



The Panama Newsflash is a publication composed by the Consulate-General of the Kingdom of the Netherlands in Panama and the Embassy of the Kingdom of the Netherlands in San José. The newsflash provides an update in terms of imperative economical developments, the most important tenders and a selection of other relevant business news to do with Panama. This newsflash is shared with a distinctive group of Dutch businesses with special interests in Panama. It is put together on the basis of publicly available information from various sources such as news articles, press releases, and third party information. The Consulate-General of the Kingdom of the Netherlands in Panama and the Embassy of the Kingdom of the Netherlands in San José are not responsible for the accuracy of the published information. If you do not want to receive the Panama newsflash, or wish to add a person to the distribution list or desire to send an observation, please feel free to forward a message to nltrade@racsaco.cr.

Regional Newsflash

In addition to information about economic developments in Panama, regional (Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) economic information will be offered to our clients. In line with an ever more integrated Central America, and the expressed need for regional insight, the Dutch Embassies in the region are joining efforts and is publishing the Regional Newsflash. If you wish to receive the Regional newsflash or desire to send an observation, please feel free to forward a message to nltrade@racsaco.cr or you can download it from our website www.handelswijzer.com.

Holland promotion during Expologística 15-16 October

The Consulate-General of the Kingdom of the Netherlands together with Dutch companies for the logistic sector participated in the logistical fair Expologística last 15 and 16 October. The fair is an large event promoting Panama as a logistic country; it handles over 4 million TEU's and 164.8 million gross tonnage annually of which the majority is being re-distributed. National and international businesses presented their products and services. The Dutch Consulate in Panama and the Dutch companies drew attention to the opportunities of doing business with the Netherlands and highlighted the logistic strengths of the Netherlands. In the stand information regarding the Dutch economy, economic growth sectors, distribution and logistics advantages and business opportunities were communicated. Due to the large amounts of trade inquiries and attention of the crowds this Dutch initiative is considered to be a big success.

Panama Maritime IX to be held in February 2009 (Source: panamamaritimeconference.com)

This national and international conference is considered to be one of the most important maritime events in Latin America and the Caribbean. It will be held in Panama City from February 9-11, 2009. It is organized by the Panama Maritime Law Association, which has a



membership of more than 200 local lawyers, along with the Maritime Chamber which represents more than 130 maritime companies, the Panama Canal Authority and the Panama Maritime Authority. The Dutch consultancy firm Ferendi will organize a incoming trade mission with a collective fair exhibit and matchmaking activities for Dutch companies that want to participate in the IX Panama Maritime Conference. *For more information and the possibility to register your company to obtain more information, surf to www.ferendi.com. For any questions you can also call us on +31(0)20.471 12 28 or send an email to panamatch@ferendi.com.*

Costa Rica and Panama Free Trade Agreement becomes effective



Costa Rican president, Oscar Arias, and his Panamanian counterpart, Martín Torrijos ratified the Tratado de Libre Comercio (TLC) - free trade agreement - between both countries. The meeting was held in San José and signing the document were also witnessed by the trade ministers of both countries, Costa Rica's Marco Vinicio Ruiz, and Panama's Severo Souza Gómez. With the signing of the trade deal, 91% of Costa Rican goods can now enter Panama duty free. Panama is Costa Rica's fifth export destination. Only a small number of products are not included in the free trade deal, items like rice, sugar, potatoes, onions and coffee. According to official figures, trade between the two countries was us\$551 million dollars, 60% or us\$327 million of the total was of Costa Rican exports and the rest of Panamanian goods. Following the approval of the free trade agreement with Panama, Costa Rica has opened a foreign trade office in Panama, opening a new chapter in commerce between the two neighboring countries.

Panama - Canada begin first round of negotiations (Source: Prensa.com)

The first round of negotiations will take place in Ottawa from October 27 - 31, said a spokesperson for MICI. During this first encounter, negotiators will go over topics such as the trade policies of both countries, market access, social corporate responsibility, public contracts, services and investment, cooperation and the strengthening of environmental policies, the source explained.



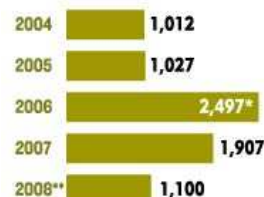
Government of Panama approves \$9.7 billion budget for 2009 (Source: mipunto.com)



At the beginning of October the Panamaian Government approved the State Budget for the 2009 fiscal year. The \$9.76 billion budget is 17% higher than the one for 2008. Items in the budget include \$3.4 billion for investments "to strengthen the social protection network, educational programs, and solutions for community problems," a government release stated. This item also includes public investment for the construction of the Eastern Hospital and to finish the Ciudad Deportiva (City of Sports) which will be named after Panamanian medalist Irving Saladino. Also \$782.4 million are reserved for infrastructure projects in Panamá.

