. U.S. products targeting the middle to upper-middle income market are usually competitive. Panamanians have a penchant for high quality U.S. products.

Consumers with high disposable income follow sophisticated U.S. and European consumption patterns. Most high-end U.S. and foreign brand names are represented in Panama. An aggressive marketing strategy is usually necessary to succeed in this trend-conscious market.

JOINT VENTURES/ LICENSING

Joint ventures, especially for large projects, are becoming common in Panama. Some joint ventures are formed for limited periods of time, such as for a specific construction contract or technology transfer contract. The profits from joint ventures can be distributed annually to each joint venture partner, and are taxed in the same manner as any other income.

Panamanian law contemplates the registration of license agreements, although in practice few licensors and licensees do so. License agreements are frequently used to reinforce rights to registered trademarks. The agreements must be attached to the registered trademark and filed with the Industrial Property Department in the Ministry of Commerce and Industry. The agreement becomes part of the file on the trademark covered.

Panama is an interesting and potentially profitable site for licensing agreements and joint ventures as well as routine buy/sell operations. The Colon Free Zone offers the U.S. exporter looking for regional marketing arrangements a convenient one-stop distribution center. There have been instances of money laundering, intellectual property piracy and drug trafficking reported in the CFZ. All U.S. firms should be aware of these factors before commencing operations in the Zone.

STEPS TO ESTABLISHING AN OFFICE

Panama has one of the most modern and flexible corporate laws in Latin America. Below are some of the advantages offered by Panamanian corporate law:

1. Two or more persons of any nationality, even though not domiciled in Panama, may organize a corporation for any lawful purpose. The articles of incorporation may be executed anywhere, even outside of Panama, and in any language, provided a Spanish translation is submitted for registration.
2. There are no requirements regarding the amount paid in capital.
3. Ownership of a Panamanian corporation may reside in a single individual or corporation and no part of the capital needs to be held by a Panamanian except if it is to undertake certain operations within Panama.
4. There are no nationality or residence requirements for shareholders.
5. Neither the directors nor the officers are required to be shareholders.
6. The Board of Directors must be composed of at least three directors, but one person may hold more than one position.
7. Meetings of shareholders or directors may be held outside of Panama and through electronic means. Proxies may be used by shareholders/directors.

In order to form a corporation in Panama, the client must furnish the following information:

1. The name of the corporation. It may be in any language, but it must terminate in a word or abbreviation indicating that it is a corporation.
2. The objectives and purposes of the corporation.
3. The amount of the authorized capital. Usually the authorized capital will consist of US\$10,000 divided into 100 shares of US\$100 each. Shares may be nominative or bearer shares.
4. Duration of the corporation, usually perpetual.
5. The full names and addresses of three or more directors and/or officers.
6. The domicile of the corporation.

The time period usually involved in setting up a corporation is from 15 days to two months. Attorney fees usually range from US\$600 to US\$1,500 per corporation.

Every corporation organized pursuant to the laws of Panama must have a resident agent within Panama, who must be an attorney. The annual fee for this service is about US\$200. It is estimated that over 400,000 corporations are registered in Panama.

In order to engage in commercial or industrial activities, all corporations, partnerships or individuals must obtain proper authorization from the Ministry of Commerce and Industry. There are three basic types of licenses involved:

- a) Commercial License Class A is required for wholesale operations, commercial and mortgage banks, financial companies, international financial brokers, insurance and reinsurance companies, international transportation companies, mutual funds, public utilities, and high-technology service companies.
- b) Commercial License Class B is required for retail businesses, including representation agencies, service companies, bars, restaurants, drugstores, real estate agents, gas stations, local transportation, distributors and others. This license is only granted to Panamanians or corporations owned solely by Panamanians.
- c) An Industrial License is required for extractive and manufacturing industries, as well as construction companies.

Exemptions for business license requirements are granted to persons or legal entities engaged exclusively in agriculture, cattle, bee, or poultry raising, or in the manufacturing and sale of handicrafts, in some instances, provided that the work is not performed by hired workers. Licenses must be kept at all times in a visible and accessible place. The cost for obtaining a

license ranges from US\$250 to US\$750. Also, an annual tax is levied based on the net worth of the company, as stated in the income tax return, plus other income taxes.

Most service providers are required to withhold a five percent (5%) value added tax on most of their services.

SELLING FACTORS/TECHNIQUES

Panama has the highest per capita income in Central America. The majority of income is skewed to a small, consumer goods oriented economic class. These upper-middle and upper class families have high levels of disposable income. They are interested in purchasing high quality, trend-setting goods. Price is less of a factor in purchasing decisions made by this class than for the middle and lower income classes. The majority of Panamanians are interested in quality but price plays a more important role in the purchase decision.

The use of the U.S. dollar as legal currency and consumer preference for high quality products at competitive prices are two reasons for high acceptance of U.S. products in Panama. Overall, U.S. products are well accepted in the market and are considered of good quality. However, in many instances, U.S. products must compete against lower priced products especially from the Far East. For example, as in the U.S. itself, Japanese and Korean electronics dominate the market because of aggressive market entry techniques and good quality at competitive prices.

ADVERTISING AND TRADE PROMOTION

Television and newspaper advertising are the promotion tools of choice for the majority of distributors of U.S. products. E-mail marketing is becoming increasingly popular, especially for services. Panama has a very competitive advertising market, with standard prices and very good production quality. Additionally, trade shows, specialized seminars and exhibitions are effective tools for trade promotion. Special sale prices during events such as mother's and father's day, back to school and Easter are usually advertised in newspapers during weekends.

Most foreign manufacturers of consumer products maintain a high profile presence in the country through newspaper ads, large billboards, sponsored sports events, and TV advertising. Radio advertising is mainly utilized outside of Metropolitan Panama City.

Major Newspapers:

La Prensa

General Manager - Juan Luis Correa

P.O. Box 6-4586, El Dorado

Panama, Republic of Panama

Tel: (507) 222-1222

Fax: (507) 221-7328

E-mail:ventas@prensa.com

<http://www.prensa.com>

Daily Circulation: 35,000

Format: standard

Advertising prices: US\$11.50 per columnar inch, each page 6 columns of 21 inches.

El Panama America

Director – Octavio Amat

P.O. Box B-4

Panama 9A, Republic of Panama

Tel: (507) 230-7777

Fax: (507) 230-7773
E-mail: webmaster@epasa.com
<http://www.epasa.com>
Daily Circulation: 25,000
Format: standard
Advertising prices: US\$7.00 per columnar inch, each page has 126 columnar inches.

La Estrella de Panama
General Manager - Jose Urriola
P.O. Box Q
Panama 4, Republic of Panama
Tel: (507) 227-0555
Fax: (507) 227-0734
E-mail: laestre@estrelladepanama.com
[Http:// www.estrelladepanama.com](http://www.estrelladepanama.com)
Daily Circulation: 12,000
Format+: standard
Advertising prices: US\$5.00 per columnar inch, each page has 126 columnar inches.

Critica
Director– Juan Pritsiola
P.O. Box 9815
Panama 9, Rep. of Panama
Tel. (507) 230-7777
Fax. (507) 230-0442
E-mail: jpritsiola@epasa.com
[Http://www.epasa.com](http://www.epasa.com)
Daily Circulation: 70,000
Format: Tabloid
Advertising prices: US\$10.00 per columnar inch, each page has 88 columnar inches.

Major advertising agencies are associated with international advertising firms.

Business Publications:

CAPITAL
(Weekly Publication)
Director: Indalecio Rodriguez
P.O. Box 0833-0206
Tel. 507-210-1414
Fax 507-210-1244
E-mail: capital@capital.com.pa

MARTES FINANCIERO
(Weekly Publication)
Edited by La Prensa
Editor – Franklin Castrellon
Tel: (507) 222-1222
Fax: (507) 221-7328
E-mail: MF@PRENSA.COM

Business Web Sites:

[Http://us-panama.org](http://us-panama.org)
[Http://businesspanama.com](http://businesspanama.com)
[Http://panamainfo.com](http://panamainfo.com)

PRICING PRODUCT

The price structure for imported goods in Panama depends on the level of competition. The costs of transportation and import duties vary from item to item. Local prices can be higher or lower than world average depending on local competitive conditions. For the sake of illustration, the calculation below demonstrates average costs added to a product before it reaches the consumer. Import duties average 10% over CIF value and wholesale and retail markups are about 25% each.

Average Pricing Schedule

	\$ Price
CIF Panama	\$100.00
Import Duty	<u>10.00</u>
Total Landed Cost	\$110.00
Wholesale Price	137.50
Retail Price	\$171.88

Note: A 5% value added tax on CIF value plus the import duty is assessed at the time of customs liquidation. Since this value-added tax is payable on all goods, domestic and imported, and is passed through to the consumer, it is not included in this calculation.

SALES SERVICE/CUSTOMER SUPPORT

Success among distributors is often decided by quality of the training, counseling and support they receive from their principals. U.S. companies should focus on providing U.S.-level training and technical assistance to their distributors and making sure they have the resources to provide after-sales support, including spare parts, service equipment, and quality service to the customers.

GOVERNMENT PROCUREMENT PRACTICES

Panama does not have a Central Procurement Office such as the U.S. General Services Administration (GSA). All purchases of goods and services of any significant value are by law advertised for public bid. Government procurement regulations establish that each governmental organization is responsible for its own procurement but subject to the supervision of the Ministry of Economy and Finance and the Comptroller General's Office. The latter provides ultimate authorization for all purchasing contracts. Government regulations also establish a process of company pre-qualification for purchases above US\$250,000 to ensure that potential suppliers have the proper qualifications. Another feature of the procurement system is that tender documents for major bids are discussed with interested companies in order to assure agreement about an understanding of terms and condition of participation. Lack of transparency, excessive delays, and bureaucracy in the bid selection process have caused problems for U.S. and other bidders in important government bids in the past.

Excessive bureaucracy is also responsible for the government's poor payment record. Typical payment schedules range from three to six months, after goods or services have been invoiced.

NEED FOR A LOCAL ATTORNEY

Attorneys are required, among other things, for establishing a corporation, registering products, registering a patent, obtaining a commercial license, and for handling immigration matters. Attorneys are frequently used to prepare major bids to make sure that paperwork and other requirements are properly completed. In many cases, local lawyer firms become part of consortia participating in major bids.

CHAPTER 5. LEADING SECTORS FOR US EXPORTS AND INVESTMENTS

BEST PROSPECTS FOR NON-AGRICULTURAL PRODUCTS

1 - TELECOMMUNICATIONS EQUIPMENT

Rank of Sector: 1

Name of Sector: Telecommunication Equipment

ITA Industry Code: TEL

Comments: The telecommunications sector in Panama was privatized in 1998. The government-owned telecommunications company (INTEL) was converted into a corporation. Forty-nine percent of its shares were sold to the British firm Cable and Wireless and two percent to the telephone workers union. The terms of the privatization require Cable and Wireless to improve and broaden services, completely digitalize all switching stations and upgrade transmission lines to the latest technology. On January 1, 2003, all fixed line telecom services in Panama were fully opened to competition and a number of licenses were issued at a nominal fee. Both the privatization and the increased future competition will provide increased market opportunities for U.S. exporters of telecommunications equipment. There are over 500,000 fixed telephone lines in the country, giving Panama one of the highest teledensity rates in Latin America. There is also an ongoing sector demand for PABX systems, radio trunking systems, satellite-based telecommunications facilities, paging systems and fiber optics cables. Main competitors in the market are the United Kingdom, Japan, Sweden, France and Canada.

(Millions)	2001	2002	2003
Total Market Size	212.0	230.0	330.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	212.0	230.0	330.0
Imports from the U.S.	75.0	90.0	132.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

(The above statistics are unofficial estimates.)

2- TELECOMMUNICATIONS SERVICES

Rank of Sector: 2

Name of Sector: Telecommunication Services

ITA Industry Code: TES

Comments: The telecommunications sector in Panama changed significantly in 1998, when the government-owned telecommunications company (INTEL) was converted into a corporation and 49 percent of its shares were sold to the British firm Cable and Wireless and two percent to the telephone workers union. The terms of the privatization require Cable and Wireless to improve and broaden services, completely digitalize all switching stations and upgrade transmission lines to the latest technology. A cellular license was awarded to Bell South in 1995, which has over

300,000 subscribers to date and provides service in most of the more densely populated areas of the country. A second cellular service was started by Cable & Wireless in 1998 which currently enjoys a similar number of subscribers. Since 2001, Panama has been actively promoting itself as the ideal place to install telecommunications and IT businesses including NAPs, Telecom and Internet peering points, Colocation and Data Centers. Beginning in 2000 and 2001 most of the important telecommunications and Internet carriers with a presence in the United States and Latin America, established offices and/or operation centers in Panama. Many of them started building telecom centers. The installation of five different submarine cables and the appearance of new telecom players who have been building infrastructure as a result of the opening of the telephony market (local, domestic and long distance) in 2003, created an environment in which new technologies and business opportunities arose.

Call Centers represent an emergent segment. In October 2001, the government passed a law that eliminates the one dollar tax on international outgoing calls for call-center purposes, alleviates some labor conditions and assigns fiscal incentives and privileges for companies implementing call centers.

(Millions US\$)	2001	2002	2003
Total Market Size	800.0	900.0	1050.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	800.0	900.0	1050.0
Imports from the U.S.	240.0	270.0	315.0
Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)			
(The above statistics are unofficial estimates.)			

3 – COMPUTERS AND PERIPHERALS

Rank of Sector: 3

Name of Sector: Computers and Peripherals

ITA Industry Code:CPT

Comments: A number of factors contribute to the positive outlook for this sector: (1) office automation is a growing trend despite the slow growth of the economy, (2) import duties for computers (average 7% over CIF value) are relatively low, (3) there are many accessible computer suppliers both locally and abroad, particularly in the Miami area, (4) there is a growing computer culture as a result of government programs aimed at increasing the use of computers in public schools, the high number of Panamanian graduates from U.S. schools, and the local availability of Internet services, computer magazines, journals, and other literature from the U.S. Computer products from the U.S. are well received and are perceived as incorporating state-of-the-art technology. The U.S. has a strong position in this market with a market share over 60%. Prices for U.S. computers and peripherals are competitive against products from Korea, Taiwan and Japan. The most promising end-users are: banks, commercial establishments, universities, the Panama Canal and government organizations. Most important subsectors are: personal computers, laptops, and laser printers.

(Millions)	2001	2002	2003
Total Market Size	82.0	94.0	106.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	82.0	94.0	106.0
Imports from the U.S.	48.0	57.0	65.0
Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)			
(The above statistics are unofficial estimates.)			

