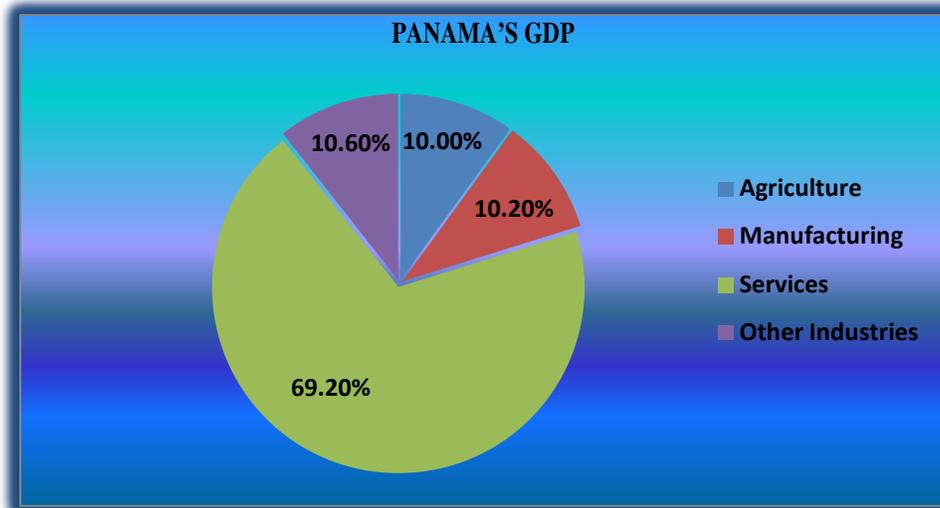


# United States –Panama Free Trade Partnership Agreement Export Opportunities to Panama

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# **SECTION I**

## **INTRODUCTION**

The following is a country guide to trade in Panama. Panama is a beautiful country with a lot of opportunities to trade in the construction sector, energy power systems and the computer, parts and telecommunication services industry. The Panamanian consumers are usually very friendly and open to acquire goods that meet the highest quality standards at low costs. American goods have always been preferred in diverse industries in Panama. There are many opportunities for growth also in the sector of manufacturing, mining, tourism and oil refining. Business and commerce are facilitated by a bilingual, talented and low cost labor force that works on the basis of merits to produce products and services of the best quality and at the lowest costs to help foreign companies to succeed in their international expansions. The business community in Panama is always very active and open to trade high quality, low cost American commercial goods and services through direct person to person interaction and the support of the U.S. Commercial Service of the United States Embassy in Panama, and the American Chamber of Commerce and Industry in Panama, the Local Chamber of Commerce, the Panama Colon Free Trade Zone. Even though trade between the US and Panama has increased steadily throughout the years and is expected to continue to rise, the U.S.-Panama FTA signed in 2012 has contributed to the liberalization of trade in goods and services, including financial services. The U.S.A.-Panama FTA guarantees fair and open government procurement, an open and competitive telecommunications market, more manufacturing exports to Panama, more textile access for US apparel, and a growing service market for U.S. investors interested in expanding their operations in Panama or export to Panama.

### **A) PANAMA MARKET**

#### **1) ECONOMY**

Due to the high growth of the GDP of Panama during the last years, the IMF projects that by the year 2016, Panama will have reached US\$17,516 dollars per capita approximating that of industrialized countries whose GDP per capita is US\$20,000. In 2012, the Index of Financial Development by the World Economic Forum ranked Panama in the global place number 29 and 1 at the Latin American level in financial development. The country is currently qualified in the category of investment grade by the countries' qualifiers of risk: Standard & Poor's, Moody's, and Fitch Ratings.

During 2009 and according to the Economic Commission for Latin America and the Caribbean, Panama exported \$16,209 millions of dollars, which obviously makes it the main exporter in Central America and tenth in Latin America. Panama has the second largest free trade zone in the world, a logistics and distribution hub to trade with Asia Pacific and the Americas via the Panama Canal. Five percent of the world commerce goes through the Panama Canal. Panama has been able to avoid many of the economic crises due to its ability to engage in trade through the Panama Canal.

The neoliberal economic model implemented in the country during the decade of the 1990s fostered the country to become one of the most globalized in Latin America. The currency of the economy is the dollar and it has no central bank. Its official currency is the Balboa, which is equivalent to the American dollar that circulates legally in all its territory since 1904. Panama has a economy and 79% of its GDP depends on services such as the financial, maritime, commercial, and tourism, among others. However, there has also been a significant increase in economic activity sectors such as construction and industrial.

According to data from the World Bank, Panama has the highest GDP per capita of the Central American region being approximately that of US\$16,329.39 in 2013, exceeding the GDP per capita of countries such as Mexico, Venezuela, Brazil and Peru. According to different national and international financial organizations, the Panamanian economy has medium high incomes.

Throughout the years the Panamanian economy and its financial center have been known as one of the most solid of the continent due to the political stability, advantageous geographic position, and dollarized economy, among other factors. There has been an average growth of 6.3% of the GDP since the decade of the 1990s to the start of 2010, in addition to the fact that Panama has not suffered economic recessions since the year 1988. Panama had a growth rate of 12.1% and 10.1% in 2007 and 2008 respectively.

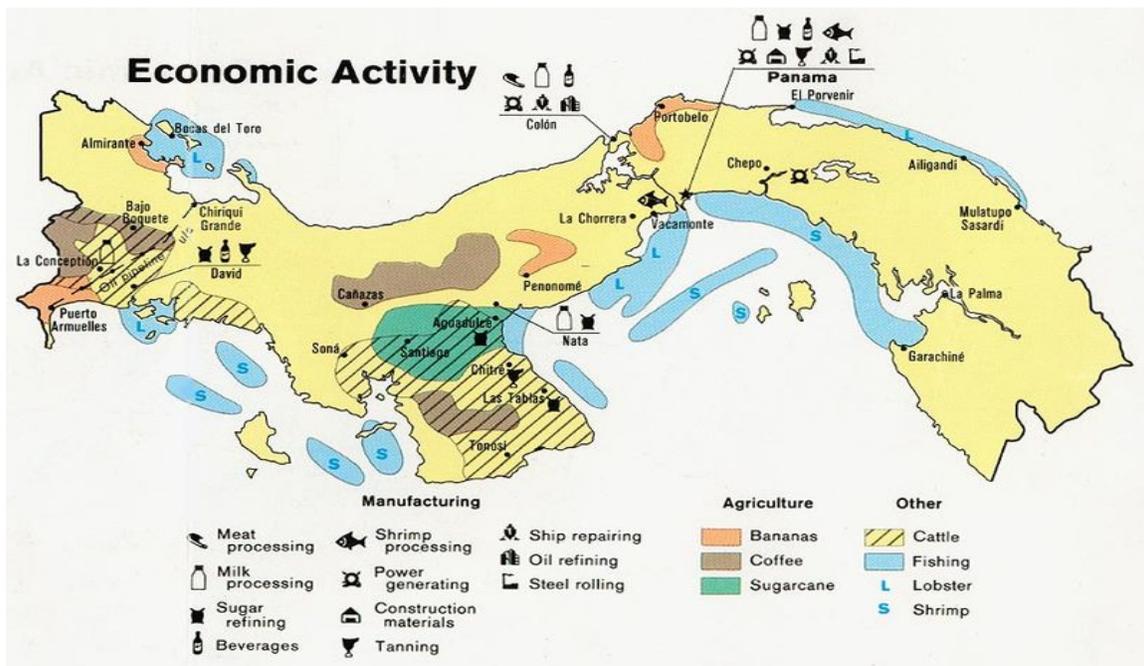


Since the 1990s, Panama has been able to attract numerous multinational companies to establish their operations in the country. This was the foundation for Panama to grow into one of the most advanced and technologically driven economies in Latin America. In 2009, Panama had a growth rate of 3.2%. In 2010, Panama was rated as the third fastest growing economy in the world with a real GDP growth rate of 7.5 percent, and similar growth is forecasted through year 2015. The country was the highest growth country in Latin America in 2011 with an outstanding growth of 10.6%. The growth in 2012 was 8% and the current growth in year 2013 is 7%. Aside from a dollarized service economy, strong business and regulatory policies, political stability, the strategic geographic position, expansive natural maritime ports, a highly skilled workforce, low

interests rates, and an advantageous tax regime, have created a driven business environment for multinational companies and industries.

## Location

Panama is a country strategically located in the Central America region of North America uniting Central America with South America. Bordering countries are to the north Costa Rica, to the south Colombia, to the east the Caribbean Sea and to the west the Pacific Ocean. The country is situated between 7° and 10° north latitude and 77° and 83° west longitude. Panama's area is approximately 77,082 square kilometers, 772 kilometers in length, and between 60 and 177 kilometers in width (<http://en.wikipedia.org/wiki/Panama>).



The Caribbean coastline includes several good natural harbors. Cristóbal was the only important port facility until the 1980s. After that came the Manzanillo port, Colon port, Bocas del Toro port, Port El Almirante, Port Chiriquí Grande, and Cristobal Port. There are numerous islands in the Archipiélago de Bocas del Toro in the north side of the country. There are also over 350 San Blas Islands in more than 160 kilometers along the Caribbean coastline.

The most important port on the Pacific is Balboa. The main islands in the Pacific are those of the Archipiélago de las Perlas, the island of Coiba in the Golfo de Chiriquí, and the island of Taboga, a tourist attraction that can be seen from Panama City. There are about 1,000 islands in the Pacific coast.

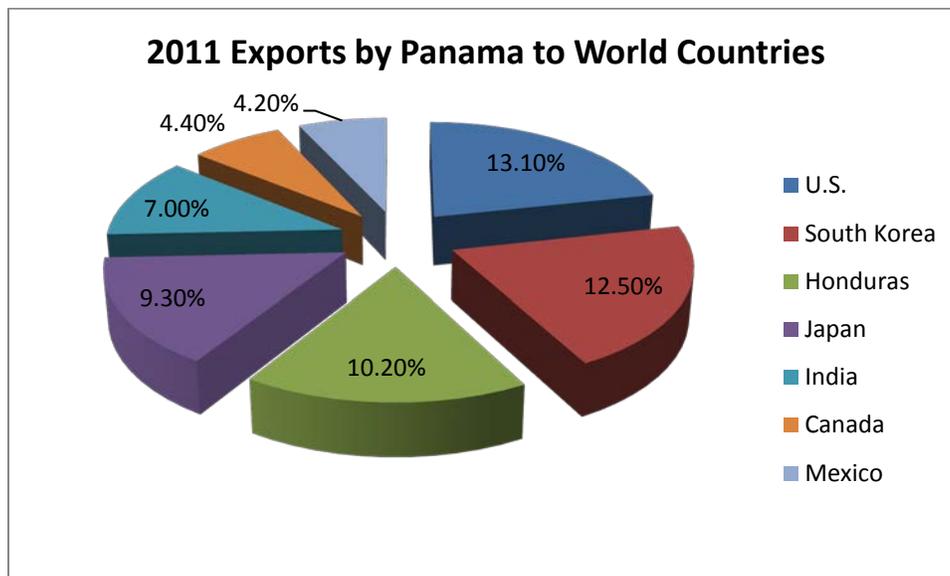
## 2) TOP IMPORTS AND TOP INTERNATIONAL PARTNERS

International trade is highly important for Panama. A great percentage of trade is done to meet the domestic demand for construction equipment, energy power systems, computers and parts, telecommunications equipment, security and safety products and other necessities.

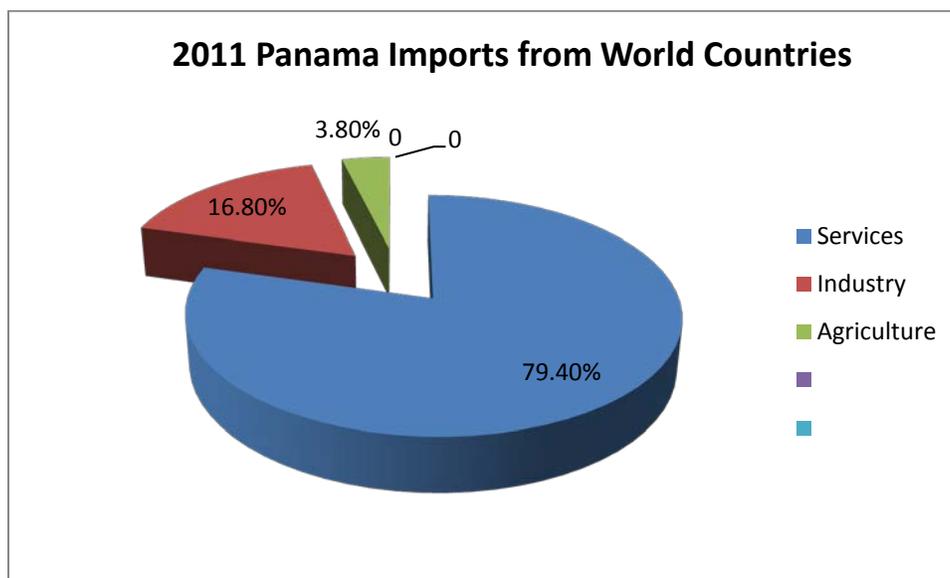
Being a strong advocate of free trade, Panama has few trade barriers. The investment regime is set encourage the increases in new investment. The trade weighted average tariff is 7.6 percent, and there are few non-tariffs barriers applied to the cost of trade. Foreign investment is welcome and the government deals with it, but there are special restrictions by sectors. There are some import restrictions referring to environmental, health, and public safety. The import of canned vegetables, imported meat and seafood products, rice, bread, poultry products among others requires import licensing in order to assure food safety and price permanency.

The top imports of Panama are: capital goods, foodstuffs, consumer goods, and chemicals. On the other hand, the top exports of Panama are: gold, bananas, shrimp, sugar, pineapples, watermelon, clothing and coffee.

In 2012, U.S. goods exports to Panama totaled \$9.9 billion, 20.3 percent higher than the \$8.2 billion exported to Panama in 2011. In 2012, the largest U.S. merchandise exports to Panama were oil (not crude, \$5.1 billion), civilian aircraft (\$509 million), telephone line equipment (\$176 million) and computers (\$135 million). Between 2011 and 2012, the largest U.S. exports to Panama included oil (not crude) (up \$1.2 billion), jewelry (up \$92 million), and telephone line equipment (up \$67 million). In 2010 approximately, 9,900 U.S. companies exported goods to Panama, 86 percent of these firms were Small and Medium-sized (SMEs) with less than 500 employees. Approximately, 30 percent of the American firms that exported to Panama in 2010 were manufacturers and more than 70 percent of these manufacturers were SMEs. In 2010, SMEs shipped more than \$2 billion in goods exports to Panama in 2010, 36% of the American merchandize exports to Panama (<http://trade.gov/press/press-releases/2013/export-factsheet-march2013-030713.pdf>).



