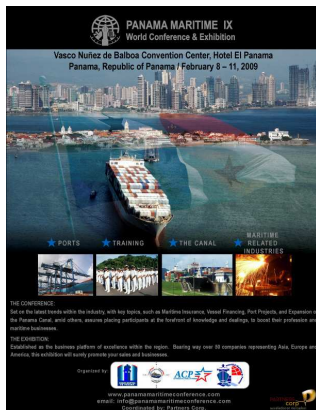




The Panama Newsflash is a publication composed by the Consulate-General of the Kingdom of the Netherlands in Panama and the Embassy of the Kingdom of the Netherlands in San José. The newsflash provides an update in terms of imperative economical developments, the most important tenders and a selection 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.



IX Panama Maritime Congress 8-11 February

Ferendi, NCH, EVD and the Consulate-General of the Royal Kingdom of the Netherlands will, together with fifteen Dutch companies, participate in the bi-annual Panama Maritime IX World Conference & Exhibition from the 8th to the 11th of February. The fair will be inaugurated by Panama's President Martin Torrijos with the participation of IMO Secretary General Efthimios Mitropoulos. The fair is an important event promoting Panama as a maritime & logistic country; it handles over 4,2 million TEU's and 164.8 million gross tonnage annually of which the majority is being re-distributed. National and international businesses will present their products and services. Any Dutch companies interested in supplying material to be distributed, can contact the consulate at: nltrade@cwpanama.net.

Business at Colon Free Trade Zone up 19%

The effects of the economic crisis have not yet impacted business at the Colón Free Zone which has continued to see its business increase. According to the latest figures from the zone's administration, activity in November reached \$2.4 billion, an increase of 50 percent as



compared to November 2007 when the activity there was \$1.6 billion. Between January and November 2008, the zone registered commercial activities totaling almost \$18 billion, a growth of almost 19 percent from the same period in 2007. Despite those increases in commercial activity, there is a growing sense that the business will slow down. "Everyone is aware that something will happen this year, and they are limiting their investments due to the financial crisis," said Hertsel Levy, former president of the Association of Users of the Free Zone.



Colon Container Terminal expands

The company paid the Panama Maritime Authority \$11.3 million in advance for the right to use 12.3 hectares at Coco Solo. On the new plot of land, the company will carry out investments worth \$200 million.

Farfán port not likely to develop

It is becoming increasingly less likely that the government's plan of developing a major port at Farfán will become a reality. The company most likely to develop the project is a consortium consisting of Ports America and the Chinese shipping company Cosco Pacific. "The increase in the costs of filling, drainage and construction of the terminal, together with the lending restrictions of the global financial markets, make the project is extremely difficult and the expected return on investment is unlikely," according to Edwards, president of Ports America. "We are discussing this matter with our partner to determine the best way forward." For its part, Cosco Panama Maritime, the local branch of the Chinese shipping company, said it is still interested in the project. With an estimated cost of \$500 million, the port would occupy 112 hectares and would be able to move 2.4 million containers a year.



Aguadulce Port tendered in Panama (Source: Autoridad Marítima de Panamá)

The concession for the development, administration and operation of the Aguadulce port will have a value of approximately \$10 million. In 2006 they tried to select a contractor for the "CONCESSION FOR THE DEVELOPMENT, ADMINISTRATION AND OPERATION OF THE AGUADULCE PORT," however the tender process was cancelled due to lack of interested parties. Then, again in 2008, the tender for the port concession was published once more, but the process was abandoned due to administrative problems.

8,000 ships will be identified and tracked remotely via satellite

Vizada, along with Absolute Maritime Tracking Systems, were selected by the Maritime Authority of Panama to provide long range identification and tracking (LRIT) for more than 8,000 ships in Panamanian waters, in an effort to comply with new regulations which came into effect on January 1. The LRIT system requires that the ships transmit a automated position report (APR) with its identification and position at least 4 times a day. Vizada will provide communication via satellite between the ships and the control centres, and Absolute Maritime Tracking Systems will coordinate with Vizada to get the information, reformat it and turn it over to the data centres of the Maritime Authority of Panama.

Panama Canal: \$339 million given in contracts (Source: estrelladepanama.com)

As of 31 December 2008, the ACP recorded a total of \$339.469 million in more than 100 contracts granted for the expansion project. Laestrella.com.pa reports: "The reports say that



the Panamanian company, Constructora Urbana, S.A. (CUSA) has advanced 79% with the first phase of the excavation of the access passage for the Pacific locks. Some 5.8 million cubic meters of dirt from the Paraiso hill have been excavated from the total of 7.4 million included in the contract.

Complicated tender for third set of locks in the Canal (Source: Prensa.com)



Since the publication of the initial tender on 27 December 2007, there have been 23 modifications, and the date for proposals has been postponed three times. The project proposes the use of 230,000 tons of steel, 48 million gallons of diesel and 800,000 metric tons of concrete. According to Prensa.com, "To build the third set of locks, plan calls for a guaranty of \$400 million for the completion of the contract and \$50 million as a guaranty for the proposal." The total cost of the works is estimated to be \$2.7 billion. Three Dutch companies are participating for this tender.