4- SECURITY AND SAFETY EQUIPMENT

Rank of Sector: 4

Name of Sector: Security and Safety Equipment

ITA Industry Code: SEC

Comments: The market for security and safety equipment offers good growth potential. While the crime rate is still relatively low, it is on the rise in Panama and banking and commercial institutions have been targeted for armed assaults. There is also an increasing need for security equipment in residential areas and public places. Because of high labor costs many businesses and households are automating security. The United States has kept a strong presence in the security and safety equipment sector with more than 70% market share during recent years. U.S. products are of high quality. Major competitors are from Japan, Korea and Germany. Best sales prospects are fire and burglar alarms, smoke detectors, electronic surveillance equipment and safe/strong boxes. Also, car alarm systems are always in strong demand. There are no restrictions on the entry of security and safety equipment. U.S. and European standards are accepted in Panama. Import duties range between 10% and 15%. Main users are banks, retailers, hotels, airports, hospitals, and large local and multinational corporations.

(Millions US\$)	2001	2002	2003
Total Market Size	8.0	10.0	14.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	8.0	10.0	14.0
Imports from the U.S.	6.0	8.0	10.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

(The above statistics are unofficial estimates.)

5- FOOD PROCESSING AND PACKAGING EQUIPMENT

Rank of Sector: 5

Name of Sector: Food Processing and Packaging Equipment

ITA Industry Code: FPP

Comments: The food industry is one of Panama's strongest industries. The country's main export items come from the food sector and include shrimp, bananas, sugar, coffee and non-traditional agricultural products such as cantaloupes, pineapples and watermelons. The exports of these items generate a significant demand for food packaging equipment. Additionally, Panama's internal market of locally manufactured food products is strong and is growing at an estimated 10 percent per year. The local food processing industry includes breweries, soft drink bottling plants, dairy plants, meat and chicken processing plants, bakeries, and fruit and vegetable packaging plants.

Competition is strong and Italy, Brazil, Germany, Spain and the United States are the main suppliers of food processing and packaging equipment. There are no major impediments to the importation of foreign equipment as Panama has no local production. Import duties range from five percent to 15 percent.

(Millions US\$)	2001	2002	2003
Total Market Size	21.0	26.0	32.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	21.0	26.0	32.0
Imports from the U.S.	5.0	7.0	10.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
 (The above statistics are unofficial estimates.)

6- BUILDING PRODUCTS

Rank of Sector: 6
 Name of Sector: Building Products
 ITA Industry Code: BLD

Comments: The construction sector in Panama declined after peaking in the first half of the 1990's but resumed growth in recent years. Initially, the majority of construction was concentrated on middle to high-income apartments and commercial buildings, but now construction growth is strongest for low-cost housing and high end suburban housing. A growing demand exists for after-construction building products used for improving, decorating or modifying existing buildings. This market is especially strong because of the high purchasing power of this sector of the population. U.S. building products are well received because of their perceived quality and competitive price. U.S. products in this sector enjoy a market share over 60%. Major competitors are Taiwan, Italy and Spain. There are no significant restrictions on imported products. Import duties are in the range of 5 to 15% over CIF value. The demand is especially strong for gypsum board, lighting, and roofing/flooring products.

(Millions)	2001	2002	2003
Total Market Size	376.0	407.0	448.0
Total Local Production	169.0	180.0	199.0
Total Exports	0.0	0.0	0.0
Total Imports	207.0	227.0	249.0
Imports from the U.S.	143.0	154.0	179.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
 (The above statistics are unofficial estimates.)

7 – AIR CONDITIONING AND REFRIGERATION EQUIPMENT

Rank of Sector: 7
 Name of Sector: Air Conditioning and Refrigeration Equipment
 ITA Industry Code: ACR

Comments: Due to climatic conditions, Panama always has been a good prospect for air conditioning and refrigeration equipment. Increased activity in the fisheries export sector and continued growth in the consumption of perishable goods, especially frozen items, should represent excellent market opportunities for U.S. air conditioning and refrigeration equipment exporters. Additionally, Panama's food and beverage industry, an important user of refrigeration equipment, is relatively well-developed. Panama has two major breweries, three large dairy plants, and three large soft drink bottlers. Demand for air conditioning equipment will also be stimulated by the continuous growth of the construction sector, especially residential high-rise buildings and suburban housing. There are no restrictions for imported air conditioning and refrigeration equipment in Panama. Import duties are relatively low (10% over CIF value). Japan and Korea are major competitors in this sector. However, U.S. products are well liked, are considered to be of excellent quality, and competitively priced. Subsectors offering the best opportunities are: commercial air conditioning, domestic (split) systems and industrial refrigeration.

(Millions US\$)	2001	2002	2003
Total Market Size	67.0	72.0	78.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	67.0	72.0	78.0
Imports from the U.S.	30.0	34.0	36.0
Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)			
(The above statistics are unofficial estimates.)			

8 – HOTEL AND RESTAURANT EQUIPMENT

Rank of Sector: 8

Name of Sector: Hotel and Restaurant Equipment

ITA Industry Code: HTL

Comments: The market outlook for hotel and restaurant equipment in Panama improved as a result of a tourism incentive law passed in 1994. It established a number of fiscal and other incentives for companies investing in tourist facilities such as hotels, restaurants, resorts, etc. The Panamanian Tourism Institute (IPAT) is the government organization that evaluates applications for new projects in this sector. The reversion of U.S. military facilities to Panamanian hands is also generating a number of tourism projects in those areas. The hotel and restaurant equipment market is very competitive. The U.S. maintains a strong leadership position. Panama City has an impressive number of world class restaurants that offer a wide variety of international food. The main competitors in the kitchen equipment market are from France, Italy, Spain and Brazil. In other product lines, such as refrigeration and air conditioning equipment, competitors come from Japan and Korea. Best prospects in this sector are: kitchen equipment, decoration items (draperies, furniture), air conditioning equipment, and elevators. No import restrictions exist for these products and import duties are in the range of 10-15 percent of C.I.F value.

(Millions US\$)	2001	2002	2003
Total Market Size	18.0	24.0	29.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	18.0	24.0	29.0
Imports from the U.S.	6.0	8.0	10.0
Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)			
(The above statistics are unofficial estimates.)			

9 – WATER AND WASTEWATER TREATMENT EQUIPMENT

Rank of Sector: 9

Name of Sector: Water and Wastewater Treatment Equipment

ITA Industry Code: WRE

Comments: The Government of Panama undertook a privatization program in the mid 90s that included public utilities. By 1999, all public utilities had been successfully privatized, except the Water and Sewage agency (IDAAN). For political reasons IDAAN was not privatized but the government intends to make it more efficient and plans to modernize it and grant concessions to build and operate water plants in specific areas of the country.

In 1998 the government passed a General Environmental Law and created the National Environmental Authority (ANAM). The law established controls and regulations regarding the use of natural resources and set forth measures to protect the environment. As a result, industrial establishments, municipalities, hospitals, hotels, etc. will have to implement a number of

measures in order to comply with regulations aimed at protecting the environment. This includes wastewater treatment procedures.

Best market opportunities are in the construction of new water plants, rehabilitation and expansion of existing infrastructure, and the construction of new wastewater collections and treatment facilities in Panama's metropolitan area (Panama City, Colon and surrounding areas). Another major project for the immediate future is the cleaning of Panama Bay. This US\$350 million project entails intensive use of wastewater treatment equipment and technology.

There is no domestic production of water and wastewater equipment. Regulations for water and wastewater equipment are those established by the American Waterworks Association /ANSI. The United States is the largest supplier of water and wastewater equipment (market share above 80%) but European companies are trying to increase their share of the market.

(Millions US\$)	2001	2002	2003
Total Market Size	14.0	18.0	21.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	14.0	18.0	21.0
Imports from the U.S.	12.0	16.0	18.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

10- FINANCIAL SERVICES

Rank of Sector: 10

Name of Sector: Financial Services

ITA Industry Code: FNS

Comments: Panama is an international banking center. A law passed in 1998 modernized this sector and enhanced the Government's regulatory function.

Panama's banking sector is one of the most dynamic areas of the economy. As of May 2003, Panama's 77 banks reported total deposits of \$24 billion, and \$33 billion in total assets, an eight percent decrease from 2002. In 2003, approximately five percent of the total credit portfolio represented loans to the public sector. Loans to the private sector in Panama reached US\$11 billion, or 95 percent of total credit. The three largest loan sectors were: trade and commerce, mortgages and consumer lending (21%). The banking legislation establishes three classes of operations. General license banks operate full service banks in Panama and compete for domestic deposits and loans (43 banks). International License or "Offshore" banks, can only accept deposits from persons or organizations located overseas (28 banks). Representative Offices can only perform representational activities (six banks). There are also two state-owned deposit-taking institutions. Foreign and Panamanian banks compete on equal terms. Banks are organized into two groups, the Panamanian Banking Association (Panamanian and Foreign Banks) and the Association of Panamanian Banks (only Panamanians banks). Banks are licensed and regulated by the Banking Supervisory Authority (Superintendencia de Bancos). Panama's banking system does not have a deposit insurance scheme.

(Billions US\$)	2001	2002	2003
Total Market Size (1)	38.8	34.0	34.3
Total Local Production (2)	15.4	15.3	15.4
Total Exports	0.0	0.0	0.0
Total Imports (3)	22.6	18.7	18.9

Imports from the U.S. (4) 2.6 2.4 2.5

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

(The above statistics are unofficial estimates.)

(1) Total assets of the banking system, (2) total assets of local banks, (3) total assets of foreign banks, (4) total assets of U.S. banks.

BEST PROSPECTS FOR AGRICULTURAL GOODS AND SERVICES

1- Consumer Oriented Agricultural Products

Name of Sector: Consumer Oriented Agricultural Products

PS/D: High Value Products (HVP)

Comments: HVP sector continues the most important category of imported products in Panama. HVP imports from the US were \$83 million during CY02, representing a 4% decrease as compared to the previous year. HVP was composed of Snacks (\$15 m, all time high), Processed fruit and vegetables (\$10 m), Fruit and Vegetable Juices (\$9m), Pet Foods (\$6m, all time high), Dairy Products (\$6 m), Wine and beer (\$6 m), Fresh fruit (\$4 m), Poultry meat (\$4 m), Red meats (\$3 m), Breakfast cereals (\$3 m), and other (\$17 m).

Best prospects are: Snacks, Processed Fruits and Vegetables, and Fruit and Vegetable Juices.

(Millions US\$)	2001	2002	2003
Total Market Size	210	200	210
Total Local Production	246	236	242
Total Exports	216	215	215
Total Imports	180	179	183
Imports from the U.S.	87	83	86

Banana exports continue depressed due to EU markets closure and labor unrest.

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

Sources: Bureau of the Census of the USA, and Office of the Comptroller General of Panama.

2- Bulk Agricultural Products

Name of Sector: Bulk Agricultural Products

PS/D: G&F

Comments: Low commodity prices have affected export values. Increases in yellow corn and rice were the result of bad local weather.

Best prospect sub-sectors: Yellow corn, wheat and rice.

(Millions US\$)	2001	2002	2003
Total Market Size	141	132	127
Total Local Production	116	102	100
Total Exports	59	50	48
Total Imports	84	80	75
Imports from the U.S.	46	52	55

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

Sources: US Bureau of the Census, and Office of the Comptroller General of Panama

3- Intermediate Agricultural Products

Name of Sector: Intermediate Agricultural Products

PS/D: O&P

Best prospects sub-sectors: Soybean meal, vegetable oils, planting seeds.

(Millions US\$)	2001	2002	2003
Total Market Size	210	189	190
Total Local Production	121	104	98
Total Exports	19	11	8
Total Imports	108	96	100
Imports from the U.S.	44	51	56

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

Sources: Bureau of the Census of USA, and Office of Comptroller General of Panama.

SIGNIFICANT INVESTMENT OPPORTUNITIES

The following areas offer investment opportunities for U.S. companies.

Transferred ("Reverted") Areas

As a result of the Panama Canal Treaties of 1977, on December 31, 1999, the United States completed the process of transferring to Panama the Canal, 364,000 acres of land, more than 4,000 buildings and other infrastructure located in the former Canal Zone. Panama is committed to utilizing these resources to enhance the country's economic and social development. If this is to be accomplished, a number of projects will have to be developed in these areas in the very near future. The Inter-American Development Bank co-financed a US\$5 million study to recommend plans for the efficient use of these resources. The study was approved by the National Assembly and became Panama's official plan for the use of the reverted areas. The Panamanian Government established the Inter-oceanic Regional Authority (Spanish acronym ARI), to administer the transferred resources and to devise a development strategy. Projects approved or under consideration, include manufacturing, assembly, tourism, marine services, warehousing, education, scientific research, and energy generation. Tourism and marine service projects seem to have the most potential in the transferred areas. The large Howard Air Force Base offers special opportunities as an air cargo hub or aircraft repair and maintenance facility. The International Finance Corporation (IFC) of the World Bank has been assisting ARI to develop a strategy for the use of Howard. The Government is considering legislation to convert Howard into a "special development zone" with a number of fiscal and other benefits for companies establishing operations in that base.

Electric Power Generation

Panama restructured its electric sector in 1998, following the privatization of the Instituto de Recursos Hidraulicos y Electrificación (IRHE), which until that year controlled the generation, transmission and distribution of electricity in Panama. The Government of Panama only retained ownership and control of the transmission company. A regulatory body (Ente Regulador) was also created to regulate the electric sector as well as the telecommunications and water sectors. Panama's demand for electricity grows approximately by 45 MW per year. New investment is necessary to meet this demand. The law allows for private sector participation in power generation. A number of new projects have been undertaken for thermo and hydroelectric generation. Also, a new 230 KV transmission line project that will cover the entire Central American region is about to be implemented. This transmission line will open up the possibility of larger power generation projects because of the large regional market soon to be available. The

planned expansion of the Panama Canal watershed will also allow for increased availability of water resources that are envisioned to be utilized for power generation.

Port and Maritime Services

Because of its strategic location Panama is a key maritime center. The Panama Canal has historically been the symbol of Panama's maritime activities. In recent years, Panama's traditional ports, Cristobal on the Atlantic and Balboa on the Pacific, have been privatized. Both ports have been modernized to make them capable of handling increased container traffic.