In 2012 Panama exports totaled \$17.97 billion and in 2011, \$16.93 billion(<http://www.indexmundi.com/panama/exports.html>).In 2011, the primary export partners of Panama included the U.S. 13.1%, South Korea 12.5%, Honduras 10.2%, Japan 9.3%, India 7.0%, Canada 4.4%, and Mexico 4.2%.



In 2011, Panama imports totaled \$20,340,829,260 being Japan was Panama’s primary source of imports with 25.3% of total imports followed by China 23.0%, Singapore 18.1%, United States 13%, and South Korea 6.0%.

### 2011 Panama Imports From World Countries

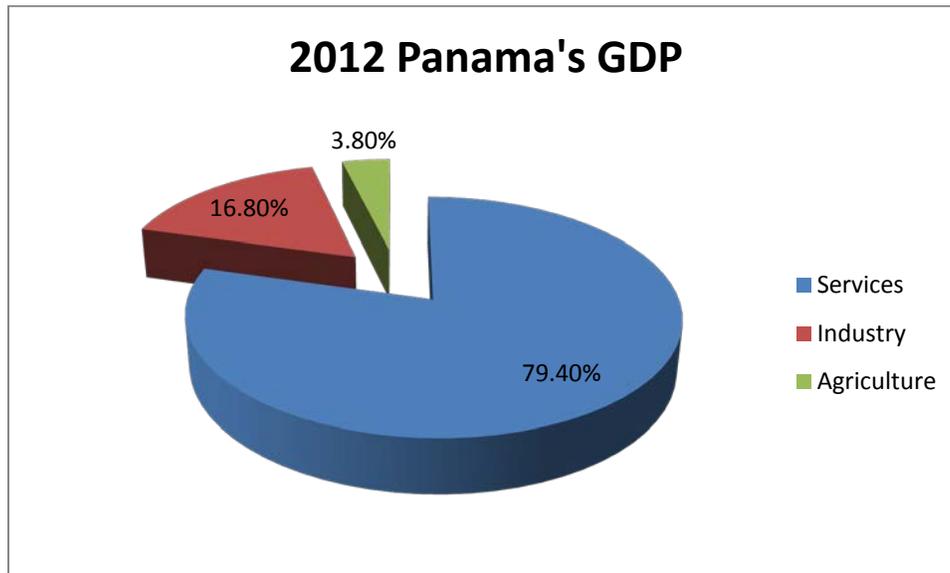
Product Imports	Value in Dollars \$	Product Imports	Value in Dollars \$
Live Animals	\$100,005,026	Footwear, Headgear, Umbrellas,, Walking-Sticks, Seat-Sticks, Whips, Riding-Crops ; Prepared Feathers ; Artificial Flowers; Articles of Human Hair	\$1,232,054,734
Vegetable Products	\$325,041,195	Articles of Stone, Plaster, Cement, Asbestos, Mica or Similar Materials; Ceramic Products; Glass and Glassware	\$269,431,775
Animal or Vegetable Fats and Oils	\$67,465,893	Natural or Cultured Pearls, Precious or Semi-Precious Stones, Precious Metals; Imitation Jewellery; Coin	\$202,432,636
Prepared Foodstuffs; Beverages, Spirits and Vinegar; Tobacco and Manufactured Tobacco Substitutes	\$1,085,288,904	Base Metals and Articles of Base Metal	\$982,983,052

Mineral Products	\$118,551,247	Machinery and Mechanical Appliances; Electrical Equipment; Sound Recorders and Reproducers, Television Image	\$3,236,430,683
Chemical or Allied Industries Products	\$5,843,081,097	Vehicles, Aircraft, Vessels and Associated Transport Equipment	\$1,356,897,042
Plastics and Rubber	\$772,071,091	Optical, Photographic, Cinematographic, Measuring, Checking, Precision, Medical or Surgical Instruments	\$461,298,757
Raw Hides and Skins, Leather, Travel Goods, Handbags .	\$285,926,756	Arms and Ammunition; Parts and Accessories Thereof	\$5,538,836
Articles of Wood; Wood Charcoal; Cork and Articles of Cork.	\$67,043,967	Miscellaneous Manufactured Articles	\$738,407,297
Pulp of Wood or of Other Fibrous Cellulosic Material; Recovered Paper or Paperboard	\$319,056,915	Works of Art, Collectors' Pieces and Antiques	\$3,062,726
Textiles	\$2,852,121,386	Other	\$16,638,245
		<b>Total</b>	<b>\$20,340,829,260</b>

### 3) INDUSTRY SECTORS AND FUTURE GROWTH AREAS

The development of Panama's industry sectors has been slow due to several factors like the small domestic market that limits the economies of scale. The high unit and labor costs have been other factors for the slow growth of its industrial development. The country has had a negative 0.4% growth rate of its industrial production since 2009. However, currently Panama's industry growth sectors consist of construction, manufacturing, and mining. The mining industry of Panama has had great growth during the last recent years.

Services (79.1 percent), industry (16.6%) and agriculture (4.3%) have made up the country's \$50.25 billion GDP in 2011 with a GDP growth of 7.5% and a GDP per capita of US\$ 13,600. Panama's service sector continues to be the backbone of the economy. Services include the Panama Canal, banking, the Colon Free Trade Zone, insurance, medical and health, container ports, logistics, tourism and flagship registry.



## A. AN ECONOMY OF SERVICES

### The Banking System and Financial Services

Panama is a global leader in services, specifically in finance. Panama's banking system is considered to be among the strongest in the region of Central and Latin America. It is well regulated and provides a wide range of services. Being an economic hub, it has helped it become a regional financial hub. Panama has its own market exchange where national and international stocks and bonds are traded and a stable and trustworthy banking system because there is no central national bank and the economy is completely dollarized.

Moreover, Panama's banking system has continued to grow upwards over the last four years and the growth has been mainly due to rigorous compliance of conservative banking standards. For example, in 2010 Panama banks achieved over 65% asset liquidity- over the 30% required. With the modern infrastructure and strong banking system, there is no doubt that companies such as Dell, Procter and Gamble, HP, and Hyundai, among others have globalized and placed their regional headquarters in Panama City. The banking sector continues to expand.

### Tourism Services

In addition to finance, tourism is another major service industry in Panama. During 2011, Panama received more than two million tourists with a growth of 18% with respect to 2010. The New York Times named Panama as the best place to live in 2012 given the huge economic growth that Panama had after the country became in charge of the administration of the Panama Canal twelve years ago. To them the distinctive signs of the country are the interoceanic canal and its expansion, to be finalized in 2014, through an investment of billions of dollars. Tourism is today 10% of the GDP of the country.

Moreover, the Pacific touristic coast, the construction of the metro; the Hospital City; the Panamera, the first Waldorf Astoria in Latin America, the Ocean Trump Club that was inaugurated in 2010; the Bio Museum, a center of natural history that will open its doors in 2013; the Old City which was declared by the UNESCO Patrimony of the Humanity in 1997; and the archipelago of Bocas del Toro, that has been converted into a popular stop for tourists, are distinctive signs of the growth of the tourism sector. With the construction of the touristic zone of the Pacific Ocean in 2004, the foreign and national expenditure in tours, sightseeing and entertainment has grown and continues to growth.

On average, a tourist spends \$113 USD, the highest tourism expense in Central America. Tourism represents one of the main service activities of the country. The main areas of tourism lie on the promotion of niche markets such as the ecotourism, the gaming industry, the beaches, commerce and the MICE (Meetings, Incentives, Conferencing, and Exhibitions). The majority of the tourists come from the United States of America, Canada, Europe, and South America. Annually, tourism generates profits approximated to \$ 1.400 billion. This statistic has increased quickly since 2004 when the high income tourist arrived.

Industry, in addition to the before mentioned, includes manufacturing of aircraft spare parts, brewing, sugar milling, cements (near the Transisthmian Highway), drinks, adhesives and textiles. Other major products include shoes, leather products, paper, chemicals, and tobacco products. The main manufacturing centers are in Panama City and the Colon Free Trade Zone. The leading industry sectors are food processing (fish, sugar, bananas and cacao), oil refining (near Colon), and the production of natural gas and electricity. Panama's oil refinery industry has demonstrated the capacity of producing 60,000 barrels per day.

### **Import Tariffs**

With the Free Trade Agreement, most computers, parts, telecommunications equipment and services will have 0% import tariff.

### **Trade Barriers**

As part of the negotiations for the Free Trade Agreement between the U.S. and Panama, the previous administration approved the lifting of any existing phytosanitary barriers. Panama has no other trade barriers.

### **Import Requirements and Documentation**

#### **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 wanting to do commercial or industrial activities.

## **Import Documentation**

Processing of customs documents in Panama for imports is quick, effective 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: those that are consigned to national or municipal governments, imported by foreign diplomats, consigned to the Panama Canal, sold to vessels transiting the Canal, or intended for re-export.

Basic import documentation required by the Panamanian Customs office includes:

- Import Declaration (prepared and signed by a customs broker).
- Commercial Invoice (original plus four copies to be presented in English or Spanish).
- Airway Bill.
- Bill of Lading (to be presented in triplicate).
- Commercial license number.
- Certificate of Free Sale (if required).
- Certificate of Origin

The bill of lading must be presented for the clearance of goods without exception. If for any reason 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 documents are presented in due form within a period of 90 days. The bond may be extended in justified cases to an additional 90 days.

## **Export Documentation**

The Vice Ministry of Foreign Trade (VICOMEX) was created in 1998 to promote exports and investment. It facilitates the processing of export documentation through a "One Stop" (Ventanilla Unica) office that can reduce the export process to a few hours.

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, VICOMEX, or SIP/Sindicato de Industriales de Panama and approved by VICOMEX).
- Bill of Lading.
- Airway Bill.
- Veterinary, Sanitary or Phytosanitary Certificate (when applicable).

There is no requirement to use export brokers for export documentation. The USDA APHIS PPQ issues Phytosanitary Certificates for export via the PCIT Phytosanitary Certificate Issuance and Tracking System

## **U.S. Export Controls**

The only U.S. export controls regarding Panama, are for fire arms, ammunition and some high tech goods that require U.S. export licenses.

## **Labeling and Marking Requirements**

Local regulations require labels to be in the Spanish language, although this is not enforced at present, except for medicines, agricultural chemicals, toxic products, and food products that require specific instructions or warnings due to human health risks. Labels are required to have basic information on the name and address of manufacturer, expiration date, list of ingredients, lot number, and where the product is from.

Overall, products which comply with U.S. labeling and marking requirements are accepted for sale in Panama.

All goods arriving in Panama intended for re-exportation immediately must be marked "PANAMA IN TRANSIT" on each box or outside container.

## **Customs Regulations**

In addition to the import duty, all imports into Panama are subject to a 7 percent transfer or value added tax (ITBM) levied on the CIF value, as well as other handling charges. Pharmaceuticals, foods and school supplies are exempt from the ITBM tax.

With the Trade Promotion Agreement between the U.S. and Panama, some 87% of U.S. products will enter Panama duty free. For other products, duties may be phased out over time. Since there are a number of exceptions, it is a good idea to check what products fall under duty free. We suggest that U.S. exporters go through the following process to determine duties today and in the future. The Customs Info Database shows you the tariffs/duties that Panama is currently assessing. You can access this database by simply signing up with your email address. Panama already allows duty-free imports for certain projects, for example the Canal expansion or Metro construction. Please contact the customs office for more information on these exceptions.

Also, the My Tariff Tool for Free Trade Agreements shows you how tariffs will be phased out for any particular good in any country that has a Free Trade Agreement (current or pending) with the U.S. This My Tariff tool can be found under [www.export.gov](http://www.export.gov).

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

The Panamanian customs system does not represent a significant obstacle for U.S. exporters.

The contact information for the Panamanian customs' office is:

Dirección General de Aduanas  
P.O. Box 0819-07729  
Panamá, Panamá  
Phone: 507-506-6407  
Fax: 507-506-6240  
Contact: Gloria Moreno de López, Director  
E-Mail: [Maritza.deLópez@ana.gob.pa](mailto:Maritza.deLópez@ana.gob.pa)  
[www.aduanas.gob.pa](http://www.aduanas.gob.pa)

## SECTION III

### U.S. - Panama Free Trade Agreement

In October 22, 2012, the U.S. Government and Government of Panama announced that the U.S. – Panama Trade Promotion Agreement will be in effect as of October 31, 2012.

Tariffs will drop to 0% for U.S. Exports to Panama. U.S. industrial goods were facing an average tariff of 7 percent in Panama, with some tariffs as high as 81 percent. U.S. agricultural goods faced an average tariff of 15 percent, with some tariffs as high as 260 percent.

That gives U.S. exporters several advantages:

Greater probabilities of winning the business- By cutting their price relative to non-U.S. competitors gives them a competitive advantage.

Better margins- U.S. exporters can offer the same price and obtain better margins if they win the business. They win by the 7 - 12% that formerly went to paying the tariff.

Simplified paperwork- In Panama's biggest projects, the Panama Canal Expansion and the Metro, U.S. exporters can export duty free if their goods are to be consumed. These projects have time constraints and the supplies have to be imported promptly. With the FTA in place, U.S. exporters don't worry about those issues. They just have to document content of origin.

Greater Transparency in Public Procurement-Selling to the Government of Panama can be difficult. Clauses in the FTA make the process more transparent and give the U.S. Government increased leverage to assure that U.S. exporters are competing with a definite advantage.

No threat from Panamanian access to U.S. Market- Because Panama is a service-driven economy with almost no manufacturing sector, U.S. exporters will not face increased competition from Panamanian companies due to the FTA. Panamanian exports to the U.S. (mainly in agricultural products) already come in duty-free, due to the Caribbean Basin Initiative. U.S. products and services are already very competitive, with some 30% market share of Panama's imports. Over 87 percent of U.S. exports of consumer and industrial products to Panama have become duty-free immediately, with the remaining tariffs phased out over ten years. U.S. products that have gained immediate duty-free access include information technology equipment, agricultural and construction equipment, aircraft and parts, medical and scientific equipment, environmental products, pharmaceuticals, fertilizers, and agro-

chemicals. U.S. agricultural exports will also benefit. Nearly half of current trade receives immediate duty-free treatment, with most of the remaining tariffs to be eliminated within 15 years.

Panama has immediately eliminated duties on high-quality beef, frozen turkeys, soybeans, soybean meal, crude soybean and corn oil, almost all fruit and fruit products, wheat, peanuts, whey, cotton, and many processed products (<http://export.gov/fta/panama/>). The Agreement also provides duty-free access for specified volumes of standard grade beef cuts, chicken leg quarters, pork, corn, rice, and dairy products through tariff rate quotas.