Inversiones foráneas

En millones de dólares



* Efecto de la venta de Banistmo a HSBC

** Solo primer semestre

Fuente: Contraloría General de la República

Infografía/Daniel Gómez/LA PRENSA

Foreign Direct Investment up by 32.8%

USD 1.100 million FDI entered Panama the first semester of 2008, 32,8% more than the same period last year according to the Contraloría. This increase is mainly the result of investments and reinvestments made by banks with a general license operating in the country, but the construction sector, amplification of the ports and the new mobile phone bands also contributed to the inflow. Although uncertain times



are ahead due to the financial crisis and expected economic down turn, the increasing influx of FDI for the mid long term is expected to continue, propelled by the canal expansion and planned construction of hydro and thermal plants. According to Indesa, a Panamese economic consultancy firm, FDI will be equal to 53% of GDP by 2011 compared to 17,5% for the period between 2005 and 2007.

Panama most competitive in Central America

According to the World Economic Forum, Panama is the most competitive country in Central America. Panama rose by two places to ranking 58 in the world, thereby surpassing Costa Rica which occupies the 59th position. El Salvador is on place 79, Honduras on 82, Guatemala on 84 and Nicaragua on place 120. With this new position Panama moved ahead of Mexico and comes second in Latin America next to Chile.

Canal Income over USD 2 billion

While fewer vessels passed the canal, income rose by 14% to over USD 2 billion. Around 65% was generated by tolls while the remainder was produced by related services like towage. The canal also sold energy and drinkable water for about USD 261.5 million.



Canal obtains expansion financing

Five multilateral institutions will finance USD 2.300 million, about half of the estimated cost, of the expansion of the canal. The loan will be paid back over a 20 year period paying an interest of 5,49%. The five institutions are the International Development Bank of Japan, the European Investment Bank, the Interamerican Development Bank, the International Finance Corporation and the Andean Development Corporation.

Tender for third set of locks suffers setback again (Source: Prensa.com)



The tender for the most important expansion of the Panama Canal, for \$2.73 billion, has accumulated a 7 month delay. The Panama Canal Authority said, however, that the execution of the Widening Program will not be

affected and that the decision was taken "in response to the request by some of the consortiums in order improve their proposals. Due to lack of information, two of the four consortia bidding for the design and construction of the third set of locks requested a postponement of the tender. The ACP is therefore moving the date of remittance from 10 December to the third of March next year.

Bids for a contract to dredge the Atlantic entrance to the Panama Canal will be invited in the last quarter of this year. The contract for dredging the Pacific entrance has already been awarded to Belgium-based Dredging International, with a bid of US\$177.5 million.

Panama plans port for agricultural goods (Source: elheraldo.hn)



Panama is planning to concession a port on the Pacific coast that specializes in handling agricultural products. Said port should be inaugurated in 2010. The port will be built in Aguadulce, in the province of Cocolé, 200 kilometers to the southeast of the capital, Fernando Solorzano, administrator of the Panama Maritime Authority (AMP),



reported. The AMP plans to expand the existing port through a concession to a private company to carry out port activities in exchange for an annual payment of a royalty fee. Solorzano indicated that in the middle of November they will publish the conditions for companies that are interested in the "Panama Compra", the official portal for tenders.

Panama Banking system with \$14 billion in liquidity (Source: Prensa.com)



The Panama Banking system has a liquidity of \$14 billion and \$115 million is affected by the credit crisis. The Panama Superintendent of Banks, Olegario Barrelier, declared to the National Assembly that the \$115 million affected by the crisis represent "a very low proportion" when compared to the \$51 billion in assets in the national banking system or the \$75 billion in the international banking center. According to information from the official, for there to be a big impact from the financial crisis, they would have to use up the \$14 billion in liquidity and that would be only if the banks cannot get funds abroad. Additionally, the official said that he knows that the Ministry of Economy and Finance has a line of emergency credit with the IMF.



Panamá targeted by OEDC (Source: Prensa.com)

The Organization for Economic Development and Cooperation is combating countries considered so called tax havens, and Panama is on the list. A report on fiscal cooperation published by OEDC last month states that "there are still important restrictions in accessing banking information with fiscal purposes" in three of its member countries (Austria, Luxembourg and Switzerland), and in other tax havens like Panama and Singapur.

Trading on the Panama stock exchange increase 39% (Source: Prensa.com)

As of September 2008 the Panama Stock Exchange (BVP) negotiated \$558.8 million. The secondary market has been very active, with transaction worth \$556.7 million and a growth of 54.9%. Trading of repurchases was at \$249.2 million, an increase of 89.80%. Trading in the primary market reached \$752.9 million, an increase of 19.4%.



First Stock Exchange for Diamonds in Panama

Supported by the World Federation of Diamond Bourses, Panama will have the first Diamond Exchange (PDE) in the region. The stock market will establish a centre for jewelers in Panama and might eventually evolve into a regulatory system for the commerce of diamonds and other gemstones and jewels in Latin America.