Additionally, two new container ports have been built on the Atlantic (Manzanillo MIT, operated by the U.S.- based Stevedoring Services of America, and Coco Solo operated by Taiwanese-based Evergreen). Panama's container handling capability increased from 250,000 in 1997 to approximately 2.0 million in 2002. A new transisthmian railroad was inaugurated in 2000 by the U.S. consortium Kansas City Southern/M.I. Jack that will increase port activities by allowing container transshipment between the two oceans. Improvements in port productivity have been dramatic. MIT was rated the most efficient port in Latin America in 2001.

The Panama Canal Authority, the independent Panamanian government agency that operates the Canal, intends to increase ancillary services such as fueling, ship chandling, ship repair and other services.

Additional opportunities for U.S. companies are in the Petroleum Export Zones (PEZ) that are especially designated areas where foreign or national companies can establish operations to produce, refine and export petroleum products. These zones can also make direct sales to foreign vessels transiting the Panama Canal, and to foreign airlines. Companies operating out of these PEZ's are exempt from municipal or federal taxes and are not subject to government regulations affecting the local market.

Water and Sewage

The National Water and Sewage Company (IDAAN) is the only utility owned and operated by the government. Although the current Government is not planning to privatize IDAAN, it is expected more participation of the private sector in IDAAN's projects, such as new water plans. Panama has a total population of 2.9 million, 1.7 million have access to IDAAN services. There are 304,577 connections. Approximately 69% of all users are located in Panama City and Colon. IDAAN's revenues in 2002 were approximately US\$80 million. Water production is increasingly becoming insufficient to satisfy the population's demands. IDAAN has been plagued by a number of problems, including bad management, low investment and widespread inefficiency. Water loss is estimated at 50%, of which 20% is technical and 30% commercial. Multimillion-dollar investments are necessary to modernize and upgrade the country's water and sewage system and large private investment will be required in one form or another. Cleaning Panama Bay, another large project, will offer commercial opportunities for U.S. firms.

Telecommunications

The telecommunication sector in Panama was privatized in 1998. The government-owned telecommunications company (INTEL) was partially sold (49% of the shares) to the U.K. firm Cable and Wireless. The terms of the privatization granted exclusivity for a period to be completed in December of 2002. Two cellular licenses awarded to Bell South and Cable & Wireless will expire in 2007. There are over 500,000 fixed telephone lines in the country, giving one of the highest teledensity rates in Latin America. Panama is also becoming a hub for submarine fiber optic cables. Additionally, there is an ongoing sector demand for PABX systems, radio trunk systems, satellite-based telecommunications facilities and paging systems.

On January 1, 2003, all telecom services, with the exception of cellular services, were fully opened to competition and a number of licenses began to be issued for a nominal fee. Both the privatization and the increased future competition will provide increased market opportunities for U.S. exporters.

NOTE: "The Government of the United States acknowledges the contribution that outward foreign direct investment makes to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. For example, roughly 60 percent of U.S. exports are sold by American firms that have operations abroad. Recognizing the benefits that U.S. outward investments brings to the U.S. economy, the government of the United States undertakes initiatives such as Overseas Private Investment Corporation (OPIC) programs, Bilateral Investment Treaty negotiations and business facilitation programs, that support U.S. Investors."

CHAPTER 6. TRADE REGULATIONS, CUSTOMS AND STANDARDS

TRADE BARRIERS (TARIFFS, NON-TARIFF BARRIERS AND IMPORT TAXES)

A new Panamanian Government will take office in September 2004. When Panama joined the WTO in 1997, the government lowered tariffs to a maximum of 15%, except for a few agricultural products, and to an overall average of 12%, the lowest in the region. The revised import duty structure was significantly lower than the one negotiated for WTO accession and represented a substantial commitment to trade liberalization. The Moscoso Government maintained this policy with regard to manufactured products but largely reversed it for agricultural products. Duties for most agricultural products were increased to the maximum limits permitted by the WTO. Additionally, the Government erected substantial non-tariff barriers for certain agricultural products including pork, produce (permanent barriers), beef, poultry and rice (seasonal barriers). The mechanism utilized was been alleged phytosanitary concerns over non-quarantine diseases.

CUSTOMS REGULATIONS

Panama assesses import duties on an ad valorem basis. The ad valorem system uses the declared C.I.F. value as the basis for import duty calculations and in some cases utilizes historical price information as a reference.

In addition to the duty, all imports into Panama are subject to a five percent transfer or value added tax (ITBM) levied on the C.I.F. value, plus import duty and other handling charges. Pharmaceuticals, foods and school supplies are exempt from the ITBM tax.

Beginning in 1995, Panama adopted the Harmonized System (HS) or Tariff Nomenclature as its customs classification system.

In general, the Panamanian customs system does not represent a significant obstacle for U.S. exporters.

Contact information for the Panamanian Customs' office is:

Direccion General de Aduanas
P.O. Box 7304
Panama 5, Panama
Phone: 507-232-6672
Fax: 507-232-6494
Contact: Julio Kennion, Director

E-mail: iarosemena@aduanas.gob.pa
www.aduanas.gob.pa

IMPORT LICENSES

No import licenses are required in Panama. Any company holding a commercial license can freely import goods into Panama. A commercial or industrial license is required by individuals or companies wishing to engage in commercial or industrial activities. Phytosanitary permits are required to import agricultural products. These were routinely issued in the past but as previously stated, are now frequently refused or delayed as a means of limiting agricultural imports.

EXPORT CONTROLS

The Fiscal Code regulates all matters concerning the country's exports. The Code establishes that all national products may be exported, except:

- drugs, with the exception of those having pharmaceutical or scientific purposes.
- staple products determined by the Government to be temporarily scarce in the country; and,
- those products the Panamanian Government decides not to export for reasons of international agreements or for economic interest of the country.

Exports subject to the payment of taxes require an Export Authorization, which is issued by the National Customs Office, Ministry of Economy and Finance. (See Chapter 11 for contact information.) Exports subject to taxes are: metals and natural resources.

IMPORT\EXPORT DOCUMENTATION

Import Documentation

Processing of customs documents in Panama for imports is fast, efficient and reliable. Merchandise imported into Panama must be cleared through customs by a customs broker licensed by the Government of Panama. The following goods are imported under duty free status: consigned to national or municipal governments, imported by foreign diplomats, consigned to the Panama Canal, sold to vessels transiting the Canal, or intended for reexport.

Basic import documentation required by the Panamanian Customs office includes:

- Import Declaration (Prepared and signed by a Customs Broker),
- Commercial Invoice (To be presented in English or Spanish in quadruplicate),
- Airway Bill,
- Bill of Lading (To be presented in triplicate),
- Commercial License Number,
- Phytosanitary Certificate (In case of animal and plants products, to be obtained from the U.S. Department of Agriculture), and,
- Certificate of Free Sale (if required)

Any food product or other item used for human consumption (including for use on human skin or clothes) may be subject to the Certificate of Free Sale (CFS) documentation requirement. The main purpose of the CFS is to prevent the dumping of inferior goods, especially for human consumption, on the Panamanian market. The CFS must verify that a product is sold freely and used widely in the U.S. Potential exporters of items subject

to the CFS documentation requirement may wish to either contact: (1) their trade association which may provide the service of issuing the documentation, or (2) the Food and Drug Administration, Division of Programs and Enforcement Policy, 200 C Street, SW, Washington, DC 20204.

If for any reason the bill of lading or any other required document cannot be presented within 24 hours after the shipment has arrived, clearance of the goods will be permitted by posting a bond equal to the amount of import duties. The bond is cancelled if the prescribed documents are presented in due form within a period of 90 days. The bond may be extended in justified cases, an additional 90 days.

Export Documentation

The Vice Ministry of Foreign Trade was created in 1998 to promote exports and investment. It facilitates the processing of export documentation through a "One Stop" (ventanilla unica) office which can reduce the export process to a few hours. (Refer to Chapter 11 for contact information on the Vice Ministry of Foreign Trade).

Export documentation required by Panamanian Customs authorities includes:

- Commercial Invoice,
- Export Declaration (usually prepared and signed by a Customs Broker),
- Certificate of Origin (issued by the Chamber of Commerce, Industry and Agriculture of Panama or the Panama Trade Development Institute),
- Bill of Lading,
- Airway Bill,
- Veterinary, Sanitary or Phytosanitary Certificate (when applicable).

There is no requirement to utilize export brokers for export documentation.

TEMPORARY ENTRY

The Panamanian Fiscal Code establishes a temporary entry regime of up to one year for all types of merchandise. There are two options. First, the goods can enter the country if the importer makes a deposit equivalent to the import duty. This payment will be reimbursed at the time the goods leave the country. Second, an insurance company can issue a bond for the importer covering the import duty value, payable if the goods fail to exit the country as scheduled.

Special temporary provisions apply in the case of trade shows and exhibitions taking place at Panama's exhibition and convention center, Atlapa. Goods can enter the Atlapa Convention Center with no warranty payment or bond required. Certain shows held at Atlapa enjoy duty free status and the merchandise displayed may be sold off the floor with no duties.

Samples with commercial value are subject to temporary entry requirements. Samples with no commercial value are admitted duty free. If samples arrive in large containers, they will be dutiable even though they may be marked as free samples.

PROHIBITED IMPORTS

The following products cannot be imported into Panama:

- Counterfeit coins or printed material that imitates currencies,
- Equipment or instruments for manufacturing coins,

- Liquors, wines, beers or medicines with labels that falsely describe contents, or of any kind of harmful preparation,
- Certain firearms or war materials,
- Foreign lottery or raffle tickets,
- Opium in the form of gum or for smoking,
- Obscene brochures, books, newspapers, magazines, or postcards containing negative portrayals of the country's culture, civilization or dignity, and,
- Plants, seeds, or animals when determined by the Ministry of Agriculture.

FREE TRADE ZONES/WAREHOUSES

The Colon Free Zone

The Colon Free Zone (CFZ), the largest Free Trade Zone (FTZ) in the Western Hemisphere and second only to Hong Kong, is located in the City of Colon, adjacent to Manzanillo International Terminal on the Atlantic side of Panama, 90 kilometers from Panama City. Goods (except firearms or petroleum products) may be imported, stored, modified, repacked and re-exported without being subject to any customs regulations in the FTZ.

Most Free Zone merchandise is transshipped from Panama to other parts of the Western Hemisphere and Europe. Imports into the CFZ come mainly from the Far East. The largest individual supplier of the CFZ has been traditionally Hong Kong, followed by the United States, Taiwan, Japan and Italy. These five countries have supplied over 60 percent of all CFZ imports in recent years. Colombia is the largest purchaser of merchandise, buying nearly 20 percent of all CFZ exports. Other principal buyers are Ecuador, Panama (for the local market), Venezuela, the United States, Chile and Guatemala.

The CFZ is administered as an autonomous organization of the Panamanian Government. It has been in operation since 1953. Today it is fully developed, and covers 300 hectares, including 45 hectares designated as an industrial zone.

The CFZ offers free movement of goods and complete exemption from taxation on imports and re-exports. There are no taxes on the export of capital or the payment of dividends. In addition, there are no taxes on earnings from re-export sales. Furthermore, firms located in the CFZ are exempt from import duties as well as from guarantees, licensing, and other requirements and limitations on imports. Due to its geographic location, the CFZ is a major factor in channeling goods from large industrialized countries to consumer markets in Latin America. Unfortunately, the CFZ has also been used by the Colombian drug cartels for money laundering and drug trafficking. Other problematic transactions include trade in pirated intellectual property and stolen vehicles.

The CFZ is operated and managed by its Board of Directors, an Executive Committee and the General Manager of the institution. Corporations or individuals of any nationality may establish operations in the CFZ without obtaining a commercial license or investing any minimum amount of capital. Firms interested in operating in the CFZ must file an application and provide a copy of articles of incorporation and bank references.

There are four basic ways of doing business in the CFZ:

1. Leasing lots on which the firm builds a warehouse or other facilities as designed by the firm. Land leases are granted for a 20-year period;
2. Purchasing an existing facility from the Zone Administration;
3. Reaching an agreement with a company already established in the CFZ

- as the operator's representative. The cost of this service is set by mutual agreement between the parties concerned. Representation agreements are subject to the approval of the Zone Administration; or,
4. Leasing a public warehouse operated by the Zone Administration. The firm receives its goods and stores them like any other company there. There are no fixed costs and payment is based on the weight or volume of the goods stored.

Companies operating in the CFZ can engage in four types of sales operations:

1. Re-export of goods from CFZ warehouses;
2. Sales to clients located within Panama's customs territory;
3. Direct sales to foreign clients in which goods are shipped from a third country manufacturer without physically arriving in the CFZ; or,
4. Transfers in which sales are made to other CFZ firms.

Companies operating from the CFZ enjoy numerous trade advantages along with special tax incentives such as tax credits, depending on the number of Panamanian employees, and special income tax rates on foreign trade operations. Companies in the free zone pay no corporate income tax. Dividends paid on profits from foreign trade operations and from direct sales are not subject to the dividend tax. Merchandise arriving at, stored in, or leaving the CFZ destined for a foreign country is exempt from taxes, charges or any type of fee. Also, CFZ companies are not subject to any type of national or municipal tax.

Contact the CFZ Administration and the Users Association for more information. (Refer to Section II of this report for key statistical information on the CFZ and to Chapter 11 for contact information).

Export Processing Zones

On November 30, 1992, Panama passed Law No. 25 allowing for the establishment and development of Export Processing Zones (EPZ) within the country.

EPZs are well-defined areas for the establishment of industrial, commercial and service facilities which operate in a free trade system. All or most production is exported. A range of incentives has been established to attract companies into the EPZs.

Companies allowed to establish operations in EPZs are those engaged in manufacturing, assembly, high technology, and specialized and general services, e.g. computer data entry, reinsurance.

The EPZ law establishes two classes of EPZ firms. The first consists of EPZ developers and the second of tenant companies within the EPZ.

The Panamanian Government offers the developer the following tax incentives:

Exemption during the life of the contract (the maximum is 20 years), from taxes, duties and other charges related to the importation of machinery, equipment, accessories and material used in the construction of the facilities. Exemption from property and income taxes, and taxes on capital or assets for the first ten years of operation. From the 11th year until the end of the contract, the developer is exempt from income tax on net earnings reinvested in the development and expansion of the EPZ, provided that the amount reinvested exceeds 20 percent of the net taxable income for the fiscal year the

reinvestment is made. Lastly, the developer may carry over losses from the year in which the loss takes place.

The tenant companies exporting from an EPZ are offered the following benefits:

Exemption from taxes, duties and other charges related to the importation of machinery, equipment, raw materials, semi-processed goods and other materials such as packaging, fuel and lubricants used in the manufacturing process. Exemption from income tax on profits arising from exports, and exemption from export sales taxes, as well as from taxes on capital and assets of the export industry.