The list of products not affected by the Panama and USA Free Trade Agreement is part of the agricultural industry and includes dairy products such as milk, cream, cheese, curd, dairy spread, butter, natural milk constituent, whey product, fermented or acidified milk and cream, chicken, rice, and processed meat. These include approximately 14% of the US exports not affected by the Free Trade Agreement.

#### Benefits from U.S. Panama-Free Trade Agreement

- A competitive environment for investors.
- Greater protection of intellectual rights consistent with US standards of protection and enforcement such as state-of-the-art protections for digital products of software, music, text, and videos and stronger protections for patents, trademarks and test data, including the electronic system for the registration and maintenance of trademarks.
- Commitments to Protect Labor Rights and the Environment.
- Fair and Open Government Procurement.
- An Open and Competitive Telecommunications Market.
- More Manufacturing Exports to Panama.
- More Textile Access for US Apparel. Tariffs on U.S. textiles and apparel entering Panama that meet the Agreement's rules of origin are eliminated.
- A growing service market. Leading sectors include banking and insurance, health care, logistics and transportation services. Financial Services Access without undermining the right of U.S. financial regulators to take action to assure the integrity and stability of financial markets or address a financial crisis. Panama commits to treat U.S. financial institutions comparably to their competitors in the Panamanian market.

Every country in the world requires a Certificate of Origin to assess tariff rate reduction and elimination. The United States requires the Certificate of Origin to import goods into Panama under the Free Trade Agreements with both countries. The Certificate of Origin is generated between the exporter and the producer of the goods to be imported.

Panama is a relevant market for American farmers. In 2010, the United States exported over \$450 million of agricultural products to Panama, more than twice the U.S. agricultural exports to Panama in 2005. In 2010, the United States exported nearly \$70 million of corn to Panama. The FTA provides immediate duty-free access for a definite volume of U.S. corn through a 298,700 metric ton TRQ, with 3 percent compounded annual growth. Panama will eliminate the out-of-quota tariff of 40 percent over 15 years with tariff reductions beginning after 5 years. In 2010, the United States exported \$65 million of soybeans and soybean products (oil) to Panama, \$57

million of it soybean meal. Panama will eliminate the 20 percent tariff on crude soybean oil over 15 years beginning after 5 years. In 2010, the United States exported approximately \$37 million of wheat to Panama. The Agreement ensures duty-free status for U.S. wheat. In 2010, the United States exported more than \$36 million of rice to Panama. The Agreement grants duty-free access for a definite volume of rice up to two TRQs totaling 12,190 metric tons, including 6 percent compound annual growth. Panama will eliminate the out-of-quota tariff of 90 percent over 20 years beginning after 10 years. In 2010, the U.S. exported more than \$50 million in horticulture and horticultural products to Panama (including fresh and processed fruits and vegetables, coffee and tea). Panama will grant immediate duty-free access on almost 80 percent of these products. Panama will eliminate tariffs on the remaining products over 5 years (<http://www.latradecoalition.org/files/2010/09/New-LATC-Fact-Sheets.pdf>).

The Panama TPA is part of President Obama's National Export Initiative objective of doubling U.S. exports by the end of 2014. The U.S.-Panama TPA will also assure that U.S. firms have an opportunity to participate in the \$5.25 billion Panama Canal expansion project. Today, more than 90% of imports from Panama enter the U.S. market duty free. With the FTA, four-fifths of U.S. consumer and industrial products and more than half of all U.S. farm exports enter Panama duty-free with the rest phased out over time.

Moreover, manufactured goods make up the majority of U.S. exports to Panama. In 2009, the U.S. exported \$3.9 billion of manufactured goods to Panama, 91% of the total US\$4.3 billion in U.S. exports to Panama. U.S. exports to these markets are growing; the Trade Promotion Agreements (TPAs) will accelerate this trend. U.S. manufactured goods exports to Panama grew 32% in 2008, and have increased by 98% over the past four years. Also, forty one states increased their exports of manufactured goods to Panama, all of which occurred despite sometimes high tariffs on U.S. exports. The FTA will assure the United States maintains a strong position in the Panamanian markets.

In addition to this, the trade agreements increase opportunities for the U.S. service sector. The FTA enables a transparent and certain legal framework for trade, no barriers to trade in services, and assures the protection of U.S. investments. The TPA lifts current restrictions that limit promotion of services to Panamanian nationals. The Agreement also eliminates the requirement there is of having to open a subsidiary in Panama to do business in Panama.

Moreover, the FTA will be beneficial to consumer electronics and software producers in the U.S. high tech industries that support trade in Panama. Today, U.S. high-tech exports to Panama are to create 1,600 American jobs, and large and small tech companies drive about 60% of their revenue from foreign markets. Since so many American jobs relate to exports, it is important to be able to open foreign markets every time more. Panamanians love American high-tech products. In 2007, the U.S. exported \$390 million of high-tech products to Panama. U.S. high-tech exports to Panama grew 26% in 2007 and have grown by 83% over the past six years. Failure to enforce the FTA with Panama will cause the U.S. to lose their position as a market leader in the Panamanian high tech sector.

Last, but not least, on October 27th, 2010 Panama signed a Tax Information Exchange Agreement with the United States. Even though Panama has money-laundering challenges, the

State Department in 2009 said that “*Panama has a comprehensive legal framework to detect, prevent, and combat money laundering and terrorist financing, and provides excellent cooperation with U.S. law enforcement agencies in combating drug trafficking, money laundering and financial crimes.*” The State Department also said that the Panamanian government “should continue its *commendable efforts* to enhance Panama’s ability to prevent, detect, investigate, and prosecute financial crimes, including money laundering and terrorist financing (<http://www.ustr.gov/trade-agreements/free-trade-agreements/panama-tpa>).”

As a result of this, Panama has recently embarked on an important number of initiatives to solve these challenges:

- By Panama’s “New Banking Law”, enacted in 2008, and other laws and regulations, financial institutions have to implement policies, procedures, and controls for the prevention of money laundering, terrorist financing, and related crimes, including abidance to the “know your customer” (KYC) practices.
- The U.S. Treasury Department’s Financial Crimes Enforcement Network (Fin CEN) and Panama’s Financial Analysis Unit (UAF) shall practice an “Exchange of Information Mechanism” to prevent and legally sue money laundering practices.
- There is also a department under the Panamanian Ministry of Foreign Affairs dedicated to researching international issues of money laundering.
- Today, Panama has the most advanced and productive international banking center in Latin America. In 2008, total assets grew by 21.7%. In the meantime, the rate of new loan disbursements grew by 41.5% related to other sectors.

### **Leading trade promoter agencies in Panama**

- **American Chamber of Industry and Commerce**

Mr. Mauris Belanger  
Executive Director  
[executivedirector@panamcham.com](mailto:executivedirector@panamcham.com)  
<http://www.panamcham.com/>  
Phone:011(507) 66130163

- **Ministry de Comercio e Industries de Panama**

**ProInvex**  
Mr. Ben Cardoze  
Project Manager  
[bcardoze@mici.gob.pa](mailto:bcardoze@mici.gob.pa)  
<http://proinvex.mici.gob.pa/>  
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Ms. Erizeeth Ho  
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[ehoponce@mici.gob.pa](mailto:ehoponce@mici.gob.pa)  
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Phone: 011(507) 504-5300

- **Local Chamber of Commerce**

Ms. Michell Espinosa M.

Economic Advisor

<http://www.panacamara.com/>

[mespinosa@panacamara.org](mailto:mespinosa@panacamara.org)

Phone: 011(507) 207-3400

Ms. Rosmary Rodriguez

Economic Advisor

[www.panacamara.com](http://www.panacamara.com)

<http://www.panacamara.com/>

Phone: 011 (507) 207-3400

- **US Commercial Service-Embassy of the United States in Panama**

Mr. Enrique Téllez

[enrique.tellez@trade.gov](mailto:enrique.tellez@trade.gov)

[www.export.gov/panama](http://www.export.gov/panama)

Phone: 011(507) 317-5080

## **SECTION III**

### **B-TOP INDUSTRIES IN PANAMA FOR US EXPORTS**

#### **1-CONSTRUCTION**

In the following sections, research has been conducted from various different sources such as: [www.panacamara.com](http://www.panacamara.com), [www.grupocusa.com](http://www.grupocusa.com), [www.transcribe.com](http://www.transcribe.com), and [www.capac.org](http://www.capac.org), among others.

##### **a) Markets**

##### **Sources of Investment**

This industry has been developed with the participation of both, the public investment (Government) and private investment (local and foreign). These sources of investment generate different services that are distinguished in the following way:

- Government financing for residential projects.
- Private investment for residential and commercial projects.
- Private investment for hotel and tourism projects.
- Private investment for portuary infrastructure.
- Private investment for electric infrastructure and telecommunications.

## **Development of the Construction Industry**

The development of the industry of the Construction has been due to the following factors:

- Confidence in the economic system.
- Liquidity in the banking system that grants the supply of the investment funds.
- Low interest rates of the deposit accounts and term deposits.
- Fiscal incentives to promote the investment of buyers, promoters and investors.
- Demand for the product, capacity of acquisition and economic stability of the buyers.
- Political stability.
- Materials and inputs.

## **Segmentation**

The greatest part of the investment is centered in the metropolitan part of the country in the following five districts: Panama, San Miguelito, Colon, Arraijan and Chorrera. Other emergent districts of investment are David, Santiago, Anton, Chame and Chitre.

## **Competition and Barriers to Entry**

The businesses that are members of the Panamanian Chamber of Construction (CAPAC) are at the front of the supply and development of these residential projects in all the segments of low, medium and high costs. The industry has no barrier to entry, as the Panamanian Chamber of Construction works in a very competitive environment with its members without barriers to entry from local or foreign companies. The government has granted projects to national companies by their qualifications, level of competence and development of infrastructure.

In the last few years, Panama has had an increase in construction projects. The government and the private sector have made large investments in constructing roads, bridges and ports. Consequently, there has been an increase in the demand for wooden products and materials for construction. To satisfy these demands, the production of these commodities has risen dramatically.

The construction sector continues its upward trend with an increase of 3.9% in ongoing projects, from January 2012 to May 2012 according to the Office of Economic and Social Analysis of the Ministry of Economy and Finance, which says the increase in construction projects is creating a demand for labor, supplies and building material. The amount of investment and the amount of covered area has grown in the number of projects, according to the Chamber of Construction. Residential projects increased by 3.6% and other projects increased by 14.6% compared to the same period last year.

There have been modest U.S. changes in some areas compared to 2011, but the growth was significantly in Santiago with 86% of growth, Panama with 57.9%, Chitre with 10.4%, and David 9.6%. Investment in construction projects in 2012 was 36.8% higher compared to the previous year, totaling \$671.8 million, distributed as follows: 39.0% in residential and 61.0% in non-

residential. In 2012, the investment in residential projects grew by 13.5% and non-residential projects grew by 57.6% with respect to the previous year. In 2011, the distribution was more consistent with 47% in residential and 53% in non-residential. Similar percentages are reflected in surfaces being built.

With regards to the Panama Canal expansion, the construction activity in the infrastructure project increased by 38% in 2012 with respect to 2011. The project has employed 11,055 active workers of the total of 22,062 that were required, of which 61% were from the contractor and 39% by subcontractors.

Concerning the issues of the construction of Line 1 of the new Panama Metro subway system, as of May 2012, the project had advanced by 30% and the project will be capable of transporting 525,000 passengers per day. The project is scheduled to be finished in 2014 and is valued at \$2.2 billion. The construction of the Panama Canal expansion project will be running until 2014 at least. When Line 1 of the Panama City Metro subway system is done, Line 2 will be started, and then Line 3 will be started followed by the \$6 billion dollar copper mine. In regards to the buildings, the growth started with apartments, then malls, then hotels and the future will be dominated by resorts on the beaches.

Products that are in demand in Panama within the construction industry are:

- Gypsum Board
- Lighting
- Roofing products
- Flooring products
- Cement
- Aggregate products
- Steel
- Road header
- Road rollers
- Construction Equipment such as excavators, off-road trucks, and all kind of earth moving equipment.
- Wooden products

## **b) Key Players**

There are many major construction companies that have set up their offices and facilities in Panama:

**Europe:** Andromeda Ocean Estates, Sacyr Vallehermoso, Impregilo, Jan De Nul, Alstom.

**Central and South America:** COCIGE, Odebrecht.

Below are four of the largest investors in Panamá:

**Constructora Urbana S.A.:** Constructora Urbana, S.A. was founded in 1955, has converted itself to be one of the leading construction companies in Panama. It has maintained its leadership in the construction of highways, streets, homes, urban and rural infrastructure of difficult access, always utilizing new technologies that have reinvented the construction industry in Panama. It has also been able to enter with success in the development of ports of containers and cruises, rehabilitation of trains, amplification and improvement of electrical systems and the construction of airports, the construction of water treatment plants, among others. The competitiveness and leadership of the company was widely perceived internationally for being the only company that participated in the international public act for the first phase of the excavation for the expansion of the Canal. CUSA is based on the high professional level of its personnel, its quality control through a lab of tests and materials, its integration to the systems of quality ISO:9001-2008, and the adaptability it has to respond to the current economic, social and technological currents.

**Constructora Urbana**

[www.grupocusa.com](http://www.grupocusa.com)

Vía España Final & 19 Street  
Panamá, Republica of Panamá

Ph. (507) 323-7000

[agregados@grupocusa.com](mailto:agregados@grupocusa.com)

**Transcaribe:** In July 22nd of 1999, David and Daniel Ochy Diez, brothers with a clear vision to work in the construction sector created TCT (Transcaribe Trading S.A.), initiating its first works in the province of Bocas del Toro building houses and rural aqueducts. TCT is an organization dedicated to civil construction. It is not only one of the main construction companies in the country dedicated to the execution of highway construction projects, but it also provides advisory and maintenance services. In the last ten years, it has realized important projects in the construction of highways, aqueducts and sewage, completing its contracts with efficiency and solidity. They have the machinery and highly capable personnel to comply on time and efficiently its job. Through the years, TCT has been able to position itself as one of the main companies in the country in the construction of infrastructure. It has obtained recognition for the quality of its products delivered and for submitting them on time.

In short time, they grew due to its experience, passion for work and professionalism to develop secure projects for the citizenry. At the national level, they have developed important projects such as the rehabilitation and construction of streets, drainages, airports, aqueducts, bridges, sewage treatment plants, among others accompanied by the most advanced technology and taking progress to numerous communities throughout the national territory.