Owners call for Panama toll cuts



Shipping companies are urging the Panama Canal Authority to cancel planned toll increases while cutting more Suez Canal transits as soaring costs and collapsing markets threaten to drive some operators out of business. This latest cost-saving initiative coincides with a renewed effort by leading ship owner groups to persuade the Autoridad del Canal de Panama to cancel, or at least defer, 2009 toll increases. BIMCO, Intercargo, Intertanko and the International Chamber of Shipping have written to the ACP warning that there were now "serious concerns about the industry's ability to sustain a further increase" after significant price hikes over the past two years. Industry sources recognize that the Panama Canal has more of a captive market than the Suez Canal, although container lines could restructure all-water Asia-US east coast services and return to less congested west coast ports, if that made commercial sense.

Bank profits surpass \$1 billion (Source: Prensa.com)

Up to November 2008 there was an increase of 19% in bank profits compared to the same period in 2007, according to information from the Banking Superintendence.

Public Services Authority cancels 40 contracts

The Public Services Authority has canceled 40 applications for hydroelectric concessions because the companies have failed to develop the projects in the time period prescribed by law. Furthermore, the authority canceled the award of the Bajo de Mina project, which had already submitted an approved environmental impact study, but which had not started construction. Following this cancellation, the project was auctioned to a company owned by Mexican billionaire Carlos Slim, who offered \$32 million for that and another two concession. These two projects are among 13 that are currently under construction. Of the 40 concessions that have been canceled, 24 of them are in the process of being awarded to other interested parties, said the authority's Director of Electricity Rafael De Gracia. The most recent auction of hydroelectric concessions was conducted for projects at Santa María, La Soledad, La Laguna, Gariché 2 and Gariché 3. In this auction, seven companies submitted bids, five of which resulted in the government getting a better price to continue with the project. Companies have 12 months to apply for an environmental impact assessment. Once



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the assessment is approved, the authority gives its permission to start the project. If construction does not begin, the government has the right to cancel the concession and award it to someone else, which is what happened with the Bajo de Mina project. The government is seeking to expand the country's hydroelectric power supply to help reduce its dependence on carbon fuels.

More than 100 hotel applications approved

The Tourism Authority of Panama approved 102 preliminary plans for hotels in 2008. Combined, these projects would entail an investment of \$3.5 billion and would generate some 16,231 jobs while more than doubling the country's number of rooms. It is unknown, however, how many of these projects will actually come to fruition. The authority saw a large flurry of projects submitted just before a deadline expired for a lucrative government tax program. According to Carl-Fredrik Nordström, deputy administrator of the Tourism Authority, the agency reviewed all of the projects submitted before the Aug. 31 deadline, and approved 102 of them. It rejected five of the proposals.

Panama faces drop in banana exports (Source: Prensa Latina)

Panama faces a possible drop of around 20 percent in its banana exports due to the lack of financing, plagues and climate adversities. According to industry stats published by the local media, from January thru November, 2008, foreign sales of the fruit reached 17 million 689 thousand boxes. That represented a reduction of 2.7 million boxes compared to the same period of 2007. Revenues from the sales amounted to 92.8 million dollars, a setback of nearly nine million dollars. Producers consider the situation could be still worse in the short term, taking into account the effects from November floods in the provinces of Bocas del Toro and Chiriqui. As a result of the severe rains brought by a cold front in that month, dozens of acres of banana plantations were damaged.

Treatment of wastewater in Panama (Source: Prensa.com)

Developers will have to build the treatment plants at their own expense, and then transfer them free of cost to the National Water and Sewer Institute (Idaan). The article published in Prensa.com, says that "the cost, including land and construction, will have to be paid for by the developer and then give it to Idaan. However, this investment will not be tax deductible.

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 and will raise 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.

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.

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.



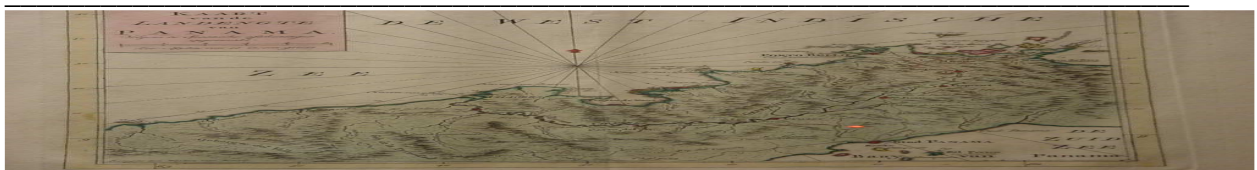
EVD Panama country webpage

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. For more information please visit the 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.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@racsa.co.cr or by phone (00506) 2296 1490 (Carel Richter or 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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