The EPZ law also includes specific labor and immigration provisions for employees of EPZ firms which are more favorable than those established by the current Panamanian Labor Code.

Presently, there are eleven EPZs approved by the GOP. Most of them are in early stages of development. Contact the Vice Ministry of Foreign Trade for information on EPZs. (Refer to Chapter 11 for contact information on the Vice Ministry of Foreign Trade).

Petroleum Export Zones

The Government of Panama enacted Decree No. 29 (Executive Decree) dated July 14, 1992, allowing the creation of Petroleum Export Zones (PEZ) in specially-designated areas in Panama.

Decree No. 29 allows any foreign or national company to establish operations in a PEZ to produce, refine and export petroleum products. It also permits direct sales to foreign vessels transiting the Panama Canal, and to foreign airlines. Companies operating out of these PEZs are exempt from municipal or federal taxes and are not subject to government regulations affecting the local market.

The Government of Panama has authorized the following Petroleum Export Zones: Petroterminal de Panama (PTP, the transisthmian pipeline), Refineria Panama (CHEVRON/TEXACO), Autoridad Portuaria Nacional (APN, the Port Authority), Aeropuerto Internacional de Tocumen, Petroport, S.A., Parque Industrial Maritimo de Panama, Atlantic Pacific and Decal Panama. Contact the Ministry of Commerce and Industry, Direccion Nacional de Hidrocarburos for more information.

SPECIAL IMPORT PROVISIONS

Special import permits are required for all types of firearms and ammunition. Import permits can be obtained from the Ministry of Government and Justice.

MEMBERSHIP IN FREE TRADE ARRANGEMENTS

In 2003, Panama completed free trade agreements (FTA) with El Salvador and Taiwan. For the past three years, Panama has shown a strong interest in a FTA with the United States. Following President Moscoso's visit to the U.S. in June 2003, the U.S. and Panama began negotiations for a Free Trade Agreement in April 2004. Negotiations are also currently underway for an FTA with Singapore. Panama had been negotiating with other Central American countries, Chile, and Mexico, but these negotiations have since stalled or are on hold. The GOP also agreed to negotiate a more broad preferential agreement with the Andean Free Trade Agreement (Pacto Andino) but these conversations have also stalled. Panama has bilateral preferential trade agreements with Costa Rica, Honduras, Guatemala, Nicaragua and the Dominican Republic. These accords are limited in scope. Panama also has limited preferential agreements with Mexico and Colombia.

Panama is a beneficiary of the Caribbean Basin Economic Recovery Act, better known as the Caribbean Basin Initiative (CBI), which provides for one-way free trade access for specific Panamanian exports to the U.S. In 2000, the U.S. Government enacted new legislation enhancing the CBI program. The new CBI Law permits more liberal treatment of textile imports from CBI countries. Since Panama is not an important textile exporter, the new legislation has limited value for Panama.

STANDARDS

OVERVIEW

As a WTO member, Panama implemented the WTO's Agreement on Technical Barriers to Trade (TBT) that includes the Code of Good Practice for the Preparation, Adoption and Application of Standards. The Government of Panama (GOP) passed Law 23 of July 15, 1997, which established new dispositions on product standards, labeling and certification policy, and redefined the functions of the Directorate General of Standards and Industrial Technology (DGNTI) and the Panamanian Commission for Industrial and Technical Standards (COPANIT). Basically, DGNTI was given the main role in establishing standards and technical regulations, while COPANIT was given an advisory role to DGNTI. The National Council for Accreditation (CNA), was charged with all national accreditations.

Panama has an open economy and there are no significant market access problems related to standards and technical regulations. Certain market access problems have occurred in the past with several agricultural products, but they have been mostly related to phytosanitary issues.

According to WTO guidelines, Panama informs WTO of any standards or technical regulations activities. U.S. companies can participate in the standards development process by contacting DGNTI and submitting specific requests or suggestions. There are no limitations to participation by foreign countries.

Products for which Panama has not set standards/regulations can enter the Panamanian market provided that they comply with standards and technical regulations from the United States, Europe or any industrial country.

A. Standards

The Directorate General of Standards and Industrial Technology (DGNTI) establishes technical regulations and standards in Panama. Because of budget and other limitations, this organization has been mostly dedicated to establishing standards for food products, upon specific requests by industrial organizations and according to WTO guidelines. DGNTI establishes a semiannual working plan showing all activities it will undertake for the following six months. DGNTI performs its functions through its three departments: Standards, Certifications and the Information Center.

B. Conformity Assessment

The General Directorate of Standards and Industrial Technology (DGNTI), as well as a number of public and private organizations, are responsible for conducting conformity assessments.

In Panama, several organizations conduct conformity assessments on a regular basis. These organizations include the Central Laboratory of Health from the Ministry of Health (MINSa), the University of Panama, the Technological University of Panama, the National Secretariat of

Science and Technology (SENACYT), the Ministry of Agricultural Development (MIDA), the Free Competition and Consumer Affairs Commission (CLICAC) and the Agricultural Marketing Institute (IMA).

Panama does not have any Mutual Recognition Agreement (MRA) with U.S. organizations.

C. Product Certification

Once the conformity assessments have been conducted the DGNTI would issue a conformity assessment certificate. DGNTI is the only organization authorized to issue conformity assessments related to products. Other private organizations such as CGS and Veritas deal with conformity assessments on system or procedures and can issue certificates but only related to systems.

D. Accreditation

The National Council for Accreditation (CNA) created by Law 23, July 15, 1997, is the government authority in charge of all national accreditations. This Council is formed by a number of government organizations including the Ministries of Commerce, Health and Agricultural Development, and the National Secretariat of Science and Technology (SENACYT). The CNA works through a technical secretariat, which is the technical body of the Council. Accreditation is largely voluntary.

The technical secretariat appoints accreditation committees, which are groups formed by specialists from the public and private sectors. These committees provide basic input for CAN decisions.

Accreditation is obligatory for fuel laboratories and environmental testing laboratories. All other accreditations are voluntary.

Accreditation can be granted in three categories: Laboratories (calibration and testing), inspection organizations, and certifying organizations.

As of July 2004, there was only one organization that had been accredited by CAN, but there were several accreditation applications under review.

E. Technical Regulations

All final technical norms and regulations are published by the Ministry of Commerce and Industry in the Official Gazette or "Gaceta Oficial".

Law 23 requires that the Panamanian Commission for Industrial and Technical Standards (COPANIT) and the General Directorate of Standards and Industrial Technology (DGNTI) publish all agreements, technical regulations, norms and procedures.

Official Gazette or Gaceta Oficial
P.O. Box 2189
Panama 1, Rep. Of Panama

Tel. (507) 227-9833
Fax. (507) 228-8631

The WTO TBT Inquiry Point and National Information Center is:

Comision Panameña de Normas Industriales y Tecnicas (COPANIT)
P.O. Box 9658
Panama 4, Rep. Of Panama
Tel. (507) 360-0716 Ext. 2388 to 2394
Fax. (507) 360-0721
E-mail: dgnti@mici.gob.pa
<http://www.mici.gob.pa>

F. Labeling/Marking

Panama has no special regulations for labeling and marking. Labels are required to have basic information regarding the name and address of manufacturer, expiration date, list of ingredients, lot number, and the product from, e.g. powder, liquid, etc.

Labels in English are accepted, except for medicines, household products and foods which require special instructions. In these cases instructions regarding dosage, usage, warnings, etc., must be in Spanish.

In general, products which comply with U.S. labeling and marking requirements are accepted for sale in Panama. Food products labeling and marking must comply with CODEX Alimentarius guidelines.

All goods arriving in Panama intended to be reexported immediately must be marked "PANAMA IN TRANSIT" on each box or outside container.

G. Contact Information

Ministerio de Comercio e Industrias,
(Ministry of Commerce and Industry)
Alejandro Ferrer, Minister
P.O. Box 9658
Panama 4, Republic of Panama
Tel: (507) 360-0661
Fax: (507) 360-0663
Web Site: www.mici.gob.pa

Ministerio de Comercio e Industria
Direccion General de Normas y Tecnologia Industrial (DGNIT)
Contact: Elvia V. de Carles, Director General
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Panama, Rep. Of Panama
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Fax. (507) 360-0721
E-mail: dgnti@mici.gob.pa
[Http://www.mici.gob.pa](http://www.mici.gob.pa)

Comision Panameña de Normas Industriales y Tecnicas (COPANIT)
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Panama 4, Rep. Of Panama
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Consejo Nacional de Acreditacion (CNA)
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Web Site: www.mida.gob.pa

Ministerio de Salud, (Ministry of Health)
Dr. Camilo Alleyne, Minister
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Fax: (507) 262-5597
Web Site: www.minsa.gob.pa

Bureau Veritas Panama, S.A.
P.O. Box 0832-0062 WTC
Panama, Rep. Of Panama
Tel. 507-263-7414
Fax. 507-264-1440
Contact: Licda. Cynthia de Pino, General Manager
E-mail: jose.chong@pa.bureauveritas.com

SGS Panama Control Services, Inc.
P.O. Box 0832-2724 WTC
Panama, Rep. Of Panama
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Fax. 507-265-2307
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E-mail: leisla_bourdett@sgs.com

CHAPTER 7. INVESTMENT CLIMATE STATEMENT

OPENNESS TO FOREIGN INVESTMENT

Since May 2000, the Embassy has held nine formal bilateral meetings with senior GOP officials on a variety of trade and investment concerns, most recently in June 2003. The Embassy sought to utilize these councils as a forum within which the USG could raise and resolve irritants in our trade and investment relationship. In light of some recent successes in resolving some specific cases, the Embassy hopes that the frequency of such meetings remains at its current level.

Traditionally, Panama has maintained a rather liberal regime for foreign investment and investment in financial instruments. The government and the Panamanian business community actively encourage foreign direct investment (FDI). Laws in general make no distinction between domestic and foreign companies. In 1998, the GOP enacted the Investment Stability Law, which, among other things, guarantees foreign investors equal treatment under the law to that of their domestic competition.

The Panamanian Vice-Ministry of Foreign Trade is the principal entity responsible for promoting foreign investment. It provides investors with information, expedites specific projects, leads investment-seeking missions abroad, and supports foreign investment missions to Panama. However, depending on the character of the planned investment, several different governmental entities may have a passive or active interest in the investment in terms of setting its parameters of operation, particularly within relevant regulations, land use, employment, special investment incentives, business licensing, etc. There is no formal investment screening process by the GOP, although the government does tend to monitor large foreign investments.

The GOP does impose some limitations on foreign ownership, such as in the retail and media sectors where majority ownership must be Panamanian. Foreign retailers, however, have been able to work easily within the confines of Panamanian law. Some professions, such as medical practitioners, certain types of lawyers, and custom brokers, are reserved for Panamanian citizens. The GOP also requires foreigners in various sectors to obtain from the government explicit permission to work, but to Embassy's knowledge these restrictions have not hindered U.S. firms operating in Panama.

There is no de jure discrimination against U.S. or other foreign investors in most sectors. A domestic investment protection law was enacted in 1999 and remains in force; however, it has not yet been invoked or used in contravention of U.S. investment. There is a constitutional prohibition against foreign land ownership within ten kilometers of the national border or on an island. Neither Panamanian citizens nor foreigners may own beaches or the shores of rivers or lakes. Builders and investors generally rent such lands for 20-30 years, via the Ministry of Economy and Finance. The tourism incentive law expands this period for up to 40 years.

Panama experienced a boom in foreign investment between 1996 and 1998 as a result of the former government's privatization and modernization program. Foreigners, including U.S. firms, participated actively and successfully in the privatizations. The conduct of major public bids and tenders for other public sector projects has raised greater concerns about the openness and transparency of the process and the responsiveness of authorities to participants. U.S. companies have complained that some bids lack transparency. Two U.S. firms claim the previous administration knowingly overpriced the value of government assets in their concessions. The GOP compensated one firm, while the other is seeking compensation via arbitration.

The Moscoso administration has refrained from tendering the few remaining GOP state enterprises, especially for "Atlapa," Panama's primary convention center and the largest such facility within Central America. The international airport had been scheduled for privatization in 1999, but has been placed on hold. It has since been "corporatized" as a private entity with all shares owned by the GOP. The government has also pledged not to privatize its inefficient water

and sewage utility, its electric transmission company, or the Caja de Seguro Social (Social Security System).

Panama's privatization framework law does not distinguish between foreign and domestic investor participation in prospective privatizations. The law calls for pre-screening of potential investors or bidders in certain cases to establish technical viability, but nationality and Panamanian participation are not criteria.

Following the privatizations, Panama experienced a dramatic drop-off in FDI. See Appendix C.

A major challenge for the Moscoso government has been the development and productive use of the U.S. military properties transferred to Panama by the United States from 1979 until December 1999. The commuter airport development at the former Albrook Airfield has been one of the most successful ventures. Another growing concern and one of the largest U.S. investments, the former Arraijan fuel tank farm and marine terminal at the former Rodman Naval Station, started by an Exxon-Mobil partnership with the Saudi Alireza Company, was recently sold to an Argentine investor. Other projects now underway include a major tourist project at the former Fort Amador on the Pacific and a fashion center and a museum of ecology being designed by world renowned architect Frank Ghery. Not yet off the drawing board are a theme park and center for indigenous cultures at Fort Sherman on the Atlantic and a multi-use facility at Howard Air Base. Progress in the academic and research community (City of Knowledge) has seen slow but steady. Several U.S. universities have located campuses in various former military installations; some international and regional organizations have set up at the City of Knowledge.

Panamanian Law forbids monopolistic and anti-competitive behavior. The Government of Panama passed in February 1996 an Antimonopoly Law, designed to prevent monopolistic practices and create a consumer protection authority. Consumers are protected by the theoretically autonomous CLICAC (Free Competition and Consumer Affairs Commission), which has instituted fines for practices ranging from selling expired products to price gouging. The agency is for the most part active, yet remains under-funded and, like most GOP entities, recently got low marks in a survey of general public perceptions regarding its effectiveness. At times, CLICAC has begun investigations under pressure from interest groups, but there is no indication that its conclusions were tainted.

CONVERSION AND TRANSFER POLICIES

Panama has no legal restrictions on the transfer abroad of funds associated with or capital employed in an investment. There are no restrictions on capital outflows or convertibility. Panama uses the U.S. dollar as legal tender. Currency conversion therefore is not an issue. There is, therefore, no independent monetary policy in Panama. Inflation, bound by the U.S. dollar, is low and predictable. According to the IMF, "dollarized Panama has had significantly lower inflation (and inflation volatility) at a cost of more volatile GDP growth." In fact, according to the same IMF study, Panama's yearly inflation has averaged 3.2% over the last 30 years. This apparent predictability enhances the attraction of foreign investment.