**Transcaribe Panama**

[www.transcaribetrading.net](http://www.transcaribetrading.net)

Via Espana, In Front of McDonalds of the San Fernando Clinic of Panamá

[info@transcaribetrading.net](mailto:info@transcaribetrading.net)

(507) 229-31-80/7980/8654

**RM:** Engineering RM for more than thirty years has dedicated itself to all types of buildings including condominiums, industrial buildings, residences, commercial centers, banks, schools, museums, hotels, offices and mixed use developments. It has more than 2000 collaborators and was founded by Roberto R. Roy and the Eng. Tomas Mendizabal, who left the company after ten years. The company built the new headquarters of the Public Registry of Panama, now a new modality for the Panamanian government, the new Museum of Biodiversity and remodeled the new headquarters of the Municipality of Panama. Among other services they offer are projects of quick installation, preconstruction services, feasibility studies, structural design, design and construction, and administration of projects.

Many of its works have gained the prize “Building of the Year” granted by the Panamanian Society of Engineers and Architects (SPIA). In 2006, its building La Ribera was the winner of the prize of the best building granted by Cemex. In 2007, it also obtained the prize of Cemex for the work Tagua.

Laurencio Jaen (Georgia Tech, Bachelor in Civil Engineering 1971, Master in Construction Management 1973) and Jaime Jovane (University of Panama, Civil Engineering 1979) join Eng. Roy in the direction of Engineering RM. Both have extensive experience in all aspects of construction and administration. Today, the firm has more than 1500 workers, 200 whom are engineers, managers, contractors, office administrators, and purchasing personnel. There is an estimated increase in the number of employees due to the high demand in the construction business in Panama.

### **Ingenieria RM**

San Francisco, Matilde Obarro de Mallet Ave., Between 72 y 74 St., No. 104  
(507) 270-0922  
Panamá City, Panamá  
www.ingeniarm.com  
[contactenos@ingeniarm.com](mailto:contactenos@ingeniarm.com)

**Cocige:** Construcciones Civiles Generales, S.A. (COCIGE) is a contracting business that offers services in the construction industry since 1982, trying to satisfy their clients. Today, COCIGE, has a technical administrative team capable of developing civil works with the highest standards of efficiency. They develop construction projects of construction such as commercial centers, buildings, hospitals, schools, industrial installations and infrastructure in general. Some other services include: design and redesign, budgets, administration of projects, maintenance, and the development of steel projects. Their mission is to offer construction projects with “quality, on time, guarantee and at a fair price” using innovative technologies and professional development. They also guarantee the established costs of their projects.

### **Grupo Cocigue**

[www.grupococigue.com](http://www.grupococigue.com)  
[cocige@grupococigue.com](mailto:cocige@grupococigue.com)  
(507) 301-5200  
Panama, Rep. de Panama

Below are the three largest project developers of commercial real estate and of homes:

**Los Pueblos Group:** Los Pueblos Group concentrates on creating new projects of great magnitude in both commercial and housing areas. They are experts in real estate and project administration. Their clients have the security and confidence of investing in the developments of Grupo Los Pueblos that are designed by professionals that understand the importance of the details as part of the creation of a singular environment. They are proud of the quality of their products and services and it is for that reason that through the years their homes, apartments, shopping centers, offices and mixed use development have been successful.

Some current projects include: Albrook Mall, Embassy Club, Embassy Village, Ocean Reef Islands, Playa Dorada, The Reserve and Westland Mall.

**Grupo Los Pueblos**  
<http://www.glp.com.pa/>

**Sucasa:** The company, which focuses in large housing projects, ranks among the main community development promoter companies in Panama. It is an existing entity since 1967 dedicated to providing homes to Panamanian families at accessible prices. They have 18 projects between homes and apartments and a great variety of models. Their projects adjust to the consumer necessities. Their experience of 39 years in the market is a guarantee of quality for its clients. The construction comply with all the norms and specifications of the Panamanian structural code guaranteeing a safe home. During thirty nine years, they have maintained themselves as leaders in the construction and delivery of low income communities in the areas of the city of Panama, Chorrera, North Area, San Miguelito and Arraijan. Sucasa is a subsidiary of Unesa focuses on different businesses such as: the rent and sale of commercial equipment, construction of projects, hotels under the franchise Country Inns and Suites, restaurants under the T.G.I. Friday's franchise, financing company Incasa, and the Syndicate of Industrials of Panama. Sucasa belongs to the Panamanian Chamber of Construction CAPAC, the Panamanian Association of Real Estate Brokers ACOBIR, and the National Council of Promoters of Homes CONVIVIENDA.

**Sucasa**  
[www.gruposucasa.com](http://www.gruposucasa.com)  
Panama City, Panama  
Ph.: (507) 300-4109  
Email: [ventas@gruposucasa.com](mailto:ventas@gruposucasa.com)

**Procasa:** It is a business that is an experienced leader in the construction business which has been consolidated by the recognized Arq. Isaac Mizrachi, who designs all their projects. With only 15 years in the market, they have built more than 2,500 homes. They have a seal of quality and excellence that is reflected in its work and is the warranty that its consumers have made a good investment. They have a practical and functional design and have an integrated system of

activities that goes from the design and construction, financing, to the promotion and sales with an excellent post sale service. All of its projects are characterized by excellent location, security, functionality, a complete social area for the children and adults, and quality.

## **The Construction of the Panama Canal**

The economic growth of Panama will be improved by the Panama Canal expansion that began in 2007 and is scheduled to be completed in 2014 at a cost of \$5.3 billion which is about 10% of the GDP. The expansion will double the Canal's capacity and accommodate ships that are too large to traverse the Canal. The United States and China are the top users of the Canal. The construction of the Expansion of the Canal is implemented by the company *Grupo Unidos por el Canal (GUPC)* formed by the companies Sacyr Vallehermoso of Spain, Impregilo of Italy, Jan De Nul of Belgium, and Constructora Urbana, SA (CUSA) of Panamá. The business FCC also participates in the dragging of the access to the Pacific. On the other hand, the construction of the Metro is in charge of the consortium FCC (Fomento de Construcciones y Contratas) and Odebrecht (Brazil). The company Alstom (France) will be the subcontractor sub administrator of the trains.

### **b) Regulatory Issues For Construction**

The present law tries to establish the rules of zoning for urban development, with the objective of giving its habitants accessibility and a better quality of life in all the national territory.

The formulation of policies for the zoning of urban development will be based in the social and environmental function of the property, in the prevalence of the general over specific interests, and the guarantee of private property.

The territorial ordering for urban development will be regulated according to laws, the rules, urban actions, national policies and a system of plans. With the sanction of the Law 6 of Urbanism that established new rules for the urban development of the country, Panamanians can have the right to live in a modern and attractive city that grows in an ordered and sustainable way in an environment of accelerated economic growth of residential and office buildings projects.

The supply of housing is characterized by great growth in response to the growing demand of various social economic sectors of the country. For that reason, more business opportunities such as national and international fairs and expositions have been created. These have served to promote the sale of all classes of goods and services to the diverse brands and businesses that participate.

Currently, the construction sector in Panama is having a great surge due to the development of residential projects, specifically those directed to the international market. The investors and promoters of housing offer a diverse supply of residences and beach apartments in high and modern buildings in the city.

In Panama there are no limitations, so foreigners can own their own land or real estate properties. For nationals, there are banks that finance up to 100% of the value of the home, while for foreigners banks ask that 30% of the property value is put down and the remaining 70% is financed.

Due to this new phase of the market, there is hope that with an adequate policy, foreign investment is multiplied in the real estate sector.

Moreover, very recently the Cabinet approved an increase to \$40,000 on the price range of homes that benefit from 100% preferential interest loans. This government initiative was presented by the Minister of Economy and Finance, Frank De Lima, in order to encourage construction of affordable housing. In addition to this, according to bill No. 241, the ceiling for the preferential rate has been increased to \$120,000 where homes will receive a subsidy of up to two (2%) percentage points in the market.

#### **d) Projects and Opportunities**

The strong demand for building materials will continue. The following are the main infrastructure and non-residential projects underway or still in the drawing board stage of the construction process:

#### **Government Investment**

- Expansion of the Panama Canal - \$5.2 billion.
- Panama Metro Line - \$2.2 billion.
- Road Projects - \$1.1 billion.
- Airport Expansion - \$200 million.
- Cold Chain distribution network - \$65 million.
- Government City - \$360 million.
- Financial Tower - \$200 million.
- Mining Projects (copper and gold) - \$665 million in revenues projected.
- Colombia – Panama Electrical Interconnection - \$415 million.
- Water Supply & Sanitation - \$ 540 million.
- Public Hospitals - \$358 million.
- Curundu Housing Project - \$100 million. Completed in Feb. 2012
- Bridge of the Americas reconstruction - \$80 million.
- Air-Sea Stations - \$37 million.
- New Prisons - \$156 million.
- Energy Generation Projects – various, hydro/wind/LNG – over \$1 billion.
- Panama Pacifico – conversion of Howard Air Force Base to mixed use - \$750 million.

#### **Private Investment**

- Colon Free Trade Zone and transshipment ports expansion.
- 20 new Hotel construction projects - \$700 million.

- Westland Mall - Grupo Los Pueblos - \$200 million.

In addition, there are other projects that include oil pipelines, airport expansion, new ports, port expansion projects, resorts, shopping malls, etc. The increased purchasing power of the Panamanian consumers and the surge of the economy have made companies like Franquicias Panamenas, S.A. that handle the KFC and Pizza Hut chain in Panama to invest \$7.5 million in the construction of new stores and the improvement of existing ones.

Moreover, the construction company Vinci Construction Grands Projects received orders from the Panama Canal Authority to proceed with the works for the construction of the bridge over the Canal which the company must complete the project within 42 months. The company presented the lowest quotation on the official budget. The bridge will have a delta design with four lanes. It will also have a length of 4.6km and an elevation of 75 m above sea level. It will be constructed of concrete and its design is similar to works in countries such as Spain, Korea, France, China and Japan.

In addition to this, the Social Security Department of Panama is putting out the tender this year for the construction of the new Dr. Roberto Ramirez clinic in the province of Herrera. Also, President Ricardo Martinelly inaugurated recently the expansion of the terminal and runway at the Enrique Maleck Airport in David, with an investment of over \$27 million which has transformed the airfield into an international airport. This work will increase tourism and exports and is one of three airport projects that are priority to the government of Ricardo Martinelli. The other two are the Colon airport and the airport at Rio Hato. With the improvements, the Enrique Malek Airport now has an extension to its runway of 2600 meters, which will allow the arrival of 757 aircraft, with a capacity for 200 passengers, and also has a new passenger terminal.

### **e) Supply Chain Strategy**

The supply chain strategy of this industry has been affected by a rise in construction materials. In Panama, cement prices increased between 11% and 12% from the first of January, and other materials are also rising with the construction boom and the arrival of the dry season. The country's hardware stores have begun to record price increases in many of its products. In the case of gray cement, for example, "the companies Cemento Panama and Cemex announced that as of January 1 their products would increase by 11% and 12% respectively and the market is reflecting these adjustments" said Ricardo Castillo, the sales manager of the hardware store Super Materiales. Since October 2012, most building materials began to reflect significant increases (<http://en.centralamericadata.com/en/tsearch?q=Panama%20Super%20Materiales>).

In addition to this, in the first six months of 2012, building permits issued amounted to projects worth \$832.8 million, 35.8% more than the same period of 2011. According to information from the Comptroller General of the Republic, the district of Panama leads with \$562.5 million, representing 67.5%. One area of growth that seems to be constant is in the area of lower cost housing in the growing suburbs of Panama.

The growth in the construction sector has been influenced by retiring baby boomers from the U.S., as well as immigrants from South America and Europe. Because Panama has some of the

lowest interest rates in Latin America, the Government of Panama is promoting home purchase financing. Middle class Panamanians can borrow against a home purchase for up to 30 years at rates as low as 5%. Consequently, there is a building boom in the outside suburbs of the Panama metro area, where new malls are providing anchors. A growing demand exists for after-construction building products used for improving, decorating or modifying existing buildings. U.S. building materials are well received because of their quality and competitive price. U.S. products in this sector have a market share of over 60%. Major competitors are Taiwan, Italy and Spain. There are no significant restrictions on imported products. Housing projects, construction of new hotels in Panama City, and infrastructure projects will continue promoting a strong demand for building materials.

In terms of Panama's most important construction projects, the Panama Canal has reached several milestones. Beginning in 2013, the Expansion Program has completed several projects. Dredging of the navigational channels that include both entrances on the Pacific and Atlantic sides as well as the Gaillard Cut have been completed. The remaining dredging work to be done in Gatun Lake is expected to be completed in 2013. The excavations of the Pacific Lock Access channel are 70% percent complete. This project calls for the excavation of more than 50 million cubic meters of materials along a 6.1km span to be executed in four phases. Three of the four phases have been completed and the fourth phase is 69 percent complete with expected completion in 2014.

In addition to this, the first shipment of 47 valves, to be used for the operation of the third set of locks, arrived during the first quarter of 2013. These valves are part of the Post-Panamax locks eletromechanical system that will regulate the water flow between the chambers, the culverts and water-saving basin conduit. A second shipment was scheduled to arrive at the end of last January 2013. By the end of 2013, a total of 158 valves (culvert and conduit), 84 bulkheads and 328 trash racks will have arrived for the project. The valves were built in South Korea by Hyundai Samho Heavy Industries.

Construction of the new locks has a 37 percent progress. The new lock complexes in the Pacific and Atlantic sides will show three chambers, three water-saving basins per chamber, a lateral filling and rolling gates. The Panama Canal Administrator said, they could begin commercial transits mid-2015.

Supply chain managers feel confident that the Panama Canal Authority is also monitoring the progress on every component of the Expansion Program to guarantee that contracts comply with the quality required by each contract. The Panama Canal Expansion Program will be the largest project at the Canal.

### **3) COMPUTERS, PERIPHERAL AND TELECOMMUNICATIONS EQUIPMENT AND SERVICES**

In the following sections, research has been conducted from various different sources such as: [www.gbm.net](http://www.gbm.net), [www.yoytec.com](http://www.yoytec.com), [www.panafoto.com](http://www.panafoto.com), [www.emultimax.net](http://www.emultimax.net), among others.

## **a) Market**

There has been an increasing trend of positive outlook for computer peripherals, equipment and services industry in Panama. This has been due to the following factors: 1) Office automation is growing in both the public and private sectors; 2) import duties are zero; 3) there are many computer suppliers, both locally and abroad, specifically in the Miami area; 4) there is an increasing computer culture that resulted from government programs directed at increasing the use of computers/internet and the modernization of existing systems in government offices as well as in public schools; and 5) there is a direct connection with the U.S., especially among young Panamanians who have gone to U.S. schools and/or have become part of the social networking culture. Everything related to Internet services, computer magazines, journals, and other literature from the U.S. is widely available.