Ubicación



Highway on the Pacific Coast

The Ministry of Public Works is planning a 230 km long highway on the north coast, connecting Colon with Bocas del Toro. It is up to the next government, however, to take the decision of constructing it.





Panama surpasses one million tourists in September (Source: La Prensa)

During the first nine months of the year, the country received 13.1% more visitors than during the same period in 2007. This is the first time that Panama has surpassed one million visitors in the first nine months of the year. Carl-Fredrik Nordström, administrator in charge of the Panama Tourism Authority (ATP), attributed these results to the "constant and sustained promotion which has been carried out for two years." "If this trend continues, we could have 1.5 million visitors at the close of the year," the Administrator of the Panama Tourism Authority (ATP), Ruben Blades, reported. If this forecast is true, official statistics would have a new record and the rapid growth of the sector would continue.

Central America promoted in Europe

As part of Central America's task of promoting the region as a multi-destination vacationing alternative, the Central American Tourism Promotional Agency (CATA) and Iberia Airlines have signed a collaboration agreement for marketing activities in Europe. Iberia has shared codes with Taca while KLM has this agreement with Copa, thereby using Panama as the hub for the region.

www.panamacompra.gob.pa

Since 2006 all governmental organizations, except the ACP, are forced by law to announce their tenders through the site www.panamacompra.gob.pa. This new system is more efficient and transparent thus raising confidence amongst people and companies doing business. From the 1st of January until the 31st of May almost 28 thousand public contracts roughly totalling USD 200 million were awarded. The ACP alone awarded contracts worth USD 286.5 million.

Matchmakingfacility Panamatch

As part of the EVD 2g@there program, the consultancy firm Ferendi will organize several Collective Promotional Activities (CPAs), in cooperation with the Netherlands Council for Trade Promotion (NCH). This project is called *Panamatch* and will, for a period of two years, consist of a number of outgoing and incoming sectoral trade missions, collective fair exhibits and matchmaking activities. *Panamatch* focuses mainly on entrepreneurs and organisations active in the fields of transport, logistics, infrastructure and hydraulics.

Panama has started with one of the most prestigious and visible mainport projects in the world: the expansion of the Panama Canal. The expansion is necessary since the Canal can no longer cope with the capacity of the modern freighters. For Panama this waterway is one of the largest and most stable sources of income. In order to strengthen the position as a main international hub for transport and distribution the government is investing considerably.

In Latin America, Panama does not only play an important role in maritime transport, it constitutes the centre of international banking, trade and services as well. Naturally, the country's favourable geographic is key to success. Think about it: just after Hong Kong, Panama is the second largest free-trade zone in the world. And, on top of that, the Panamanian government actively advocates foreign investment in all areas.



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Panama is an emerging market: the Panamanian economy grew by 11,2% in 2007 en for 2008 growth is expected as well, between 8,5 and 9 percent. Hence, it is a country with numerous business opportunities for foreign entrepreneurs.

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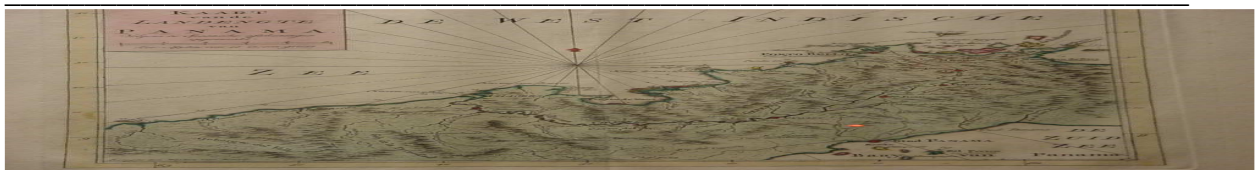
EVD Panama country webpage

The EVD has a Panama country webpage where you can find up to date information, such as: business news, economical developments, tenders, country information (incl. fact sheet and laws), interesting sectors, activities, important documents and the business country guide from the Embassy of the Kingdom of the Netherlands. More information please visit website: www.evd.nl/landen. More information can be obtained from Marjolijn Steinebach, country manager Panama, through email panama@info.evd.nl or by phone (0031) 070-7788698.



Embassy of the Kingdom of the Netherlands as information source

On the internet site from the Embassy of the Kingdom of the Netherlands in San José (covering the countries Panama, Costa Rica, Honduras and El Salvador) you can find general information on the specific countries but also commercial information. Our 'handelswijzers' (business trade guides) entail broad and up-to-date information on how to do business in each of the four countries. It is a useful tool/guide for Dutch exporters and investors. Visit: www.holanda.or.cr or www.handelswijzer.com. For more information you can contact our commercial department at the Embassy of the Kingdom of the Netherlands in San José by email nltrade@racsaco.cr or by phone (00506) 2296 1490 (Carel Richter of Hans Buhrs). You can also contact our Consulate-General of the Kingdom of the Netherlands in Panama, Phone: (00507) 263 6494 or (00507) 264 7257 (Dieter Ploeger). Email: consuladonl@cwpanama.net



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