EXPROPRIATION AND COMPENSATION

Embassy is unaware of any outright expropriation of property by the Panamanian government in recent years. Very few U.S. investors have alleged that irregular or illegal actions of some government entities, past and current, have resulted in "de facto" expropriation of their property. The GOP denies such allegations, but has not convincingly refuted them. One current dispute has the possibility to rise to this level, should the government choose to disregard an existing contract with a U.S. company and/or less formal commitments made and accepted in good faith by that company.

DISPUTE SETTLEMENT

Panama has a court and judicial system built around a civil code, rather than the Anglo-American system of reliance upon case law and judicial precedent. Fundamental procedural rights in civil cases are broadly similar to those available in U.S. civil courts, although some notice and discovery rights, particularly in administrative matters, may be less extensive than in the U.S. Judicial pleadings are not always a matter of public record, nor is the process always transparent.

The business community generally lacks confidence in the Panamanian judicial system as an objective, independent arbiter in legal or commercial disputes, especially when the case involves powerful local figures with political influence. When disputes with foreign investors arise, as they do from time to time, the investors often choose not to pursue remedies available to them via the court system. In a few cases the appearance of corruption has been so widely accepted as to constitute conventional wisdom. The decision by investors to avoid the court system is moreover understandable, given massive case backlogs and the specter of corruption.

An increasingly popular and viable alternative for settling disputes is the Center for Reconciliation and Arbitration established by the Panamanian Chamber of Commerce. Rulings by arbitrators are generally fair and reasonable. In 1998, these rulings were given status as judicial rulings.

The GOP accepts binding international arbitration of disputes with foreign investors. Panama became a member of the International Center for the Settlement of Investment Disputes (ICSID) in 1996. The United States and Panama signed an amendment to the Bilateral Investment Treaty to incorporate Panama's membership into ICSID on June 1, 2000. This amendment took effect in May 2001. Panama also became a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA) in 1997.

Panama's bankruptcy law is antiquated and should be adapted to modern business practices.

PERFORMANCE REQUIREMENTS / INCENTIVES

There are no legal performance requirements such as minimum export percentages or significant local procurement rules. There are special tax and other incentives for manufacturers to locate in an export-processing zone (EPZ). Official support for investment and business activity is especially strong for the Colon Free Zone (CFZ), the banking sector, the tourism sector, and EPZs. Companies in the CFZ pay no income taxes. Banks in Panama pay no tax on interest or other income earned outside Panama and withhold no tax on savings or fixed time deposits in Panama. EPZs offer tax-free status, special immigration privileges, and license and customs exemptions to manufacturers who locate there.

In some privatization concessions, the GOP has required companies to employ a minimum number of Panamanian workers to promote overall employment.

Law 8 of 1994 offers tax and other incentives to investors in tourist industries. Tourism incentive laws provide, among other measures, tax exemptions for vehicles and other designated goods imported for use in, or to build infrastructure for, the tourist sector. Similar incentives exist for the mining sector. Legislation affecting the mining sector is under review. The GOP announced that it plans to unveil new legislation regulating this industry in 2003. Law 28 of 1995 abolished national industry and export incentives. Nevertheless, contracts that were created prior to Law 28 continue to receive the benefits of the previous incentives. In 1997, the GOP eliminated tariffs on fuel imported by electricity generators to promote interest in the privatization of its former state

electric company. The government has gradually phased out tariff incentives that favor the importation of raw materials for further processing in Panama.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

With the exception of retail trade, the media, and a few professions, foreign and domestic entities have the right to establish, own, and dispose of business interests in virtually all forms of remunerative enterprise. Foreigners need not be legally resident or physically present in Panama to establish corporations or to obtain local operating licenses for a foreign corporation. Business visas (and even citizenship) are readily obtainable for significant investors. Banking, legal and financial services and the legal regime are strongly oriented toward attracting foreign business and banking activity.

PROTECTION OF PROPERTY RIGHTS

Some of Panama's business, corporate, and banking codes have been modernized and are, in general, enforced so as to strengthen confidence in property rights. Mortgages, liens, and other security interests are recognized. The public property registry is undergoing expansion and modernization. Unique features of Panamanian law and practice in specific areas (including but not limited to banking, accounting requirements, formation and functioning of corporations, and taxation) make retention of local legal counsel highly advisable.

Intellectual Property Rights

Panama is a member of the World Intellectual Property Organization (WIPO), the Geneva Phonograms Convention, the Brussels Satellite Convention, the Universal Copyright Convention, the Bern Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, and the International Convention for the Protection of Plant Varieties. In addition, Panama was one of the first countries to ratify the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, although the government has yet to introduce implementing legislation to put these treaties fully into force in Panama.

Protection of intellectual property rights (IPR) in Panama has improved significantly over the past several years. The government passed an Anti-Monopoly Law in 1996 mandating the creation of commercial courts to hear anti-trust, patent, trademark, and copyright cases exclusively. Two district courts and one superior tribunal began to operate in June 1997 and have been adjudicating intellectual property disputes. IPR policy and practice in Panama is the responsibility of an Inter-institutional Committee for Intellectual Property (CIPI). This committee consists of representatives of six government agencies and operates under the leadership of the Vice-Minister of Commerce, who has delegated chairmanship to the head of the industrial property office. CIPI coordinates enforcement actions and develops strategies to improve compliance with the law, including organizing training and public awareness seminars, among other activities. In January 2003, the GOP designated an IPR-specific prosecutor with national level powers, which will consolidate and simplify prosecution of those cases.

Copyrights

The National Assembly in 1994 passed a comprehensive copyright bill (Law 15), based on a World Intellectual Property Organization model. The law modernizes copyright protection in Panama, provides for payment of royalties, facilitates the prosecution of copyright violators, protects computer software, and makes copyright infringement a felony. Although the lead prosecutor for IPR cases in the Attorney General's Office has taken a vigorous enforcement stance, the Copyright Office remains small and relatively passive.

In the near term, the Copyright Office plans to complete the drafting of long-promised improvements to the Copyright Law to implement the new WIPO treaties (the WIPO Copyright Treaty and the WIPO Performances and Phonographs Treaty) and to establish new offenses, such as those needed for internet-based copyright violations, to raise the penalties for infractions, and to enhance border measures. This proposed draft legislation is moving forward with technical assistance from SIECA (the Central American Economic Integration System). The legislation is to be introduced in the National Assembly in 2003.

Patents

A new Industrial Property Law (Law 35) went into force in 1996 and provides 20 years of patent protection from the date of filing. Pharmaceutical patents are granted for only 15 years, but can be renewed for an additional ten years, if the patent owner licenses a national company (minimum of 30% Panamanian ownership) to exploit the patent. The Industrial Property Law provides specific protection for trade secrets. However, at least one pharmaceutical company has raised the alarm that these protections are not being respected by the office of the Ministry of Health that registers generic medicines, though the Ministry is attempting to address the concerns.

Trademarks

Law 35 also provides trademark protection, simplifying the process of registering trademarks and making them renewable for ten-year periods. The law's most important feature is the granting of ex-officio authority to government agencies to conduct investigations and to seize materials suspected of being counterfeited. Decrees 123 of November 1996 and 79 of August 1997 specify the procedures to be followed by Customs and CFZ officials in conducting investigations and confiscating merchandise. In 1997, the Customs Directorate created a special office for IPR enforcement, followed by a similar office created by the CFZ in 1998. The Trademark Registration Office has undertaken significant modernization with a searchable computerized database of registered trademarks that is open to the public and remotely accessible by Customs and CFZ officials, among others. This facilitates the inspection and investigation process considerably and has provided a model for other countries in the region.

TRANSPARENCY OF THE REGULATORY SYSTEM

Panama's relatively recent accession to the WTO, wholesale privatization, and overhaul of various laws that regulate economic activity created a fluid regulatory climate. Panamanian regulators have been exposed only recently to complex issues, many of them technical. Regulators' responsiveness to the concerns of those they regulate have been mixed, depending on the sector. U.S. businesses have complained of arbitrariness or a lack of responsiveness by officials responsible for issuing sanitary/phytosanitary permits for the importation of agricultural products and, more recently, that those same officials have applied unannounced and costly sanitary controls upon arrival of various shipments of agricultural products that had previously been pre-cleared for importation. This confusion of quality control issues with sanitary and phytosanitary standards enforcement has led to unforeseen increased costs on the part of importers and delays in bringing goods to market. Other businesses have complained of slowness of the Ente Regulador, Panama's public utility regulating agency, in responding to concerns or requests for information, such as how utility rates are being calculated. Despite complaints from the aforementioned sectors, financial institutions generally give good marks to the Panamanian entities that regulate them.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

Panama's 1998 Banking Law regulates the country's financial sector. The law, which concentrates regulatory authority in the hands of a powerful and well-financed Superintendent, transforms the previously inadequate regime into one that is by and large able to meet international standards.

Traditional bank lending from the well-developed banking sector is relatively efficient and is the most common source of financing for both domestic and foreign investors, offering the private sector a variety of credit instruments. Panamanian interest rates closely follow international rates (i.e., the London Interbank Offered Rate - LIBOR), plus a country-risk premium. The rate on a domestic commercial loan averaged 9.2% in 2002, while the six-month domestic deposit rate was 5.0%. Total bank assets were \$33.2 billion in December 2002.

Early in 1999, Panama passed a securities law that established a National Securities Commission to regulate brokers, fund managers, and all matters related to the securities industry. The Commission began to function in early 2000. Some private companies, including multinational corporations, have issued bonds in the local securities market. Companies rarely issue stock on the local market. When they do, investor demand is limited because of the small pool of persons, companies, and investors with the resources to invest.

Interest from fixed bank deposits and certain bonds are tax-exempt. There is a 10% withholding tax on dividends, although capital gains from the sale of equities listed on the Panamanian exchange are tax exempt. Cross-shareholding or stable shareholder arrangements, designed to restrict foreign investment through mergers and acquisitions, do not exist. There are no restrictions on, nor practical measures to prevent, hostile foreign investor takeovers, nor are there regulatory provisions authorizing limitations on foreign participation or control or other practices to restrict foreign participation. There are no government or private sector rules to prevent foreign participation in industry standards-setting consortia.

Financing for consumers is also relatively open, as mortgages, credit cards and personal loans, even to those earning modest incomes, are widely available on terms similar to those in the U.S.

POLITICAL VIOLENCE

Panama's Constitution provides for the right of peaceful assembly, and the Government generally respects this right. No authorization is needed for outdoor assembly, although prior notification for administrative purposes is required. Throughout much of the year, police showed restraint and professionalism while monitoring large protests by students, political activists, prisoners, and workers; however, police commonly used tear gas against protesters.

Political violence in Panama is relatively rare, however, in 2002, there were several public demonstrations, including a major public protest against corruption in Panama City. Several times during the year, rural groups protested against the presence of Panama Canal authorities in the watershed and potential expansion of the canal. In August, rioting broke out in Colon for 2 days, ostensibly to protest the persistently high unemployment there. Stores and street markets were shut down, and protesters reportedly damaged some cars. The PNP fired rubber bullets not aimed directly at protesters, who responded by throwing marbles at the police.

Two high-profile incidents in 2001 were triggered by the government's decision to allow bus owners to raise fares and by the delay in raising the minimum wage (which was raised in August 2003). The former led to week-long riots that caused over 20 injuries, hundreds of arrests, and sporadic looting in the capital. Opposition to the proposed privatization of the state water utility in 1998 also led to vociferous, but generally nonviolent, protests. The lack of economic opportunities, a high unemployment rate (officially 14.3% but much higher in certain areas), and a growing use of illicit drugs have been cited as the chief causes of crime.

CORRUPTION

Panama is a member of the Organization of American States (OAS) Inter-American Convention Against Corruption (IACC), but not a signatory to the OECD Convention on Combating Bribery. Panama's submission for review under the follow-up mechanism to the IACC lacks empirical examples of the application of its anti-corruption laws. This is consistent with the concern that government enforcement bodies such as the Comptroller General's and the Attorney General's Offices have historically been ineffective in pursuing and prosecuting those accused of corruption, particularly in high profile cases. Furthermore, procedural barriers inhibit the presentation for official investigation of corruption cases involving public officials and the public release of information regarding government expenditures. Finally, Panama's libel and contempt laws can punish whistleblowers more than those who they accuse of acts of corruption.

Allegations of corruption have been a habitual aspect of the political give and take in Panama throughout its history. However, specific complaints by American firms about judicial and governmental decisions prejudicial to their interests remain problematic.

Due to intensified criticism of alleged government corruption by Panama's media and opposition parties, President Moscoso asked the Attorney General to investigate several corruption allegations. The most notable accusations are the allegations of corruption in the Legislative Assembly. Despite investigations ongoing since January 2002, no actions have yet been taken and one specific case has become a political football for the presidential campaign. President Moscoso also established a five-member Presidential Anti-Corruption Commission to recommend courses of action, but has implemented few if any of the suggestions from either of their detailed reports.

BILATERAL TRADE AND INVESTMENT AGREEMENTS

Panama ratified its first bilateral free trade agreement, a free trade agreement with El Salvador, on April 11, 2003. Panama had negotiated a framework for free trade negotiations with all five countries of Central America, and is currently continuing free trade negotiations with the four remaining countries, and hopes before long to conclude these negotiations with an eye towards joining regional free trade negotiations, particularly with the United States. GOP negotiators also maintain that Panama will complete an FTA with Taiwan (which would be Taiwan's first such accord) by late 2003. In addition, Panama has renewed more challenging free trade negotiations with Mexico. By regional standards, Panama is a strong advocate of trade liberalization, in part because a relatively large proportion of its economy is outwardly focused: A.T. Kearney ranked Panama as the most globalized country in Latin America on its Globalization Index for 2003. Panama's strong international thrust was also evidenced by the fact that it served as Secretariat for the Free Trade of the Americas from 2001-2003, and continues to lobby to become the permanent headquarters of FTAA offices.

Panama has bilateral investment agreements with the United States, the United Kingdom, France, Switzerland, Germany and Taiwan. Commerce Ministry officials have said that there have been some exploratory talks toward investment agreements with Italy and the Ukraine, but they acknowledge that these have a lower priority than ongoing free trade negotiations. In 2000, the United States and Panama amended their Bilateral Investment Treaty to reflect Panama's joining the International Center for the Settlement of Investment Disputes (ICSID).