U.S. computer products are well received and are seen as including “state-of-the-art technology”. The U.S. has positioned itself in the market strongly with a market share of over 60%. Prices for U.S. computers and peripherals are competitive against products from Korea, Taiwan and Japan. The most common users are banks, commercial establishments, universities, the Panama Canal, and government organizations.

## **Best Products**

The best prospects that can be imported into Panama are:

- Personal computers
- LAN equipment
- Laptops
- Laser printers.

## **Opportunities**

Some opportunities lie in the government which is a major computer user due to the increasing use and modernization of its computer systems and has promoted Internet access for most of the population. The Panama Canal and the banking sector are also important buyers of computer equipment and are most of the time up to date with technology. The Panama Canal has established an example for the rest of the government institutions by publicizing most public tenders, both upcoming and awarded, in a searchable database that is web-accessible to the public.

## **Telecommunications**

Since its privatization in 1998, the telecommunications sector in Panama has shown strong growth. Cable & Wireless (a British company) acquired the operation of the national utility. Cable & Wireless improved and expanded a number of services, digitized all switching stations and upgraded transmission lines to the latest technology. In addition to this, four major cellular phone companies are now operating in Panama: Cable & Wireless with telephone and cellular phone lines (England), Telefonica with telephone and cellular phone lines (Spain), Claro

(Mexico) with cellular phone lines, and Digicel (Ireland) with cellular phone lines solely. Currently there are more than 500,000 fixed telephone lines in the country and more than 5 million cellular lines, which make Panama having one of the highest teledensity rates in Latin America. Some of the main competitors in the market are the United Kingdom, Japan, Sweden, France and Canada. Cable and Wireless and Cable Onda are the major providers of Internet access to all users in the national territory.

## **Best Products**

The best products that can be imported into Panama are:

- PABX systems
- Radio trunking systems
- Satellite-based telecommunications facilities
- Wireless systems
- Fiber optics cable
- Switching equipment

## **Opportunities**

The competition in the cellular telephone sector created new opportunities for U.S. exporters of equipment like towers and diverse supporting equipment. In addition to this, Cable & Wireless and other companies that entered the market continue to modernize the fixed telephone system therefore creating opportunities for exporters of switching equipment, handsets, and a big range of equipment and accessories.

The Government of Panama has initiated the expansion of wireless internet access to the general population across the nation. Also, there is a continuous government focus to digitalize the telecommunications services in the different public institutions, specially the hospitals, financial entities, and public universities.

## **b) Key Players**

There are many major computer companies that have set up their offices and facilities in Panama:

**Central and South America:** ADR Software, GBM.

**ADR Software:** ADR Technologies is a leading company in the regional market with constant growth and update and a trajectory of twenty years of great success in its operations. They help companies to improve and automate their business processes with technological solutions; obtaining productivity benefits, client service and better competence.

### **ADR Software**

Ave. Samuel Lewis y Cl. 58  
Urbanización Obarrio  
Panama, Rep. of Panama  
Postal Address: 0816-01307, Panama, Rep. of Panama  
Phone: (507) 263-9333  
Fax: (507) 223-2303

**Panafoto:** Has offered for more than 30 years a variety of electronic products for the satisfaction of its clients. Its mission is to offer its clients guaranteed computer products that they need for their home to offer them the major tranquility that the technology offers them with an authorized personnel. It has eight branches in Panama City and in the Atlantic zone of Colon. They also have sales on the telephone, by internet, home service, rebates, gift certificates, and merchandize clubs, among others.

**Panafoto**

<http://www.panafoto.com>  
507 204-3030

**Multimax:** Since 1997, Multimax has had the mission to be a leader in technology products such as computers, printers and laptops in Panama. It is a successful business with a new concept of marketing and sales achieving the total satisfaction of the clients and offering an excellent quality of services and the most convenient prices. Its vision is to grow and maintain itself as a leading enterprise, by offering the best products, excellent service and efficient advisory through a capable and organized team to respond to the needs of the clients. The company also tries to ensure that its personnel keep constantly updated to ensure its position in the market.

**Multimax**

<http://www.emultimax.net/>  
(507) 297-85-50  
[ecommerce@multimax.net](mailto:ecommerce@multimax.net)

**Yoytec:** Yoytec Computer was founded in 2004 in the city of Panama with the objective to sell computers, components and personalized solutions at affordable prices. Due to the changing computer market, they have been able to lower costs because they do not have a retail store. This way, the company is able to offer the best prices. The company's exhibition site is online. The company characterizes itself as being convenient by facilitating access to all of its products so that buyers can enjoy their purchase. Its mission is to satisfy the necessities of its clients 100% by giving them a variety of products at low prices. Its goal is to offer the advances in technology and make sure they are available to all the Panamanians. Its philosophy is to sell products of high quality. It also offers installation services for software programs as well as repair and maintenance of the equipment.

**Yoytec Computer**

<http://www.yoytec.com>  
Ricardo J. Alfaro (Tumba Muerto)  
Green Hills Building

#3 y #4 (Lower Level)  
El Dorado, Panama  
Phone (507)260-7959

**GBM-An IBM Company:** Is a company solutions integrator with expertise in information technologies. It provides all the components for an enterprise technological infrastructure with hardware, software and specialized services. It is a strategic ally of its clients through the implementation of solutions that allow the creation of automated enterprise processes to promote competitiveness. GBM is an exclusive distributor of IBM in the region and represents officially major brands leaders in the industry such as Cisco Systems, Cognos, Diebold, Everis, LatCapital, Lenovo, SAP, among others.

**IBM**

<http://www.gbm.net/>

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### **c) Regulatory Issues For The Computer Industry**

Generally, computers, parts and telecommunications equipment now have zero tariffs and are taxed 7% of tax value on their import.

#### **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 in July 15, 1997, that introduced new rules 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 role of 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. DGNTI performs its functions through its three departments: Standards, Certifications and the Information Center.

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

Following the WTO guidelines, Panama informs the WTO of all standards and technical regulation activities. U.S. companies can participate in the standards development process by contacting the DGNTI and submitting specific requests. Products on which Panama has not established standards and regulations can enter the Panamanian market provided that they comply with standards and technical regulations from the U.S., Europe or any other industrialized country.

#### **Product Certification**

Once the conformity assessments have been conducted, the DGNTI will issue a conformity assessment certificate. DGNTI is the only organization authorized to issue conformity assessments related to products.

#### **Accreditation**

The National Council for Accreditation (CNA) created by Law 23 of 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. Accreditation is voluntary.

The technical secretariat appoints accreditation committees. Accreditation is a must for organizations that deal with 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 December, 2010, there were fifteen organizations that had been accredited by CNA, but there were some accreditation applications under review.

Some certifications available in Panama are:

- Microsoft Training, Apps, Exchange Server, Lync Server, Office Specialist Certifications, Windows OS, Private Cloud, Windows Server, Share Point, System Center Certifications, SQL Server, Visual Studio and .NET.
- Cisco
- Cloud Computing
- CompTIA
- ITIL Certification
- Information Security Certifications

### **Publication of Technical Regulations**

All technical norms and regulations are published by the Ministry of Commerce and Industry in the Official Gazette.

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

Official Gazette or Gaceta Oficial  
<http://www.gacetaoficial.gob.pa/>  
Panama, Rep. of Panama  
Tel. (507) 527-9393  
Fax. (507) 527-9391

The WTO TBT National Information Center is:

Comision Panameña de Normas Industriales y Tecnicas (COPANIT)  
P.O. Box 0815-01119  
Panama, Rep. Of Panama  
Tel. (507) 560-0716  
Fax. (507) 560-0721  
E-mail: [dgnti@mici.gob.pa](mailto:dgnti@mici.gob.pa)  
<http://www.mici.gob.pa>

#### **d) Projects and Opportunities**

Panama is not primarily a manufacturing economy, but rather a service economy. For this reason, the opportunities for the computers and parts manufacturers as well as telecommunications equipment providers in the US to do business in Panama are wide.

Products needed in the country and that can be exported to the country are:

- PC Computers and Laptops
- Laser Printers
- LAN equipment and Servers
- Memories and cooling systems
- Sound cards and video cards
- Hard drives
- Modems and Routers
- Answering machines, teleprinters and pagers.
- PABX systems
- Radio trunking systems
- Satellite-based telecommunications facilities
- Wireless systems
- Fiber optics cable
- Switching equipment

Panama is restructuring its telecommunications sector in order to make it more efficient and competitive. Important investment opportunities will open as the modernization process is developed. In May 21<sup>st</sup>, 2007, the government telecommunications company (INTEL) was changed into a corporation and 49 percent of its shares were sold to the private sector. The other 49 percent were retained by the GOP. The remaining 2 percent were kept in a trust fund for INTEL employees. The company acquiring the 49 percent of INTEL S.A., Cable & Wireless Limited is the operator of INTEL S.A. Cable & Wireless Panama has increased the number of telephone lines by 100,000, it has digitalized all the central lines and 65% of the public now pays less for their tariffs.

Moreover, companies like Dell, SITEL, ClientLogic, National Asset Recovery Service (NARS) and Starcontact, among others, have located their operations in Panama. Companies like Dell provide excellent employment opportunities for Panamanians, regardless of age, race or disability. Monthly salaries start around US\$500 per month.

In addition to this, SITEL's executive vice president, Dale Saville, said, that Panama is a "prime location for a regional call center to service calls for all of Central America." The pricing is competitive and there's an excellent English-speaking workforce.

As a result of this, the government is trying to educate more workers and promote training in English, since call centers typically service both English and Spanish speaking clients. Today, the US supplies 60 percent of Panama's computers and peripherals, and with increasing needs from government, banks, businesses and universities, it is foreseen that there will be opportunities for new computer businesses to enter the market. With the privatization of telecommunications, the

market has opened up for US exporters of various telecommunications products including, fiber optics cable, wireless systems and satellite-based telecommunications systems.

For some companies, it might be advantageous to set up a branch office in Panama, or a joint venture with a local company, or to just provide some form of agency representation. Today, Panama's telecommunications systems are equal with those of the USA, Canada, and the United Kingdom. Panama is world-renown for having one of the best-secured internet e-commerce legislation in the world, thanks to a one-of-a kind e-commerce bill signed into law in August 2009. The government has promoted this law to make Panama's e-commerce industry superior for offshore web hosting and IT connectivity. Panama also has the highest level of communications infrastructure for telephone, fax, internet, and cellular communications in all of Central & South America, including the Caribbean. Panama also has the best access to multiple high-bandwidth continental fiber optic networks in its telecommunications infrastructure. The low risk of natural disasters gives the Panamanian telecom sector safety, reliability of service and competitive advantage over other offshore jurisdictions.

Panama has a strategic geography and Internet access is available throughout the country. Its proximity to large cities in the US and Europe makes it cost effective to bring in specialist know-how for installation and maintenance.

Last, Panama's long history as an international banking and services jurisdiction have led to the availability of technical know-how in Internet technology and information technology and human resources to install and maintain e-commerce operations. The MAYA-1 and ARCOS-1 ring systems, completed in December of 2000, link the continental Americas and the Caribbean Basin.

All these benefits and incentives make Panama a perfect location for all high tech services businesses including:

- Internet Service Providers
- E-Commerce Providers
- Applications Outsourcing ASP
- Broadband Content Providers
- New Media Content Providers
- Offshore Hosting of Business Web Sites
- Secure (encrypted) E-Mail repositories and (encrypted) Data Storage Facilities
- Submarine network cable systems, ARCOS-1 and Global Crossing.

#### **e) Supply Chain Strategy**

The majority of computers, parts and telecommunications equipments and services entering the country come from the United States.

## **Software Delivered Over the Internet-Electronically Delivered Software**

No import taxes are applied to software delivered to end-users over the Internet. The same situation exists if the software is delivered to a distributor with a license to replicate the software. Panama has no specific documentation requirements on electronically delivered software.

## **Refurbished, used or repaired computer equipment**

Importation of refurbished computer hardware, parts and accessories is allowed. The documentation required is the Airway Bill and the Commercial Invoice. Taxes are assessed on the declared value of the merchandise.

Despite facing high tariffs, U.S. exports to Panama have risen more than five-fold since 1990 and are expected to dramatically increase with the trade agreements. Panama is already one of Latin America's largest export markets for U.S. high-tech goods and services. With more than 90% of imports from Panama entering the United States duty free, the Free Trade Agreement improves the conditions for U.S. high-tech companies. The agreement will provide a variety of benefits for the American high tech companies including:

**Market Access:** It requires Panama to become full participant of the WTO's Information Technology Agreement (ITA), resulting in duty-free treatment of many U.S. high-tech exports. Panama has agreed to phase out tariffs on all other non-ITA high-tech imports over the next 10 years. It also provides an important new guarantee of non-discrimination by including all forms of cross-border delivery for computer and related services, management consulting and other tech-related services, including electronic delivery.

**Regulatory Fairness:** It improves the transparency of the regulatory processes in the application of technical regulations, standards and assessment procedures.

**E-Commerce:** Important principles that provide a more open and competitive environment for e-commerce are applied and duty-free treatment is given permanently for electronic transmissions between the U.S. and Panama.

**IPR:** Panama has a very high degree of IP protections, like those under U.S. law.

**Telecommunications:** It will assure nondiscriminatory access for U.S. companies to compete for business and sell into Panama's public telecommunications networks.

**Government Procurement:** It will assure that U.S. companies have access to government procurements on a fair basis, especially since Panama is not yet a signatory to the WTO Government Procurement Agreement.

### **3- ELECTRICAL POWER SYSTEMS INDUSTRY**

In the following sections, research has been conducted from various different sources such as: [www.asep.gob.pa](http://www.asep.gob.pa), [www.senacyt.gob.pa](http://www.senacyt.gob.pa), [www.panafoto.com](http://www.panafoto.com), [www.etsa.com.pa](http://www.etsa.com.pa), among others.

#### **a) Market**

Today, Panama has a capacity installed of approximately 2,000 MW; fifty percent of which is hydropower. Panama has a tropical climate. For this reason, it complements hydropower with thermal generation, primarily fueled by bunkers. The final end cost to users is approximately \$.12/kW h, due to generating costs. The country is currently seeking to lower this cost, as well as even out the supply, to increase the country's competitiveness for foreign direct investment.

Today, Panama's demand for electricity is growing by approximately 50 MW per year. The recent surge in construction has led to a constant demand for electricity in the last 5-7 years. This surge is expected to continue during the next years due to the projected increase in low cost housing construction and the development of various infrastructure projects, including the expansion of the Panama Canal. The electric sector in Panama is normally managed by the private sector with the exclusion of the transmission company which is fully owned and operated by the government.