The USG and the government of Panama signed a comprehensive Overseas Private Investment Corporation (OPIC) agreement in April 2000. Since the signing, some new investment has come to Panama aided by either OPIC's political risk insurance or its direct financing. Post expects that OPIC financing and political risk insurance will amplify any future investment growth trend, albeit currently stagnant, in the Panamanian market.

LABOR

Panamanian labor law, in requiring the Labor Ministry's permission to dismiss large numbers of employees may act as a legal barrier to a firm wishing to reduce its workforce or repatriate its capital. Some U.S. investors recently have been denied permission to dismiss workers, which has exacerbated the companies' financial difficulties and left them in an uncertain legal status in the event the firms cease operations or elect to withdraw from Panama. The Labor Ministry has at times sided with labor extremists who have illegally occupied the facilities and/or disrupted the operations of U.S. firms.

According to the GOP figures, Panama's labor force in 2002 was approximately 1.1 million, with 83% employed in the private sector and 17% in the public sector. Unemployment in 2002 officially crept up to 14.3% from 14.0%, but Embassy believes this rate may be underestimated. Pockets of chronic high unemployment, notably in Colon, Panama's second city, abound. Various economists estimate that Panama's underemployment could be as high as 20-25%. Minimum wages, raised by the GoP in August 2003, range from \$0.82/hr. to \$1.58/hr., depending on the job's economic sector and location.

Labor unions hold some political influence in Panamanian society and often protest in order to further their objectives.

While the Government of Panama has periodically revised its labor code, including a modest revision in 1995, it remains highly restrictive. Several sectors are exempt from all or part of the labor code, including the Panama Canal Authority, the Colon Free Zone, public sector employees, and export processing zones. Employers outside of these areas have called for greater flexibility, easier termination of workers, and the elimination of many constraints on productivity-based pay.

FOREIGN TRADE ZONES/ FREE PORTS

Law 25 of 1996 provides for the development of "export processing zones" (EPZ's) as part of an effort to broaden the Panamanian manufacturing sector while promoting investment in former U.S. military bases transferred to Panama. The law also includes specific labor and immigration provisions that are more favorable than the current Panamanian labor code. The government also provides numerous tax incentives to companies that operate in EPZ's. Companies operating in these zones may import inputs duty-free if products assembled in the zones are to be exported. Of the eleven EPZ's, most remain small and underdeveloped with only a few tenants. They are said to be growing sporadically depending on location, but have faced difficulties combating Panama's high relative wages, low industrial base, and weak infrastructure particularly outside the Panama-Colon Corridor.

MAJOR FOREIGN INVESTORS

- AES Corporation
- American Airlines
- American Life Insurance Co.
- Banco Do Brasil
- Banco Exterior, S.A.

- BankBoston
- Bell South Corp.
- Braswell Service Group
- Bristol Laboratories International Corp.
- Burger King Corp.
- Cable and Wireless (U.K.)
- Chiriqui Land Company (Chiquita)
- Chevron/Texaco
- Citibank, N.A.
- Coastal Power
- Coca-Cola Bottling Co.
- Colgate Palmolive
- Constellation Power
- Continental Airlines
- Decameron Hotels
- Dell Computers
- Delta
- DHL
- El Paso Energy
- Enron Power
- Exxon Corp.
- Esso Standard Oil, S.A.
- Evergreen Corp.
- Federal Express
- Glidden
- Global Crossing (ATT and British Telecom)
- Goldstar Corp.
- Hong Kong Shanghai Bank Corp. (HSBC)
- Hospital Corporation of America
- Hutchison Port Holdings (Hong Kong)
- ICA (Mexico)
- Johnson and Johnson
- Kansas City Southern Railway
- Kraft Foods, Inc.
- Maersk/Sealand
- Mail Boxes Etc.
- McCann-Erikson
- McDonald's Corporation
- Microsoft
- Mi-Jack Products
- Nabisco Brands Inc.
- Nestle Company
- Chas. Pfizer & Company, Inc.
- Panasonic Latin America
- Phillip Morris, Inc.
- PSINet
- PYCSA, S.A.
- Samsung Electronics
- Schering Corp. International
- Shell Co. (WI) Ltd.
- Sol Melia
- Sony Corporation
- Spherion
- Sterling Drugs International

- Stevedoring Services of America
- Swift and Company
- Swiss Bank Corp.
- Technoserve Inc.
- Tricom
- Union Fenosa, S.A. (Spain)
 - UNISYS USA

Panama – August 2004 Appendix to 2003 Investment Climate Statement

This appendix serves as an update to the 2003 Investment Climate Statement for Panama. It has been provided to assist investors in the interim period resulting from the U.S. Government's decision to begin publishing the Country Commercial Guide (of which the Investment Climate Statement is a chapter) on a calendar year basis, in January instead of August.

The United States Government has reviewed the 2003 Investment Climate Statement for Panama, and has noted the following changes that have occurred since its publication. In most circumstances, if a portion of the 2003 Investment Climate Statement has not been modified in this appendix, it is because the U.S. Government is satisfied that it continues to accurately reflect the state of affairs in Panama as of August 2004.

Openness to Foreign Investment:

Foreign Direct Investment increased dramatically in 2003, ending at US\$791.5 million as a result of major investments primarily in the energy, construction, and maritime areas. FDI in 2002 was only US\$56.9 million that stemmed primarily from losses by major banks and the drop-off in privatizations.

Conversion and Transfer Policies: No significant changes since 2003.

Expropriation and Compensation: No significant changes since 2003.

Dispute Settlement: No significant changes since 2003.

Performance Requirements and Incentives: No significant changes since 2003.

Right to Private Ownership and Establishment: No significant changes since 2003.

Protection of Property Rights: No significant changes since 2003.

Transparency of the Regulatory System: No significant changes since 2003.

Efficient Capital Markets and Portfolio Investment: No significant changes since 2003.

Political Violence: Paragraph 2 should read as:

Political violence in Panama not common. September 2003 protests spurred by the ouster of Social Security Director Juan Jované were largely peaceful, but did lead to minor property damage. Recent protests against the U.S. – Panama FTA have been similar. In 2002, there were several public demonstrations, including a major public protest against corruption in Panama City. Several times during the year, rural groups protested against the presence of Panama Canal authorities in the watershed and potential expansion of the canal. In August 2002, rioting broke out in Colon for 2 days, ostensibly to protest the persistently high unemployment there, halting commerce and causing minor property damage.

Corruption: Paragraph 4 should read as:

Due to intensified criticism of alleged government corruption by Panama's media and opposition parties, President Moscoso asked the Attorney General to investigate several corruption allegations. The most notable accusations were the allegations of corruption in the Legislative Assembly. Investigations since January 2002 have yielded no concrete actions; one specific case became a political football for the May 2004 presidential campaign but remains unaddressed. President Moscoso has implemented few if any of the suggestions from either of her five-member Anti-Corruption Commission's detailed reports.

Bilateral Investment Agreements: Paragraph 1 should read as:

Panama currently has two bilateral free trade agreements in force: one with El Salvador that entered into force on April 11, 2002, and the second with Taiwan that entered into force on January 1, 2004 (Taiwan's first such accord). In the 1990s, Panama had negotiated a framework for free trade negotiations with all five countries of Central America, and is currently continuing free trade negotiations with the four remaining countries and Mexico, although many of these are on hold. The GOP is currently negotiating bilateral free trade agreements with the United States and Singapore. By regional standards, Panama is a strong advocate of trade liberalization, in part because a relatively large proportion of its economy is outwardly focused: A.T. Kearney ranked Panama as the most globalized country in Latin America on its Globalization Index for 2003. Panama's strong international thrust was also evidenced by the fact that it served as Secretariat for the Free Trade of the Americas from 2001-2003, and continues to lobby to become the permanent headquarters of FTAA offices.

Labor: No significant changes since 2003.

Foreign Trade Zones / Free Ports: No significant changes since 2003.

Foreign Direct Investment Statistics: Statistics will be fully updated in the next full revision of the Investment Climate Statement, which will be published in January 2005.

CHAPTER 8. TRADE AND PROJECT FINANCING

BANKING AND FINANCING

Panama's banking sector is one of the most dynamic areas of the economy. A new banking law enacted in March 1998, modernized the banking system and increased government supervision. Under the new law, the system meets Basle Accord standards. Bank financial statements now must comply with international standards and be audited by internationally recognized auditors. As of July 2004, Panama's 76 banks reported total deposits of \$21 billion, and \$30 billion in total assets, a nine percent decrease from 2003. In 2003, approximately five percent of the total credit portfolio represented loans to the public sector. Loans to the private sector in Panama reached US\$11 billion, or 95 percent of total credit. The three largest loan sectors were: trade and commerce (30%), mortgages (26%), and consumer lending (21%).

Panama opened its banking sector to foreign competition in 1971 under legislation which placed high priority on banker-depositor confidentiality. This has heightened the risk that the banking system can be exploited by money launderers. The banking legislation establishes three classes of operations. General license banks operate full service banks in Panama and compete for domestic deposits and loans (38 banks). International License or "Offshore" banks, can only accept deposits from persons or organizations located overseas (29 banks). Representative Offices can only perform representational activities (7 banks). There are also two state-owned deposit-taking institutions. Foreign and Panamanian banks compete on equal terms. Banks are organized into two groups, the Panamanian Banking Association (Panamanian and Foreign

Banks) and the Association of Panamanian Banks (only Panamanian banks). Banks are licensed and regulated by the Banking Supervisory Authority (Superintendencia de Bancos). Panama's banking system does not have a deposit insurance scheme.

FOREIGN EXCHANGE CONTROLS AFFECTING TRADE

There are no foreign exchange controls. The U.S. dollar is the national currency. There are no restrictions on capital flows in or out of the country.

GENERAL FINANCING AVAILABILITY

In mid-2004 the banking sector had a high level of liquidity. Private financing is readily available, especially for short-term transactions and mortgages. Because of recent bank losses resulting from bankruptcy of some high visibility local enterprises, banks are expected to be more cautious in granting commercial loans. The Government of Panama does not maintain statistics on the sources or level of privately-financed investment or trade and is not itself an important lender.

HOW TO FINANCE EXPORTS/METHODS OF PAYMENT

A number of local banks provide trade financing. Additionally, the Latin American Export Bank (BLADEX) provides trade financing through the local banking system. Because Panama is an international banking center, there are a number of financing options for Panamanian exporters and importers.

TYPES OF AVAILABLE EXPORT FINANCING AND INSURANCE

The Overseas Private Investment Corporation (OPIC), the U.S. Export-Import Bank (EXIM), the International Finance Corporation (IFC) of the World Bank, and the Inter-American Development Bank (IDB) have projects in Panama. A new OPIC agreement was signed with Panama on June 1, 2000, and subsequently confirmed by the Panamanian Legislative Assembly. Although there was a previous agreement dating to 1961, OPIC has been relatively inactive in Panama because of restrictive conditions in the enabling legislation for the original agreement. The new accord eliminates these problems and should open the way for considerably greater OPIC activity in Panama. Currently there are no projects in Panama large enough to require multi-institutional "bundling" arrangements. The EximBank has participated in the financing of a number of Government purchases. It is currently providing financing in excess of US\$100 million in insurance and guarantees (short, medium and long-term) in a number of sectors.

The Commodity Credit Corporation's (CCC) GSM Credit Guarantee program in Panama for fiscal year 2003 was estimated at US\$108.6 million, the highest in the region, for exports of U.S. feed grains, protein meals and vegetable oil. Credit from any bank in Panama approved by CCC will be guaranteed. Significant lines of commodity credit guarantees were still available at the time of this writing.

AVAILABILITY OF PROJECT FINANCING

The Inter-American Development Bank (IDB) has financed several studies and projects related to health, education, tourism and infrastructure. The World Bank (IBRD) also has funded a number of small social-sector-oriented projects. Panama became a member of the World Bank's Multilateral Investment Guarantee Agency in 1997. The Moscoso government has pursued financing from International Financial Institutions for a number of infrastructure and social sector investment projects (see also Section II, Infrastructure Situation).

The IDB is the only Multilateral Development Organization with an office in Panama. Contact information follows:

Interamerican Development Bank
P.O. Box 7297
Panama 5, Panama
Phone: 507-263-6944
Fax: 507-263-6183
Country Representative: Jeremy Gould
E-mail: cof/cpn@iadb.org
www.iadb.org

LIST OF PANAMANIAN BANKS WITH CORRESPONDENT U.S. BANKS

Banco Continental de Panama, S.A.
P.O. Box 135
Panama, 9A, Republic of Panama
Tel: (507) 215-7000
Fax: (507) 215-7134
General Manager: Lic. Osvaldo Mouynes
[Http://www.bcocontinental.com](http://www.bcocontinental.com)

U.S. Correspondents:
Chemical Bank, New York
Citibank, New York and Miami
Credit Suisse, Miami
Nations Bank, Miami
Standard Chartered Bank PLC, Miami

Banco Bilbao Vizcaya Argentaria
P.O. Box 3-392
Panama 3, Republic of Panama
Tel: (507) 227-0973
Fax: (507) 227-3663
General Manager: Felix Perez Parra

U.S. Correspondents:
BBVA New York
Bank of New York
First Union International Bank, N.Y.
The Chase Manhattan Bank
Northern Trust, N.Y.

Banistmo, S.A.
P.O. Box 6-3823, El Dorado
Panama, Republic of Panama
Tel: (507) 270-0015
Fax: (507) 270-0861
General Manager: J. Montague Belanger

U.S. Correspondents:
Capital Bank, Miami
Nations Bank, Miami
Standard Chartered Bank, Miami

Banco Atlantico, Miami
Barclays Bank PLC, Miami
The Chase Manhattan Bank N.A., New York
Brown Brothers, Harriman & Co., New York

Banco del Pacifico, (Panama, S.A.)
P.O. Box 6-3100, El Dorado
Panama, Republic of Panama
Tel: (507) 263-5833
Fax: (507) 263-7481
General Manager: Jose Chung, Jr.

U.S. Correspondent:
First Chicago International Bank, New York

The Bank of Nova Scotia
P.O. Box 7327
Panama 5, Republic of Panama
Tel: (507) 263-6255
Fax: (507) 263-8636
E-mail: scotiabk@sinfo.net
General Manager: Terry McCoy

U.S. Correspondents:
Bank One International Corp. N.Y.

Banco General, S.A.
P.O. Box 4592
Panama 5, Republic of Panama
Tel: (507) 265-0303
Fax: (507) 265-0210
<http://www.banco-general.com>
General Manager: Raul Aleman Z.

U.S. Correspondents:
Citibank N.A., New York
The Chase Manhattan Bank N.A., New York
Marine Midland Bank, New York
Bank of America N.T. & S.A., San Francisco
Nations Bank, Atlanta
Dadeland National Bank, Miami
First Union Bank, Miami

Banco Internacional de Costa Rica, S.A. (BICSA)
P.O. Box 600
Panama 1, Republic of Panama
Tel: (507) 263-6822
Fax: (507) 263-6393
General Manager: Jose Francisco Ulate

U.S. Correspondents:
Citibank N.A., New York
BankAmerica International, New York

Banco Atlantico, New York
The Bank of New York, New York

Banco Latinoamericano de Exportaciones, S.A. (BLADEX)
P.O. Box 6-1497, El Dorado
Panama, Republic of Panama
Tel: (507) 210-8500
Fax: (507) 269-6333
Chief Executive Officer: Jose Castaneda

U.S. Correspondents:
The Chase Manhattan Bank N.A., New York
Citibank N.A., New York
Credit Lyonnais, New York
Swiss Bank Corporation, New York
Barclays Bank PLC, Miami

Banco Panamericano, S.A. (PANABANK)
P.O. Box 1828
Panama 1, Panama
Tel: (507) 263-9266
Fax: (507) 269-1537
General Manager: Guido Martinelli
E-mail: panabank@pty.com

U.S. Correspondents:
American Express Bank, New York
Marine Midland Bank, New York
Hong Kong and Shanghai Bank, New York
Popular Bank of Florida, Miami
Hamilton Bank N.A., Miami
Barclays Bank PLC, Miami
Nations Bank International, Miami

Note: This list is intended to be representative and not complete. Further detailed information on these banks and other banks in Panama can be located in the Polk Register or by contacting the Asociacion Bancaria de Panama (Panamanian Bank Association), P.O. Box 4554, Panama 5, Republic of Panama; Tel: (507) 263-7044, Fax: (507) 223-7630 or 263-7783.

LIST OF U.S. FINANCIAL/LENDING INSTITUTIONS IN COUNTRY

Citibank N.A.
P.O. Box 555
Panama 9A, Panama
Phone: 507-236-4044
Fax: 507-236-1025
General Manager: Francisco Conto
www.citibank.com/panama

BankBoston N.A.
P.O. Box 5368
Panama 5, Panama
Phone: 507-265-6077
Fax: 507-265-7400

General Manager: Luis Navarro
E-mail: lnavarro@bkb.com

CHAPTER 9. BUSINESS TRAVEL

Foreign visitors should use the same precautions while traveling in Panama as in any metropolitan U.S. city.

BUSINESS CUSTOMS

Business practices and customs in Panama are a unique blend of North American methods and traditional Latin style. Foreign corporations operating in Panama are important in shaping the style and manner of doing business.

Private business offices are open from 8:00 a.m. until 5:00 p.m., Monday through Friday, and Saturdays from 8:00 a.m. to 12 noon. Banks are open from 8:00 a.m. to 3:00 p.m., Monday through Friday. Most local banks open Saturdays from 9:00 A.M. to 12:00 Noon. Government offices are open from 8:30 a.m. to 4:30 p.m., Monday through Friday.

TRAVEL ADVISORY AND VISAS

U.S. citizens may enter Panama with a passport or a certified copy of a U.S. birth certificate and an official picture I.D., (e.g. driver's license) and a Tourist Card purchased for US\$ 5.00 from an airline serving Panama. The Tourist Card is valid for 90 days and may be extended for another 90-day period. The following are three types of Visas available to businesspersons wishing to spend extended periods of time in Panama:

1. Inversionista (Investor): A minimum of US\$100,000 must be invested and US\$600 must be deposited in advance (US\$500 with the Ministry of Government and Justice and US\$100 with the Ministry of Economy and Finance).
2. Visa de Visitante Temporal (Temporary Visitor's Visa): For executives or technicians working with a company in Panama for a limited time. The Visa is valid for one year and is renewable.
3. Temporal Especial (Working Permit): For professional or skilled personnel transferred from an overseas office to work in Panama temporarily. The applicant must prove his earnings will come from outside of Panama. The Visa is valid from three to six months.

There is a USD\$ 20.00 departure tax on leaving the country.

U.S. Citizens are subject to Panamanian law when visiting Panama and penalties for possession, use and trafficking in illegal drugs are severe.

In 1987, the State Department's Bureau of Consular Affairs established the Consular Affairs Bulletin Board (CABB), as a means to keep the international business community informed about security and crime problems abroad. Access to the CABB is free of charge to anyone with a computer and a modem. Callers dial 202-647-9225 from their modem. Consular Affairs and the Bureau of Diplomatic Security update the CABB daily.

The Travel Advisory Service of the Department of State provides foreign travel information and, when appropriate, warnings. Phone: (202)647-5225, Fax: (202)647-3000, [Http://travel.state.gov](http://travel.state.gov).

Further information can be obtained from the Consular Section of the U.S. Embassy in Panama, Unit 0945, APO AA 34002, Tel: (507) 207-7332, Fax: (507) 225-1495.

HOLIDAYS

All private, government, municipal and U.S. Embassy offices are closed during local holidays. In addition the U.S. Mission observes all U.S. holidays.

The Panamanian holidays for 2004 are:

Fixed holidays:

January	1	New Year's Day
January	9	Mourning Day
May	1	Labor Day
November	3	Independence Day from Colombia
November	4	Flag Day
November	10	The Uprising of Los Santos
November	28	Independence Day from Spain
December	8	Mother's Day
December	25	Christmas Day

Moveable holidays:

February	24	Carnival (Tuesday)
April	9	Good Friday

There is a large Jewish business community, which observes Jewish holidays.

BUSINESS INFRASTRUCTURE

Panama's official language is Spanish. However, English is widely spoken as a second language in the main cities. Panama has excellent local and international telephone services. Direct dialing is available to more than 150 countries worldwide. There are 170 radio stations and five television stations in Panama. Office space both permanent and temporary is readily available.

Health conditions in Panama are good, especially in the urban centers. Running water is available in almost all parts of the country and is usually potable. Use of bottled water or boiling before use is necessary only in some rural areas and small towns in the provinces.

There are several international level hotels. Facilities usually include: business centers, internet access in hotel rooms, swimming pools, tennis courts, fitness centers, clothing and souvenir shops, casinos, restaurants, coffee shops and bars. Furnished apartments are available for longer stays. A wide variety of restaurants offer international cuisine, including Chinese, Italian, Mexican, Indian, Spanish and Japanese. Several specialize in seafood. All large hotels offer American, European, and local cuisine. There are some hotel coffee shops that are open around the clock.

Transportation from the International Airport into Panama City can be made by a special taxi service, with prices between US\$15 - US\$25.00 depending on the size of the taxis. Taxis may be shared with other passengers. Car rentals are available. There is no bus service at the airport.

Business travelers should not have problems entering laptops or any other personal business equipment or software, if it is for personal use.

Exhibiting materials can be entered subject to temporary entry restrictions. (See Chapter 6).

Buses and Taxis are readily available in urban areas. Taxi fares are low and usually range from one to five dollars depending on the trip's length.

The official currency of Panama is the Balboa (symbol B/.) which is the same as the U.S. Dollar. The Balboa exists only in coin form in the same denomination and size as U.S. coins. Both U.S. paper currency and coins are legal tender and circulate freely.

The U.S. system of weights and measures and the metric system are both used in Panama. Speed limits are posted in kilometers per hour.

“Guides for Business Representatives” available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; Tel. (202) 512-1800; fax. (202) 512-2250. Business travelers to Panama seeking appointments with U.S. Embassy Panama officials should contact the U.S. Commercial Service in advance. The Commercial Section can be reached by Tel. (507) 207-7000 or by fax at (507) 227-1713”.

CHAPTER 10. ECONOMIC AND TRADE STATISTICS

APPENDIX A: Country Data - Panama

Population:	3,116,277 (July 2003 est.)
Population Growth Rate:	2% annual (1990-2000)
Religion:	82% Roman Catholic, 10% Evangelical, also has large populations of Jews, Hindus, Muslims and Buddhist. (complete religious freedom)
Government:	Republican, Representative Democracy, Unicameral Legislature
Language:	Spanish, English widely spoken in business community.
Work Week:	Monday-Friday and Saturday mornings depending on business

APPENDIX B: Domestic Economy (in millions of dollars unless otherwise indicated)

	2001	2002	2003
Current GDP (nominal)	12,059	12,296	12,887.5 (1)
Real GDP Growth Rate (%)	0.3%	0.8%	4.1%
Current GDP Per Capita (base 1996 U.S. Dollar)	3,663	3,699	3,906 (1)
Central Government Spending (as a % of GDP)	26.39%	27%	24.8 (2)
Inflation (CPI) (%)	0.3%	1.0	1.4%
Unemployment (%)	14.0%	14.3%	12.8%
Foreign Exchange Reserves (3)	1,075	1,166	N/A
Balance of the Trust Fund (4)	1,252	1,267	N/A
Average Exchange Rate (Balboas to U.S. Dollars)	1.00	1.00	1.00
United States Government Assistance (2)	28.52	30.5	28.8 (2)
Debt Service Ratio (% of GDP) (5)	12.9%	9.5%	N/A

Source: GOP Contraloría

(1) Ministry of Economics and Finance estimates. Private sources estimate growth may be much lower or even negative.

(2) Embassy estimates

(3) According to the IMF definition, since Panama does not have international reserves as conventionally defined, this includes Panama's reserve position at the IMF.

(4) The Trust fund contains the proceeds from the privatization of government enterprises.

(5) Ratio of principal and interest payments on debt to GDP

APPENDIX C: Trade

	2001	2002	2003
Total Country Merchandise Exports	809.5	755.7	808.0
Total Country Merchandise Imports	2,963.5	3,069.7	3,069.1
U.S. Share of Panama Imports	32.5%	40.0%	34.1%
U.S. Share of Panama Exports	48.0%	46.4%	50.4%

Source: GOP Comptroller's Office, GOP Ministry of Finance and Economy

The figures above do not include trade to/from the Colon Free Zone (CFZ), which the GOP keeps separate from official GDP figures. In 2003, the CFZ imported USD 3.99 billion and exported USD 4.478 billion. These levels reflect a decrease in free zone imports of 10.4 percent, and a decrease in exports of 7.1 percent, compared to 2002. The total net contribution of the CFZ to the Panamanian trade balance for 2003 (Exports-Imports) was USD 487.7 million, up from its 2002 contribution of 369.3 million.

APPENDIX D: Investment Statistics

Foreign Direct Investment (FDI) in Panama /1
1997-2002
(In US\$ millions and as percent of GDP)

Year	FDI	GDP	Stock/GDP
1997	1,300.2	9,730	13.36%
1998	1,218.7	10,935	11.14%
1999	652.4	11,391	5.72%
2000	603.4	11,938	5.05%
2001	512.6	12,059	4.25%
2002	56.9	12,296	00.46%

Foreign Investment in Panama /2
By Country or Area of Origin 2000

	US\$ Thousands	Percent of total
United States	\$238,888	39.59%
United Kingdom	\$83,049	13.76%
Mexico	\$51,150	8.47%
Japan	\$29,244	4.84%
South Korea	\$20,010	3.31%
Spain	\$15,920	2.63%
Venezuela	\$7,025	1.16%
Switzerland	\$5,461	.90%
Costa Rica	\$3,164	.52%
Argentina	\$2,845	.47%
Colombia	\$1,109	.18%
Ecuador	-\$2,450	-.40%
Others	\$147,983	24.52%
Total	\$603,398	100%

*Foreign Direct Investment /2
By Sector 2002*

	US\$ Millions	Percent of Total %
Colon Free Zone Businesses	31.6	55.5%
Banks, Int'l License	86.9	152.7%
Banks, General License	-368.3	-647.3%
Other Businesses	306.7	539%
Total	56.9	100%

/1 GOP Ministry of Economics and Finance

/2 GOP Comptroller's Office

CHAPTER 11. US AND COUNTRY CONTACT

U.S. EMBASSY CONTACTS

U.S. Commercial Service
U.S. Department of Commerce
U.S. Embassy Panama
Tel: (507) 207-7000
Fax: (507) 317-1658
<http://www.ita.doc.gov>

Karla King, Commercial Attache;
Tel. (507) 207-7388
E-mail: Karla.King@mail.doc.gov

J. Enrique Tellez, Senior Trade Specialist;
Tel. (507) 207-7080
E-mail: Enrique.Tellez@mail.doc.gov

Diana Lozano, Administrative Assistant;
Tel. (507) 207-7242
E-mail: Diana.Lozano@mail.doc.gov

Jeane A. de Zuniga, Commercial Assistant
Tel. (507) 207-7392
E-mail: Jeane.Zuniga@mail.doc.gov

Political Section, U.S. Department of State
Richard Sacks, Chief Political Officer
Tel: (507) 207-7499
Fax: (507) 207-7418

Economic Section, U.S. Department of State
Andrew Bowen, Economic Section Chief
Matthew Roth, Economic Officer
Christina Boiler, Economic Officer
Tel. (507) 207-7301
Fax. (507) 207-7418

Foreign Agricultural Service,
U.S. Department of Agriculture

Hugo Salazar, Agricultural Specialist
Tel: (507) 207-7064
Fax: (507) 225-4209
E-mail: Hugo.Salazar@usda.gov

U.S. Consular Section:
Tel. (507) 207- 7332
E-mail: Panama-CG@state.gov
Federal Benefits
Tel. (507) 207- 7488
E-mail: Panama-USCONSUL@state.gov

U.S. Embassy Mailing Address:
Unit 0945
APO AA 34002
Tel: (507) 207-7000
Fax: (507) 227-1964

WASHINGTON-BASED USG COUNTRY CONTACTS

U.S. Department of Commerce,
International Economic Policy
Matt Gaisford, Panama Desk Officer
14th & Constitution Ave.
Washington, D.C. 20230
Tel: (202) 482-4464
Fax: (202) 482-4157

U.S. Department of State
Tom Pierce, Panama Desk Officer
ARA (Inter American Affairs)/CEN-PAN
2201 C St. NW
Washington, DC 20520
Tel: (202) 647-3330
Fax: (202) 647-2901

Overseas Private Investment Corporation
Carl Reinhardt, Finance Officer
1100 New York Avenue, N.W.
Washington, DC 20527
Tel: (202) 336-8472
Fax: (202) 408-9866

Export-Import Bank of the U.S.
Xiomara Creque, Business Development
811 Vermont Avenue, NW
Washington, DC 20571
Tel: (202) 565-3921 X3916
Fax: (202) 565-3931
[http:// www.exim.gov](http://www.exim.gov)