Currently, the Panamanian electrical power systems industry is very open to U.S. electrical power equipment. Its superior value, robustness, endurance, competitive prices, fast dispense and assistance capacities are the main reasons they are selected as the top electrical power systems of choice. Worth and value are the most important considerations in choosing equipment suppliers, followed by post-sale technical assistance.

The main competitors in the market are mainly from countries such as Sweden, Italy, Brazil, Germany and England.

Products and services that can be imported in this industry in Panama are:

- Wind turbines
- Hydroelectric generators
- Thermo generators
- Towers
- Plant equipment
- Interconnection equipment
- Hydro power turbines
- Substation equipment
- Instrumentation and control systems
- Construction and engineering services.

## b) Key Players

Key players in the market are:

**Supplier Gas Natural Fenosa:** This is a major supplier of electricity and distributor in Panama. It is one of the multinational company leaders in the sector of gas and electricity with a growing and diversified international presence. In Panama it counts with four zones of distributions that deal with 490,000 commercial clients, services and industrials. It has a presence in 25 countries and counts with 20 million of clients and an installed power of 15, 4. It has more than 165 years of history and experience ([www.gasnaturalfenosa.com](http://www.gasnaturalfenosa.com)).

### **Gas Natural Fenosa**

Diógenes de la Rosa Ave., Building 812. Albrook, Panamá.

[www.gasnaturalfenosa.com](http://www.gasnaturalfenosa.com)

(507) 315-7222

**Electricity Trasmmitter ETESA:** ETESA offers the usage of the transmission network, with regulated fees. ETESA is authorized by ASEP (Public Services Authority) to provide the electric energy transmission service to the general public through 2025. It's ETESA's duty to promote the good use of the electric energy. The transmission system is formed by high tension transmission lines with a voltage equal or higher than 115 kilovolts, substations, transformers and other electrical equipment needed to transport electric energy from the point where the generator delivers that energy to the point where the distribution company receives that energy ([www.etsa.com.pa](http://www.etsa.com.pa)).

### **ETESA**

[www.etsa.com.pa](http://www.etsa.com.pa)

Sun Tower Plaza, Ricardo J. Alfaro Ave., El Dorado, Third Floor

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e-mail: [contacto@etsa.com.pa](mailto:contacto@etsa.com.pa)

## c) Regulatory Issues

Today, the country does not have specific rules and regulations for power generation equipment. Equipment made in the United States is widely accepted in Panama.

The market provides exceptional opportunities for hydroelectric generators, specifically in the small and medium size plants, and thermo generators. There is a great interest among various companies to build non-traditional energy sources. The government is expected to play a stronger role in promoting the use of these technologies.

On August 4, 2004, the Government of Panama approved Law No. 45 to give various incentives for the construction of new electric generation plants, especially hydroelectric plants (up to 20

MW) and clean energy sources. Additionally, in 2011, the National Assembly approved a law to promote wind power generation.

## **Energy Policy Framework**

Up until year 2006, the Panama's **Regulatory Entity (Ente Regulador de los Servicios Públicos, el Ente)** oversaw the operation of the energy sector, formulated and enforced policy. Private companies complained of its slow process in dealing with requests for information. Therefore, in February 2006, the Government enacted by Law the elimination of the Ente Regulador and the formation of a new **National Public Services Authority (Autoridad de Servicios Públicos Nacional, ASEP, <http://www.asep.gob.pa/>)**, with the objective to provide effective sector management by assuming administrative and regulatory functions over electricity providers.

Moreover, ETESA ([www.etesa.com.pa](http://www.etesa.com.pa)) is a private company that provides transmission services, central dispatch services nationwide for generators, sales to and from the spot market, and sales and purchases by distributors. ASEP provides approval for retail electricity tariffs and mandates rate changes by the distribution companies, sets transmission tariffs and provides approval for changes by ETESA, gives concessions and modifications to concessions, and provides approval for the expansion plans for the system proposed by ETESA. In the generation sector, ASEP approves the concessions for hydropower facilities or licenses for thermal generators.

## **Role of government**

The role of the Government is policy-making and law making through the different line ministries. These are organized through the *National Energy Secretariat (SNE)* that also foresees the *Energy Policy Commission (COPE)*, the *National Hydrocarbons and Alternative Energies Department (DNHAE)* of the *Ministry of Trade and Industry (MICI)* and the *National Energy Saving Commission (CONAE)*. The current power sector is regulated by the *Public Services Authority (ASEP)*. The creation of the SNE (National Energy Secretariat) in 2008 represents a step toward the consolidation of authority to make policy on energy issues. Under its predecessor, COPE, created at the time of the restructuring of the electric sector in 1997, the Government conducted studies but did not establish a legal framework for energy efficiency or implement demonstration projects, audit programs, or similar initiatives. SNE is now conducting the development of a draft energy efficiency law sponsored by the IDB, Inter-American Development Bank.

## **Government agencies**

The regulatory framework for electric power services (*Marco Regulatorio y Institucional para la Prestación del Servicio Público de Electricidad, Law No. 6, 1997*) created the *Energy Policy Commission (Comisión de Política Energética, COPE)*, to develop energy sector policy and create its strategy. The State will foster non-polluting energy projects and create policies for developing electrical industry activities set by COPE, with the *National Environmental*

*Authority (Autoridad Nacional del Medio Ambiente ANAM)* with regards to how they affect the environment and the natural resources.

### **Regulatory Renewable Energy Framework and Incentives**

The main legislation is included in article 55 of Law No. 6 of 1997 saying that it is part of the function of the State to promote the use of the regulatory framework to diversify energy sources, ameliorate negative environmental effects and reduce the country's reliance on traditional fuels.

COPE (Energy Policy Commission) issued two resolutions in 2004 (4001 and 4002) in order to promote the construction of hydroelectric and wind generation plants. For standings up to 10 MW, there is no transmission charge, import tax exemption for equipment and spare parts, and tax exemption of up to 25% on the income tax related to the direct costs of the project during the first ten years of commercial operation. For standings of 10 to 20 MW, there is a transmission charge exemption in the transmission of the first 10 MW in the first 10 years of the operation, no permission to contract directly with the distribution company, and a fiscal incentive of up to 25% of direct cost based on CO2 emissions reduction that is only applicable to 50% of tax income (not 100%). Over 20 MW, stations benefit from the same incentives as 10–20 MW stations, but must pay the transmission charge. Panama also gives subsidies to finance up to 5% of direct costs of all projects to be of public use, permission to sell up to 15% of electricity to any distribution company, and permission to sell electricity on the spot market.

The National Assembly of Panama recently approved two renewable energy incentive laws. The incentive laws include import-tax exemptions on equipment, as well as a credit equal to 5% of the value of the works for public use. The government announced that it will award 150 MW of wind energy contracts. Also, a law was created in favor of wind developers, under which they are eligible for a 25% repayment of their investment based on carbon credits. This has been limited to projects under 10MW and large hydropower schemes.

The second new law established an ethanol blend in fuel, starting at 2% by April 2013 and rising to 10% by April, 2016. It allows electricity sales to ETESA from biomass energy —from agricultural waste and residues from ethanol with the requirement that distributors must purchase all biomass power supplied to the grid.

SNE needs further technical and institutional enforcement to assure the application of an energy efficiency policy. While the Government has implemented diverse energy efficiency programs with Government agencies starting in the 1980s, some have not been able to monitor and control.

If there are no provisions for the purchase of energy from intermittent generation from wind, renewable sources of energy generation will not be able to participate efficiently in the marketplace.

### **Regional Approach For Grid Linkages**

*SIEPAC* (System for the Central American Electrical Interconnection System) is an interconnection of the power grids of six Central American nations. Central America has been

discussing plans to link the region's electricity grids since 1987. The suggested project involves the construction of transmission lines connecting 37 million consumers in Panama, Costa Rica, Honduras, Nicaragua, El Salvador, and Guatemala. It is not decided yet if Belize, who buys much of its power from Mexico, will also be involved. SIEPAC will cost approximately US\$320 million without the interconnections with Mexico (US\$ 40m), Belize (US\$ 30m) and Panama (US\$ 200m). Its estimated completion date was in 2010.

#### **d) Projects and Opportunities**

In February, 1995, the Government of Panama passed legislation that allows IRHE, the government electric utility to purchase energy from private suppliers. IRHE published that it plans to purchase electric energy from a 100 M.W. plant to be built and managed by a private company. The companies that invest in a power plant can also sell energy to other Panamanian companies. The Inter-American Development Bank (IDB), is seeing the probability of funding a 120 M.W. hydroelectric plant to be built and managed by IRHE in the province of Chiriqui, even though they believe the project will not be cost efficient. Panama's demand for electricity grows by 40 Megawatts per year. The IRHE does not have the investment capability to meet it, so a growing participation of the private sector, especially foreign investors, is required (<http://panamabusiness.tripod.com/commercialguide.html>).

The following are a couple of projects that are in an early development stage for the construction of wind and hydro electricity power plants. They have great U.S. export potential and will provide many benefits of human capital employment in Panama.

#### **I. Pedregal Power 20-40 MW Wind Project**

Pedregal Power Company (PPC) is interested in developing one and possibly two wind projects. The company is currently reviewing Panama wind map for 5-6 locations in order to start wind mapping in 3 sites. PPC is reviewing these sites for land purchase or lease. Feasibility analysis made by the company confirms the economy of scale for a lucrative wind farm with an average speed of 20-40 MW range in Panama. PPC is currently open to receiving bids from wind turbine manufacturers ([http://buyusainfo.net/docs/x\\_827397.pdf](http://buyusainfo.net/docs/x_827397.pdf)).

#### U.S. Export Potential

The major components of the wind project are a wind turbine, tower, balance of plant equipment, and interconnection equipment. Several major U.S. and international manufacturers produce equipment for wind turbines in the U.S. for domestic and regional markets. The 20 MW project will have a total cost of approximately \$40 million, 75% or \$30 million will be for the cost of the wind turbine and the rest consists of the plant, interconnection and soft costs. U.S. exports are 75% of the total project cost. In 2008, the U.S. installed over 4,000 MW of new wind capacity bringing total of over 22,000 MW. Based on AWEA, over 50% of these wind turbines are manufactured in the U.S.

- Clipper (Cedar Rapids Iowa);

- Vestas Americas (Portland, Oregon and production facilities in Colorado);
- GE Energy (Tehachapi, California and production facility in Pensacola, Florida)
- Suzlon Wind Energy Corporation (Chicago, Illinois and production facilities in Pipestone, Minnesota)
- Gamesa (Langhorne, PA with production facilities in Fairless Hills, PA).

## Benefits

This project will yield economic and technical benefits to Panama and the region with the reduction of greenhouse gas emissions.

**Infrastructure:** In order to meet the 5-7% annual increase in demand, Panama needs to increase its electric generation capacity. When the 30 MW of wind is built, the project will supply power to over 45,000 households.

**Human Capacity Building:** The development of the plant will require both skilled and unskilled human capital, with a maximum of 100 qualified professionals during the peak phase of construction. During the operation phase, employment jobs will be available for technical, administrative and security staff as well as personnel for the plant.

**Other:** The implementation of this Project will bring an alternate source to the energy mix of the country. It will bring every year 70GWh of renewable energy to the national system and avoid 54,000 tons of CO<sub>2</sub>. It also permits the project to be registered under the Clean Development Mechanism (CDM) and trade with Certified Emission Reduction credits (CER). Also, the project will save Panama \$4 million of fuel imports for thermoelectric plants (70,000 Bbl. of Bunker). The project is in its early development phase. The Project Sponsor indicated interest in cooperating with U.S. companies for project preparation, feasibility and investment studies, EIA, cost estimating, project design and engineering, and EPC contracting.

If interested please contact the Project Sponsor for more information and the next cooperation steps.

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## **II. PanAm 29 MW Barro Blanco Hydro Project**

In January 2007, Genisa participated in a public tender for the award of fifteen hydroelectric concessions that it won and for which it paid the amount of \$750,000 to develop the Barro Blanco hydro project located in the Tabasara River in Panamá.

The project consisted of a reservoir and a roller compacted concrete dam. The reservoir would be 103 mts. above sea level. The rainfall on the Ngobe Bugle mountain region falls into the Tabarasara River. The Project would have an installed capacity of 29 MW. The design recommended the use of two (2) Kaplan (13.5 MW) and one (1) Francis (2 MW) turbines with efficiency of 93% (at full charge).

The status of the project is that the request for the Concession Contract to the ANSP and the EIA (Environmental Impact Study) approval from the ANAM (National Authority of the Environment) has been granted. A hydrological study has been completed. The request for the Water Concession Contract to the ANAM, the Power Generation License to the Regulating Agency and the interconnection to the Etesa Substation is in progress. The Land Purchases have been completed ([http://buyusainfo.net/docs/x\\_827397.pdf](http://buyusainfo.net/docs/x_827397.pdf)).

Generadora del Istmo S.A. (Genisa) is a company incorporated in Panama created for the development and operation of the Barro Blanco (BB) hydro project. The company will be accompanied in its development efforts by the companies PanAm Generating Ltd. and Luz y Fuerza de San Lorenzo S.A. de C.V.

PanAm was incorporated in 1999 for the operation of power generating projects in Panama. It owns and operates the 96 MW Wartsila thermal power plant, provides 13% of the energy demand in Panama and represents approximately 7% of firm generating capacity installed in Panama.

In 1994, Luz y Fuerza de San Lorenzo S.A. de C.V. (Lufussa) was created for the development and operations of power generating projects in Honduras. It owns and operates three power plants with an installed capacity of 389 MW, a fuel terminal, a 14 km oil pipeline and a 117 km power transmission line.

GENISA now forms part of the PanAm and Lufussa power generating team. Genisa will work with both companies on the design, operations, development and maintenance of power generation projects with differing technologies.

Its board of directors chose to invest in Panama because of Panama's current and expected economic growth, PanAm Generating's existing asset base in the country and experience in the energy sector, Panama's connection to the Central American Interconnection Transmission Line, and its Board of Directors believes in the investment in alternative energy sources.

## US Export Potential

The export potential for the development of this project lies in the procurement of hydro power turbines, substation equipment, instrumentation and control systems, and construction and engineering services. The project cost is about \$95 million for 29MW plant. U.S. exports could be \$42 million (45% of the total cost).

Some of the U.S. firms that can supply the equipment are:

Hydro Turbines:

- Canyon Hydro;
- Voith Siemens Hydro Power Generation;
- American Hydro Corporation;
- The James Leffel & Co.;
- North American Hydro;
- GE Energy Hydro.

U.S. engineering companies may be interested in EPC, services or task design contracts. Some of these include:

- Black and Veatch;
- MWH Global;
- Shaw Group (Stone and Webster);
- USR (Washington Group);
- HydroWest International;
- PB Power

## Benefits

Infrastructure: This project will be utilized to provide power at more competitive prices and eliminate the dependence on expensive petroleum-based power. The project will provide power to over 50,000 households.

Human Capacity Building: The development of this power plant will help create jobs. The development of the plant will require 100 qualified persons during construction. During the operations employment opportunities will be given to technical, administrative, and security people. The number of this personnel envisioned in the plant will be 14.

Others: Savings in CO2 avoided emissions of an estimate of 60,000 tons per year.

The project still does not have funding and required some development work. The Project Sponsor indicated interest in cooperating with U.S. companies for project preparation, feasibility and investment studies, EIA, cost estimating, project design and engineering, and EPC contracting.

If interested please contact the Project Sponsor for more information and the next cooperation steps.

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### **III. Project 20 –PanAm 4 MW Cerro Viejo Hydro Project**

In January 2007 Genisa participated in a public tender and won the concession rights to develop the Cerro Viejo hydro project located on the Corita River in the Veraguas Province in Panamá.

The pre-feasibility study of the project foresees the utilization of one Kaplan (4 MW) turbine and run-on-river configuration. The project includes a “89 m length and 15 m height (to the crest) dam, a right scour outlet, a discharge channel, a charge chamber and machinery house”. The drain area of the project is about 97 km<sup>2</sup> and has an average flow of about 6.50 m<sup>3</sup>/s.

No significant progress has been made on the project. The project sponsors are Generadora del Istmo S.A. (Genisa) accompanied by the sister companies PanAm Generating Ltd. and Luz y Fuerza de San Lorenzo S.A. de C.V ([http://buyusainfo.net/docs/x\\_827397.pdf](http://buyusainfo.net/docs/x_827397.pdf)).

The cost of the project is estimated at \$14 million (\$3,300/kW). The project will be financed via 25% equity investment and 75% bank financing.

#### U.S. Export Potential

The export potential of this project lies in the purchasing of hydro power turbines, substation equipment, instrumentation and control systems, and construction and engineering services. The overall estimated project cost is approximately \$14 million for 4MW plant. U.S. exports could represent 45% of the cost or \$7 million.

The Project Sponsor provided the Consultant with a number of summary estimates during the pre-feasibility effort.

Examples of U.S. firms that can supply the equipment are:

Hydro Turbines:

- Canyon Hydro;
- Voith Siemens Hydro Power Generation;

- American Hydro Corporation;
- The James Leffel & Co.;
- North American Hydro;
- GE Energy Hydro.

U.S. engineering companies may be interested in EPC, task design contracts and services suppliers. Some examples of them are:

- Black and Veatch;
- MWH Global;
- Shaw Group (Stone and Webster);
- USR (Washington Group);
- HydroWest International;
- PB Power.

The Consultant has spoken with major equipment manufacturers and confirmed their interest in delivering hydro turbines for small projects in Central America. Manufacturers specified price and quality as major reasons for the delivery of equipment in the region.

### Developmental Impact

Infrastructure -- This project will be utilized to provide power at more competitive prices and eliminate the dependence on expensive petroleum-based power. This project is expected to be about 29 MW. The project will provide power to over 50,000 households.

Human Capacity Building -- The development of this power plant will help create jobs. The development of the plant will require 50 qualified persons during construction. During the operations employment opportunities will be given to technical, administrative, and security people. The number of personnel envisioned in the plant will be 5.

Other – Thinking on 11 GWh of electricity produced by hydro plant, savings of CO2 emissions estimated at 8,000 tons per year.

The proposed project is in its early development stages and requires development work. The Project Sponsor indicated interest in cooperating with U.S. companies for project preparation, feasibility and investment studies, EIA, cost estimating, project design and engineering, and EPC contracting.

If interested please contact the Project Sponsor for more information and the next cooperation steps.

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#### **IV. Project 21 – ACP 48 MW Alto Chagres Hydro Power Plant**

The Panama Canal Authority (ACP) is planning a project to use the Chagres River through the building, maintenance and operation of a hydroelectric power station with a regulation dam and an installed capacity of 48 MW.

The project includes “a dam, spillway, water intake, pressure pipe, machine house with three Francis turbines on the bank of the river to make the turbinated water flow to the Panama Canal Alhajuela (Madden) reservoir, a substation, a transmission line and access road”. The energy generated by the project will be for the ACP and selling the remainder to the national electricity market of Panama ([http://buyusainfo.net/docs/x\\_827397.pdf](http://buyusainfo.net/docs/x_827397.pdf)).

The project includes three (3) Francis turbines of 16 MW connected to generators with a total capacity of 48 MW. It will also have a 115 kV substation located 200 meters from the station and a transmission line of 115kV connected to the national electric system through the closest transmission line to the project to transport the energy produced by the hydroelectric power plant. The connection points to the electric national grid are the Madden Substation or Calzada Larga Substation.

The main elements that are included in the Alto Chagres Hydroelectric Project include:

- A concrete dam,
- A spillway with gates to protect the dam against the maximum over flood,
- Two culverts that will be incorporated to the facility to reduce the level of the river in case of emergency
- An electric generating plant with the capacity of 48 MW to regulate water inflow to the Alhajuela Lake.

The dam has a reservoir with a gross capacity of 530 million cubic meters at Elevation 210. The area of the reservoir at full supply is 13.9 square kilometers. The dam is approximately 140 meters in height and a ramp spillway gates will be located in the center-left portion of the dam. Water will have maximum flood of 6,300 m<sup>3</sup> / s using an overload of 2.9 meters above the maximum level of supply. Six gates will handle the control. A spillway will deliver flood flows into a pond 200 meters down from spillway.

To reduce the water level, the spillway and one of the diversion channels will be used. For the emergency drain, a tower will be built with a hole 4 by 4 meters. Also, two gates 3 meters wide and 4 meters high installed at Elev. 115 will be used.

The inside consists of a vertical shaft and a horizontal tunnel connecting to the station of the plant, which has three (3) Francis turbines of 16 MW connected directly to generator with installed capacity of 48 MW. It will have a 115 kV substation located 200 meters from the power generating station and a transmission line of 115 kV to the national electric system to transport the electric energy produced by the project. For the operations of the plant, a SCADA system will be used for monitoring the project.

#### Project Sponsor

The Panama Canal Authority (ACP) is the entity of the Government of Panama established under Title XIV of the National Constitution for the operation, administration and management, of the Canal, as well as services so the Canal may operate in a safe, efficient, and profitable manner.

### Developmental Impact

Infrastructure -- The Project will be utilized to deliver power at competitive prices and reduce the dependence on petroleum-originated power. The project is expected to be about 48 MW. The project will be able to provide power to roughly over 80,000 households.

Human Capacity Building -- The power plant will help create jobs. The construction of the plant will require 200 qualified persons during construction.

Operations employment opportunities will be made available for technical, administrative, and security people during the operation phase.

Other - Assuming 150 GWh of electricity produced by hydro plant, the CO<sub>2</sub> avoided emissions are estimated to be at 115,000 tons per year. Other advantages are to preserve the volume of the reservoir water of Lake Alhajuela and have regulated inflow of water to the Alhajuela Lake. After the project is completed, the performance of the water supply system for the Panama Canal will increase by 400 million cubic meters per year, with a reliability of 99.6%. This is the same as almost 5.3 additional daily locks.

### Implementation Financing

At this stage of the study, the cost of the project implementation is estimated to be \$150 million. ACP will most likely be interested in 50% equity funding (similar to other projects funded that way). If not, the ACP may choose to fund the project using its balance sheet, which is solid. Most of the banks are expected to be interested in providing the debt portion of the funding. Financing of this project has been discussed by the consultant with CABEL, IDB, and the WB. All organizations were familiar with ACP and responded with the possibility of new project funding for them.

### U.S. Export Potential

Most of the export potential of this project is in the purchasing of hydro power turbines, substation equipment, instrumentation and control systems, and construction and engineering services. U.S. exports could be as much at the \$65 million (45%) level.

Examples of U.S. firms that can supply the equipment are:

Hydro Turbines:

- Canyon Hydro;
- Voith Siemens Hydro Power Generation;
- American Hydro Corporation;

- The James Leffel & Co.;
- North American Hydro;
- GE Energy Hydro.

Examples of U.S. engineering companies that may be interested in EPC, task design contracts and services include:

- Black and Veatch;
- MWH Global;
- Shaw Group (Stone and Webster);
- USR (Washington Group);
- HydroWest International;
- PB Power.

The proposed project is in its early development stages and requires development work. The Project Sponsor indicated interest in cooperating with U.S. companies for project preparation, feasibility and investment studies, EIA, cost estimating, project design and engineering, and EPC contracting.

If interested please contact the Project Sponsor for more information and the next cooperation steps.

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### **e) Supply Chain Strategy**

Seventy percent of electrical power systems in Panama come from the US, due to its competitiveness in the design, manufacture, and implementation of the project scope. However, US companies will face competition in the future by companies such as Toshiba (Japan); Voith Siemens (Germany); Sulzer Hydro Ltd. (Switzerland); Moller Udenas Turbin AB (Sweden); Wasserkraft Volk AG – WKV (Germany); Alstom (France); Pompes RITZ France SAS (France); CITIC Heavy Machinery Company Ltd. (China); Andritz VA TECH Hydro (Austria); Bouving Fouress Limited (India); Dongfang Electric Corporation (China); Harbin Power Equipment Company (China); Norcan Hydraulic Turbines Inc. (Canada); Kharkov Turbogenerator Plant “Turboatom” (Ukraine); and LMZ (Russia).

The history of electrical power systems in Panama dates from the beginning in the 19th Century going through the first private investments until the Panama Government took over in 1961. The

nationalized enterprise lasted 37 years until 1994 when it was privatized once again. Now the private enterprise is responsible for the generation, transmission and distribution in a horizontal structure. The total installed capacity in 2009 was of 1,789 MW with hydro-electric being 49% and thermal being 51% of the total installed electricity capacity (<http://www.reegle.info/countries/panama-energy-profile/PA>).

Electricity demand is dominated by the commercial sector, followed by the residential, Governmental and industrial sectors. The peak load is estimated to be approximately 1100 MW; therefore, Panama possesses a considerable reserve margin for export purposes. In dry years the capacity of thermal power plants is sufficient to make up for the lower output of hydro facilities.

Panama has no proven reserves of oil, gas or coal. Its energy balance is dominated by oil products, which comprised 75% of total primary energy supply in 2008. The total primary energy supply of 2007 is 2,824 ktoe. Petroleum products compromise 75.7% of the products, combination of renewable and waste 13.5%, hydro electric 11.2% and electricity exports -0.4%.

The fuels are imported, mainly from Argentina, Chile, Colombia, Curacao, the United States, and Venezuela. There are developments in petroleum exploration activities in the east, with likelihood of resources shared with Colombia.

There is a lot of potential for growth in the Panamanian electric power sector. Twenty percent of Panamanians still do not have access to electricity, especially in the rural areas.

As soon as the sector privatized, Panama went from being a net importer of electricity to a net exporter. In July 2006, the SIEPAC (Central America Electrical Interconnection System) started to expand in order to create a wholesale electricity market to bring down the cost of energy and enhance the efficiency of the Central American electricity grid.

During the past decade, Panama has increased its electricity coverage measures, and is now the Central American country with the second highest coverage rate (88%). Nevertheless, during that period, generating capacity increased due to fossil fuel sources, with the result that the thermo-electric share of the power generation mix grew from 30% in 1999 to 48% in 2008. Even though this process made it possible to meet the urgent need to expand installed capacity, rising oil prices affected the sector and helped raise the average power price.

In addition to this, the transmission network has not been changed to facilitate the expansion of new generating capacity. While demand in the central zone of the country has been advantaged despite the rest of the other provinces, it has created bottlenecks affecting the energy prices for consumers.

The share of hydropower generation in Panama's total output has remained at high levels due to the country's significant hydropower capacity. Panama does not yet have non-conventional renewable generation in place, due to the preference for fossil fuels generation.

## Solar

Panama has an average horizontal irradiance of 5.0-5.5 kWh/m<sup>2</sup>/d and great opportunities for solar energy production. No operations with the technology have been produced yet, even though distributed small solar systems are being investigated as an option to rural electrification.

## Wind

Panama has unexploited wind resources. There are two companies that are currently building wind fields in Panama. One will be used to provide power to the community of Los Pozos, the first 100% renewables energy project in the country.

## Hydropower

There are great opportunities for hydroelectric power in the country. A law has been promoted to propose mini-hydroelectric projects to reduce oil imports needed by thermal plants. However, Panama's ability to continue to expand its hydropower capacity may face greater opposition in the future due to the following reasons:

- *Community opposed to hydropower projects.* People in the province of Chiriquí have opposed large-scale hydropower projects. People opposed to the projects include indigenous communities from the region.
- *Transmission limitations.* The transmission network in Panama is still weak with regards to capacity to deliver power from the western and eastern parts of the country to the center.
- *Not proceeding tendering processes.* The main reason for the lack of interest in tendering processes was that the contracts were too short to ensure an adequate return and maximum prices were also not acceptable.

## Biofuels

Panama has an interest in biofuels technologies, as an export for US consumption. In 2007, the President declared that the country has an interest in developing extensive biofuels research.

## Geothermal

Panama has 400 MW of geothermal resource. However, the inclination to exploit this form of energy is slow. Private-sector companies are more interested in wind power, and the Government is concentrated on promoting hydro-electricity.

## Ownership

In 1998, the vertically integrated electricity utility *IRHE, Institute of Hydraulic Resources and Electrification*, was privatized and became part of a reform program that included creating a new

regulatory framework, a wholesale electricity market, and a new tariff regulation. In 1997, the utility, (IRHE), had 920 MW of installed capacity, two-thirds hydroelectric and one-third thermal and a distribution grid.

IRHE was composed into four generation companies (Bayano, 192 MW; Bahia las Minas, 292 MW; Fortuna, 300 MW; and Chiriqui, 222 MW); three distribution companies (Metro-Oeste, 195,000 customers; Noreste, 148,000 customers; and Chiriqui, 65,000 customers); and one transmission company that will be part of the government. In 1997 IFC advised the Government of Panama on the privatization of its utility IRHE and its restructuring into four generation companies, three distribution companies, and one transmission company. The privatization resulted in an immediate private capital inflow of US\$600 million and reduced retail tariffs by 10%. The transaction was completed in 1999.