U.S. Trade and Development Agency
Kenny Miller, Country Manager for Panama
1621 N. Kent St., Suite 300

Arlington, VA 2209-2131
Tel: (703) 875-4357
Fax: (703) 875-4009
E-mail: info@tda.gov

U.S. - BASED MULTIPLIER ORGANIZATIONS RELEVANT FOR COUNTRY

Embassy of Panama
Ambassador Federico Humbert Jr.
2862 McGill Terrace NW
Washington, DC 20008
Tel: (202) 483-1407
Fax: (202) 483-8413

U.S. Panama Business Council
Juan B. Sosa, President
1300 Pennsylvania Avenue, NW Ste. 270
Washington, D.C. 20004-3021
Tel. 202-312-1645
Fax. 202-312-1646
E-mail: panamerica@msn.com

MINISTRIES AND GOVERNMENT OWNED AGENCIES IN PANAMA

Ministerio de Comercio e Industrias,
(Ministry of Commerce and Industry)
Alejandro Ferrer, Minister
P.O. Box 9658
Panama 4, Republic of Panama
Tel: (507) 360-0661
Fax: (507) 360-0663
Web Site: www.mici.gob.pa

Vice Ministerio de Comercio Exterior
Manuel Jose Paredes, Vice Minister
P.O. Box 6-1897
Panama 6, Republic of Panama
Tel: (507) 360-0655
Fax: (507) 360-0653
Web Site: www.vicomex.gob.pa

Ministerio de Desarrollo Agropecuario,
(Ministry of Agricultural Development)
Laurentino Cortizo, Minister
P.O. Box 5390
Panama 5, Republic of Panama
Tel: (507) 232-5043
Fax: (507) 232-5044
Web Site: www.mida.gob.pa

Ministerio de Economia y Finanzas
(Ministry of Economics and Finance)
Ricaurte Vasquez, Minister
P.O. Box 7304
Panama 5, Republic of Panama
Tel: (507) 225-3234
Fax: (507) 227-6148
Web Site: www.mef.gob.pa

Ministerio de Salud, (Ministry of Health)
Dr. Camilo Alleyne, Minister
P.O. Box 2048
Panama 1, Republic of Panama
Tel: (507) 262-3507
Fax: (507) 262-5597
Web Site: www.minsa.gob.pa

Ministerio de Obras Publicas,
(Ministry of Public Works)
Julio Vallarino, Minister
P.O. Box 1632
Panama 1, Republic of Panama
Tel: (507) 207-9400
Fax: (507) 207-9419
Web Site: www.mop.gob.pa/

Autoridad de la Region Interoceanica (ARI),
(Interoceanic Regional Authority)
Julio Ross, Administrator
P.O. Box 2097, Balboa
Panama, Republic of Panama
Tel: (507) 228-0200
Fax: (507) 228-8988
Web Site: www.ari.gob.pa

Autoridad Marítima Nacional,
(National Maritime Authority)
Ruben Arosemena, Administrator
P.O. Box 8062
Panama 7, Rep. of Panama
Tel: (507) 232-5553/5528
Fax: (507) 232-5527
Web Site: www.autoridadmaritima.gob.pa

Administracion de la Zona Libre de Colon,
(Colon Free Zone Administration)
Nilda Quijano, General Manager
P.O. Box 1118
Colon, Republic of Panama
Tel: (507) 445-5794
Fax: (507) 445-2165
Web Site: www.zonalibre.com

Autoridad Aeronautica Civil (AAC),
(National Aeronautics Authority)
Ing. Tomas Paredes, Director
P.O. Box 7615
Panama 5, Republic of Panama
Tel: (507) 315-0210/0212
Fax: (507) 315-0214
Web Site: www.aeronautica.gob.pa

Instituto Panameno de Turismo (IPAT),
(Tourism Institute of Panama)
Ruben Blades, Director
P.O. Box 4421
Panama 5, Republic of Panama
Tel: (507) 226-7414 or 226-3751
Fax: (507) 226-3483
Web Site: www.ipat.gob.pa

Instituto de Acueductos y Alcantarillados Nacionales (IDAAN),
(National Water Works Company)
Juan Jose Amado, Executive Director
P.O. Box 5234
Panama 5, Republic of Panama
Tel: (507) 223-8640
Fax: (507) 264-0034

Inter-American Development Bank,
(In-country office)
Jeremy Guld, Representative
Apartado Postal 7297
Panama 5, Rep. of Panama
Tel: (507) 263-6944
Fax: (507) 263-6183
Web Site: www.iadr.org

TRADE ASSOCIATIONS

American Chamber of Commerce and Industry
David Hunt, Executive Director
P.O. Box 168, Balboa
Panama, Republic of Panama
Tel: (507) 269-3881
Fax: (507) 223-3508
Web Site: www.panamcham.com
E-mail: amcham@panamcham.com

Asociacion de Distribuidores de Automoviles de Panama (ADAP),
(Automobile Distributors Association)
Angie Ubben, Executive Director
P.O. Box 476
Panama 9A, Republic of Panama
Tel: (507) 321-0215
Fax: (507) 321-0214
E-mail: adap@psi.net.pa

Asociacion de Usuarios de la Zona Libre de Colon,
(Colon Free Zone Users Association)
Galo Pinto de la Ossa, Executive Director
P.O. Box 3118, Zona Libre de Colon
Colon, Republic of Panama
Tel: (507) 441-4244
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Asociacion Panamena de Exportadores (APEX),
(Exporters Association)
Daniel Vega, Executive Director
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Fax: (507) 230-0805
E-mail: sip@sinfo.net

Camara de Comercio, Industrias y Agricultura de Panama,
(Chamber of Commerce, Industry and Agriculture of Panama)
Jose Ramon Varela, Executive Director
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Panama 1, Republic of Panama
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Fax: (507) 227-4186
Web Site: www.panacamara.com

Camara Panamena de la Construccion (CAPAC),
(Construction Chamber)
Eduardo Rodriguez, Executive Director
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E-mail: direccion@capac.org

Sindicato de Industriales de Panama (SIP),
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Consejo Empresarial Estados Unidos-Panama (USPA)
(U.S. – Panama Business Council, Panama Chapter)
President: Ricardo Skieldsen
Tel.: (507) 269-2178
Fax: (507) 269-0534
E-mail: Cicyp@sinfo.net

COUNTRY COMMERCIAL BANKS

Superintendencia de Bancos
(Banking Superintendency)
Lic. Delia Cardenas, Superintendent
P.O. Box 0832-2397 WTC
Panama, Rep. of Panama
Tel. (507) 206-7800
Fax. (507) 264-9467
E-mail: superintendencia@superbancos.gob.pa

Web Site: www.superbancos.gob.pa

Asociacion Bancaria de Panama,
(Banking Association of Panama)
Mario de Diego, Executive Director
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Panama 5, Republic of Panama
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Fax: (507) 263-7783
E-mail: abp@orbi.net

Banitsmo, S.A.
L.J. Montague Belanger, General Manager
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Panama 6A, Republic of Panama
Tel: (507) 270-0015
Fax: (507) 270-0861
Web Site: www.banistmo.com
E-mail: www@banistmo.com

Banco General
Raul Aleman, General Manager
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Panama 5, Republic of Panama
Tel: (507) 265-0303
Fax: (507) 265-0206
Web Site: www.banco-general.com

Banco Nacional de Panama
Bolivar Pariente, General Manager
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Fax: (507) 264-7155

HSBC
Joseph Salterio, General Manager
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Fax: (507) 263-6009

Citibank, N.A.
Francisco Conto, General Manager
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Panama 9A, Republic of Panama
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Fax: (507) 236-1025

BankBoston
Luis Navarro, General Manager
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Tel: (507) 264-2244 or 64-2146

Fax: (507) 223-4089

CHAPTER 12. MARKET RESEARCH

Non-Agricultural Market Research FY-2003

Industry Sector Analyses (ISA)

- 1) Telecommunications Services
- 2) Port Equipment
- 3) Insurance Services
- 4) Commercial Fishing Equipment
- 5) Water and Wastewater Treatment Equipment
- 6) Financial Services
- 7) Security and Safety Equipment
- 8) Building Products

International Market Insight (IMI)

- 1) Opening of the Telecommunications Market in Panama
- 2) Panama Conciliation and Arbitration Center
- 3) Panama hosts International Maritime Conference
- 4) Panama bans Voice over Internet Services
- 5) Panama to invest \$700 million in construction
- 6) Clean up of Panama Bay
- 7) New selective tax for Automobiles
- 8) Commercial Opportunities in the Water sector
- 9) Food product registration in Panama
- 10) American Firms and Franchises operating in Panama
- 11) Prescription Drug registration in Panama
- 12) Panama will host Infocom 2003
- 13) Panama to acquire Modern Aeronautics Equipment.

Agricultural Market Research: None

NOTE: A complete list of market research reports is available from www.usatrade.gov

CHAPTER 13. TRADE EVENTS SCHEDULE - PANAMA

Visit USA 2004

Post Initiated Promotion. Tourism in the U.S. has a high receptivity in Panama. The U.S. is the number one destination for vacationing and doing business. Additionally, many Panamanians travel to the U.S. for health reasons. Given the proximity to the United States, Panama offers excellent opportunities to the U.S. travel industry. The local chapter of the Visit USA Committee will take the lead in the organization of this event.

Miramar Inter Continental Hotel

August 6, 2004 Panama City, Panama

Contact: Jeane Zuniga at jeane.zuniga@mail.doc.gov

AUTOMOTIVE AFTERMARKET INDUSTRY WEEK 2004 (AAIW 2004)

International Buyer Program. AAIW is comprised of two shows, the Automotive Aftermarket Products Expo, and the Speciality Equipment Market Association (SEMA) & International Tire Expo. The combination of these shows offers wholesale buyers and Foreign importers the most

complete and total presentation of the automotive aftermarket industry. The U.S. Commercial Service Panama will recruit a delegation to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Automotive parts and service equipment.

November 2-5, 2004, Sands Expo & Convention Center, Las Vegas, Nevada

Contact: Jeane Zuniga at jeane.zuniga@mail.doc.gov

INTERNATIONAL BUILDERS SHOW 2005

International Buyer Program. The International Builders Show is the construction industry's largest new-product showcase – attracts more than 90,000 professionals from around the globe. International visitors travel to the show from nearly 100 countries. The show showcases almost 1,400 of America's foremost suppliers of building materials, tools and technologies. The U.S. Commercial Service Panama recruits a delegation to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show. Industry: construction products, tools, paints, wall coverings, plumbing equipment.

January 13 – 16, 2005, Orange County Convention Center, Orlando, FLorida

Contact: Jeane Zuniga at jeane.zuniga@mail.doc.gov

EXPOCOMER 2005

Expocomer is the largest and most prestigious horizontal trade event in Central America. It offers an excellent opportunity to gain access to the larger Latin American market as it is a regional event. Expocomer features the participation of more than 25 exhibiting countries and thousands of buyers from Central America, South America and the Caribbean. Expocomer is a horizontal trade show covering a number of sectors such as consumer goods, toys, food and beverage, clothing, hardware products, interior decoration, computers, telecommunications, sporting goods, services, medical products, etc.

March 2-6, 2005, Atlapa Convention Center, Panama City, Panama

Organizer: Camara de Comercio, Industrias y Agricultura de Panama (Panamanian Chamber of Commerce, Industry and Agriculture of Panama), Expocomer

P.O. Box 74

Panama 1, Republic of Panama

Phone: 507-227-0033 or 507-227-0034

Fax: 507-227-0115

E-mail: expo@expocomer.com

Web site: www.expocomer.com

INTERNATIONAL FRANCHISE EXPO

International Buyer Program. The International Franchise Expo became the first show for the franchise industry in the United States. Since the show's debut, the percentage of international visitors has increased every year. It features franchising opportunities for a large number of sectors. The U.S. Commercial Service Panama will recruit a delegation to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show. Industry: all kinds of franchise opportunities.

April 8-10, 2005, Washington Convention Center, Washington, DC

Contact: Enrique Tellez at enrique.tellez@mail.doc.gov

INTERNATIONAL HARDWARE WEEK

International Buyer Program. International Hardware Week has grown to be the largest event in the hardware/home improvement industry in the U.S. The show is estimated to be the third largest "trade only" show in the U.S. The show is a global event, attracting an increasing number of international buyers. The U.S. Commercial Service Panama will recruit a delegation to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: hardware/home improvement industry.

May 17 – 19, 2005, Las Vegas, NV

Contact: Enrique Tellez at enrique.tellez@mail.doc.gov

NATIONAL ASSN. OF BROADCASTERS (NAB 2005)

International Buyer Program. Nearly 90,000 people attended NAB2003, the world's largest electronic media show. The U.S. Commercial Service Panama will recruit a delegation to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments

April 16-21, 2005, Las Vegas, NV

Contact: Enrique Tellez at enrique.tellez@mail.doc.gov

THE NATIONAL RESTAURANT ASSN. RESTAURANT, MOTEL-HOTEL SHOW 2005

International Buyer Program. This is the most comprehensive trade event in the world for the Hotel-Motel and Restaurant industry. The U.S. Commercial Service Panama will recruit a delegation to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show. Industry: food products, wholesalers, retailers, super market products.

May 21 – 24, 2005, McCormick Place Complex, Chicago, IL

Contact: Jeane Zuniga at jeane.zuniga@mail.doc.gov

TIA's INTERNATIONAL POW WOW 2005

TIA's International Pow Wow is the travel industry's premier international marketplace and is the largest generator of Visit USA travel - it is NOT a typical trade show. In just three days of intensive pre-scheduled, computer-generated business appointments, more than 1,000 U. S. travel suppliers from every region of the USA, and representing all industry category components, and more than 1,500 international delegates from more than 70 countries conduct business negotiations that result in the generation of over \$3 billion in future Visit USA travel. At International Pow Wow, buyers and sellers are able to conduct business that would otherwise be generated only through an exhaustive number of around-the-world trips.

May 3-7, 2005, New York City, NY

Contact: Jeane Zuñiga at jeane.zuniga@mail.doc.gov

SUPERCOMM 2005

International Buyer Program. Supercomm, the premier communications and information technology exhibition and conference, brings together present and potential partners, customers, suppliers and competitors by providing a global marketplace of infrastructure equipment, systems and ideas. The U.S. Commercial Service Panama will recruit a delegation to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: communication and information technology.

June 6 – 9, 2005, McCormick Place, Chicago, IL.

Contact: Enrique Tellez at enrique.tellez@mail.doc.gov