Stakes in the generation companies were sold for a total of US\$302 million: 49% of Fortuna was awarded to a Coastal Power and Hydro-Quebec consortium for US\$118 million, 49% of Bayano and Chiriqui was sold to AES Corporation for US\$92 million, and 51% of Bahia las Minas was awarded to Enron International for US\$92 million. Stakes in the distribution companies were sold for a total of US\$301 million. Union Fenosa acquired Metro Oeste and Chiriqui for US\$212 million, and Constellation Power acquired Noreste for US\$89 million. There was an immediate private capital inflow of US\$600 million, a transfer of US\$250 million in government-guaranteed debt to the private sector, the transformation of a state power monopoly into seven private companies; and a 10% reduction in the average level of end-user tariffs.

## **Energy**

The National Energy Plan released by the National Energy Secretariat in 2009 developed a generation plan with the installation of an additional 1299.80 MW by 2023 through:

- 706.30 MW from hydropower
- 473.50 MW from thermal power
- 120 MW from wind power.

The National Energy Plan also recognized a draft expected in late 2010 that would focus on the need to achieve developments in efficiency in buildings and appliances as well as to promote public education.

## **Energy Procedure**

Based on reports of the Ministry of Economics and Finance (MEF), more than 90 new hydropower projects are in construction stage. Temporary licenses have been granted to 17 wind projects. Energía y Servicios de Panamá, S.A. (ESEPSA), a subsidiary of Unión Fenosa, increased its hydroelectric capacity by 10 MW.

The electrical system being used in Panama is 120 volts AC, 60Hz. They typical U.S. appliances work in panama. If you forger your cell phone charger, you can prushase it in Panama because it is the same as those in the United States.

The power supply in Panama is frequently interrupted. A power cut can be anything from a couple of minutes to a couple hours. However, it is rare that it will run into days. Rural areas will suffer far more from these more than urban areas.

The pricing of your electricity bill is calculated on the area where you live. If you are in an expensive area you may find that you are paying 3 or 4 times more than a colleague who lives in a simpler neighborhood. If you are in a large house and you run air conditioning frequently, your electricity bill could be as much as \$200 a month, though most people pay much less than this because they only run appliances and air conditioning when they need them. Most people will pay an average of \$30-40 per month. Those who are in the country in one of the retired person programs will be able to claim a discount.

In order to have electricity you need to register with the supply company. In Panama this is an organization called Union Fenosa which is overseen by the government. There is no other choice of electricity providers even though supplies to rural areas may be serviced through a smaller distribution company. To sign up, you only need to call them and give them your details.

Union Fenosa is a Spanish company in operation in different countries of the world, mainly Spanish speaking countries. All the information required to sign up can be found on the website along with contact details for the company.

With regards to the bills, they can be paid in a number of ways. It is possible to pay bills online even though many people choose a direct debit system because it is easier. The bills can also be paid over the counter in one of the electricity company's outlets, through integrated utility payment facilities, or in the bank. Accepted payment methods include checks, cash and money transfer.

Non-payment of bills means that your supply will be cut off. Unlike other countries, you will probably not get any notice for this happening. Often, the procedure can be stopped by indicating that the bill has been paid online.

## **SECTION IV**

### **CULTURAL NUANCES**

#### **D) GUIDE TO BUSINESS ETIQUETTE**

Panama is a multi-cultural society with a diverse population which has its culture and traditions. To be successful in this growing multicultural country, one must fully understand the various customs and traditions which impact Panama's business culture and etiquette. Panamanians speak Spanish. The business community broadly speaks English as well as workers in multinational American companies.

## **Panama Society & Culture**

### **Person to Person Contact & Respect**

An important value in Panamanian culture is that of maintaining the person to person contact. To maintain person to person contact, Panamanians control their behavior and emotions in public. They do not confront or criticize other people openly nor use an indirect communication style. Losing the respect of other associates has negative consequences on a person's family, an individual's reputation or other social groups to which the person belongs to, influencing credibility and authority.

### **Diversity**

Panama has a diverse ethnic group, as well as workers, including citizens from the nearby countries such as Colombia and Venezuela. The country values the diversity of its people and emphasizes the importance of accepting differences. Religious and ethnic differences are widely embraced in the Panamanian society and customs and traditions are valued, maintained and respected. Panama serves as an 'umbrella' culture to which all individuals feel a sense of belonging.

### **Business Etiquette and Practices**

- It is advisable to ask a Panamanian what name he/she would like to be called. When meeting a person for the first time, it is prudent to use the appropriate title and last name until advised differently.
- In business negotiations, utilize the complete name of the business including the abbreviations on the type of business; for example, Inc., L.L.C., Corporation, etc.
- Introduction is usually performed based on age and status. When you make an introduction for the first time in formal meetings, it is important to use the person's title and family or personal name. A gentle and elegant handshake is the common form of greeting in business situations. It is also important to introduce the people around you. Make sure to individually greet and say goodbye to each person at every gathering.
- Personal relationships are equally essential to business success in Panama. It is crucial to establish and maintain good relationships with key business contacts and relevant government officials. Attending industry networking events, contacting industry associations and municipal or provincial investment promotion bodies, and following up on personal introductions are all good ways to start the relationship-building process. Usually, thank you notes and emails of acknowledgements after the first introduction are a good method to initiate relationships.

- Business cards are usually exchanged immediately after the introduction. It is advisable to receive the business card with both hands, look at it carefully and smile to show the giver has been acknowledged and kindly appreciated.
- The business dress code is formal business attire. Usual business attire consists of dark trousers, long-sleeved shirts, ties for men, and a suit; blouses, skirts or trousers and suits for women.
- Appearance is very important. Dress well, stay at the best hotels and host at prestigious restaurants.
- In business negotiations and discussions, Panamanians tend to be peaceful and composed. They do not openly show their emotions. Speaking in an elevated tone is considered rude.
- Negotiations are often conducted gradually and Panamanians like to bargain a lot.
- Business in Panama relies heavily on personal relationships. Make sure you have some.
- In business, any gift should be given to the group instead of an individual. This is true especially when giving gifts to government employees since this may be considered bribery which is prohibited by strict laws in Panama.
- Gifts are given to celebrate finalizing a negotiation, a contract, or a project. Gifts for the office, a nice bottle of wine or liquor would be appropriate.
- Taking a business associate to a nice meal or an evening sporting event, play, or symphony is always a nice gesture.
- The business language in Panama is Spanish. However, since English is widely spoken in American multinationals in the country and in the Colon Free trade Zone, the business community is used to speaking in English during negotiations with American companies.
- Trade negotiations are expected to be done in person or through a phone call. Follow ups to personal or on the phone negotiations are usually performed via email, in person or through a phone call. Email and phone calls simultaneously are the preferred methods for long distance follow up communications. Prompt emails and phone calls that are descriptive of the status of the negotiation, concise, polite and on time facilitate the success of business negotiations and deals.
- Timeliness is expected in personal or telephone meetings. It is also crucial and expected in the process of following up with business negotiations. Timely emails, phone calls and person to person (if possible) follow ups all together facilitate the flow of negotiations and the success of deals. Do not be late and know who is the boss.
- Deals are usually done quickly if there is a goal and common interest from both companies, especially if they are meant to develop a business relationship in the long term. For this reason, the promptness and timeliness of follows up via email and through a phone call are

very important to show sincere interest in the deal, the company, the people and the market. Rather than just following up through email, both phone and email communications are required when following up with a negotiation to make a deal.

- Panamanian distributors prefer a direct contact with U.S. manufacturers rather than the U.S. distributors because it allows them to gain a great part of the margin of the intermediary. It also guarantees them the quality expected in the American product and allows them to establish long term relationships with U.S. manufacturers for future businesses with other products and services in the American company's lines of business. However, some Panamanian distributors would be willing to do business with distributors if there is a value added in margin, shipping and handling costs reductions and/or they can not locate the product elsewhere. Yet, the majority of the Panamanian distributors prefer to do business with U.S. manufacturers for the long term.

## **F) EXAMPLE CASE STUDY**

### **I. The Reform of the Credit Bureau System in Panama**

Many of Panama's 300,000 small and medium businesses, employing 68% of workers in the country, were cut off from loans under previous credit bureau regulations. And more than 40% of Panamanian adults, mainly the poorest, had no formal credit options. This was in spite of Panama's advanced financial markets.

But an ambitious reform of Panama's credit bureau law passed in 2006 is making credit more accessible for citizens and businesses. This case study looks at how Panama managed to pass the 2006 law allowing more credit information to be obtained and allowing more potential entrepreneurs to build credit histories.

#### **Main Findings**

- Panama's new credit bureau law improved the depth of the credit information system, the quality of the data in credit databases, and the accuracy of the risk analyses.
- For example, the new law allowed entrepreneurs and smaller enterprises to request the addition of information on utility payments to their file, helping them build a credit history to raise their chances of getting formal credit.
- The law also empowered consumers by requiring that credit bureaus provide them with free and unlimited access to credit reports and allow inserted explanations or complaints about negative incidents on these reports.

### **II. Financial Feasibility, Planning, Transaction Structuring and Military Base Reconversion in the Panama Pacific Special Economic Zone Agency**

IMG, an U.S. firm, was hired as an engineering and financial consultant for the Government of Panama (GOP) and the IFC, a World Bank subsidiary, with the goal of determining the feasibility and analyzing the sale of more than 5,000 acres of the previous U.S. Howard Air Force Base (HAFB) in Panama. The project focuses on the redevelopment of the largest military base in Panama, and changing it into a large economic development area via commercial and residential

development in alliance with the private sector. The land property is located 10 miles south of the center of Panama City and consists in over 400 acres of land space reserved for an international airport, and more than 2.5 million square feet of built property that housed over 20,000 people ([http://www.imggroup.com/case\\_studies/HowardAirForceBase.htm](http://www.imggroup.com/case_studies/HowardAirForceBase.htm)).

### **Situation Analysis**

The Government of Panama wanted to foster the development that would promote economic growth and job creation. The IFC and IMG were hired to help the Government of Panama accomplish these goals with the private sector.

### **Solution**

IMG performed various technical financial studies to find the specifications for attracting a master developer to the project meeting the requirements of the Government of Panama. IMG studied the demand of the Panamanian market and the transportation systems to analyze their effect. A financial feasibility study was developed to find the adequate pricing for the property.

IMG developed a physical and environmental study of all facilities to promote the development of a land use plan and project master plan. Also, IMG performed and delivered an environmental baseline study to prospective concessionaires.

### **Value Created**

Consequently in the early years of the project, the Government of Panama gave the Howard Air Force Base status as an economic zone that provides special labor, trade incentives and tax breaks for businesses that create the type of jobs the Government of Panama is looking for. IMG collaborated in preparing the information needed for the terms of reference that were delivered in November of 2005, and also offered marketing consulting that ended in a prosperous pre-qualification at the start of the year 2006. With the cooperation of IMG in the elaboration of the RFP and by the proposal evaluation process, a long-term contract was signed in 2006.

## E) RESOURCES

- Ministry of Commerce and Industry of Panama – <http://www.mici.gob.pa/base.php?hoja=homepage>
- Maps of the World - <http://www.mapsofworld.com/country-profile/panama.html>
- Wikipedia <http://es.wikipedia.org/wiki/Panam%C3%A1>
- Panamá Guide - <http://www.panama-guide.com/interiors/>
- Central American Data <http://en.centralamericadata.com/en/tsearch?q=Panama&start=75>
- Global Trade - <http://www.globaltrade.net/f/market-research/text/Panama/Selling-BUILDING-MATERIALS.html>
- Transcribe - <http://www.transcribe.com/>
- Grupo Cusa - <http://www.grupocusa.com/>
- Ingeniera RM - <http://www.ingenieriam.com/>
- CAPAC - <http://www.capac.org/>
- American Chamber of Commerce in Panama - <http://www.panamcham.com>.
- Panama Chamber of Commerce - <http://www.panacamara.com>.
- Expocomer (Commercial Trade Show) - <http://www.expocomer.com>.
- Government of Panama's Electric Regulatory Agency - <http://www.asep.gob.pa/>.
- Government of Panama's Science/Technology/Innovation - <http://www.senacyt.gob.pa/>.
- [http://buyusainfo.net/docs/x\\_827397.pdf](http://buyusainfo.net/docs/x_827397.pdf)
- Export.Gov Office of Technology and Electronic Commerce- <http://web.ita.doc.gov/ITI/itiHome.nsf/9b2cb14bda00318585256cc40068ca69/746d19ebc7fa59d085256d1a0050e148?OpenDocument>
- Export.Gov - <http://export.gov/panama/u.s.-panamafreetradeagreement/>
- GBM- <http://www.gbm.net/>
- Yoytec - <http://www.yoytec.com>
- Multimax - <http://www.emultimax.net/>
- Panafoto - <http://www.panafoto.com>
- Pro Invex- Ministry of Commerce and Industries of Panama [http://proinvex.mici.gob.pa/index.php?option=com\\_content&view=article&id=44&Itemid=56](http://proinvex.mici.gob.pa/index.php?option=com_content&view=article&id=44&Itemid=56)
- Doing Business - <http://espanol.doingbusiness.org/data/exploreeconomies/panama/>
- Panamá Info - <http://panamainfo.com/es/como-empezar-un-negocio-en-panam%C3%A1-0>
- Panamá America - <http://www.panamaamerica.com.pa/notas/1108082-panama-mantiene-liderazgo-como-mejor-pais-para-hacer-negocios-en-centroamerica>
- Embassy of the United States of Panama - <http://panama.usembassy.gov/business/doing-business-in-panama.html>
- Cámara de Comercio, Industrias y Agricultura de Panamá: <http://www.panacamara.com>
- Consejo Nacional de la Empresa Privada: <http://www.conep.org.pa/>
- Asociacion Panameña de Ejecutivos de Empresa: <http://www.apede.org/>
- Ciudad del Saber: [ciudadelsaber.org/](http://ciudadelsaber.org/)
- Autoridad de la Micro, Pequeña y Mediana Empresa: <http://www.ampyme.gob.pa/>
- Panama Pacifico: <http://www.panamapacifico.com/>
- Zona Libre de Colón: <http://www.zolicol.gob.pa/index.php>
- Tribaldos Real Estate Corp. - <http://www.tribaldos.com.pa/es/panama>
- Arias, Fábrega & Fábrega - <http://www.arifa.com/arifa/images/stories/DocsPDF/Art-800.pdf>
- Galindo, Arias y López - [http://www.taglaw.com/files/Doing%20Business%20Guides/Doing\\_Business\\_in\\_Panama\\_GALA\\_041](http://www.taglaw.com/files/Doing%20Business%20Guides/Doing_Business_in_Panama_GALA_041)

