



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 is 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 by publishing the Regional Newsflash together. 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. You can also download the Regional Newsflash from our website www.handelswijzer.com.



Martinelli wins Panamanian election (Source: tupolitica.com) The opposition Alliance for Change candidate was elected the next president of Panama by a wide margin. With 91% of the polling stations having been examined, Ricardo Martinelli had obtained 60.31% of the votes, followed by the official candidate of the Democratic Revolutionary Party (PRD), Balbina Herrera, who had accumulated 37.33% and Guillermo Endara, who had received 2.35%. Balbina Herrera, Martinelli's main opponent, acknowledged her defeat, while current President, Martín

Torrijos, invited the winner of the election to visit the Presidential Palace to begin the transition process, which will culminate on July 1 when Ricardo Martinelli takes office as President of Panama. Bosco Vallarino was elected mayor of Panama City with 45.47% of the votes cast, followed by Bobby Velasquez with 39.67%.

Economic growth expected to drop

La Prensa - No one, except The Economist who predicts an economic downturn of 3%, is anticipating that Panama will suffer an economic contraction this year. But the major national economic consulting firms, several multilateral organizations, risk rating agencies, and even



the government have already lowered their economic growth forecasts for the country for 2009. Risk rating agencies such as Standard and Poor's (S&P) said that the country will grow only 3.5 percent this year; Indesa and Deloitte predict a 4 percent growth rate; and Citibank, Credit Suisse, and the Economic Commission for Latin America and the Caribbean (ECLAC) set their projections at between 4.5 percent and 5 percent. Panama's Ministry of Economy and Finance (MEF) recently lowered their growth projections to 5 percent, down from 7 percent, which was the initial figure used to prepare the 2009 State budget. This forecast suggests that Panama's economic growth will take a significant downturn as compared with its 2008 growth rate of 9.2 percent and 2007 growth rate of 11.5 percent.

Global economic crisis is also showing it's effect on Panama

Economic indicators show steep decline for several sectors of which construction and transport being two key components for Panama's economic well being. Construction has plummeted 18% over last year with a reduction in building permits of over 52%. Canal reports a 13,9% decline in tonnage and a 7,2% decline in 20 foot containers and an even more telling tale is that the Panama canal railway reports a 61% decline over February of last year with 263,000 cubic metric tons versus last years 634,000. Declines were also registered for tourism (4,7%) and the Colon free zone.

Survey gives Panama high marks for business

La Prensa - In surveys of economic freedom conducted by groups such as the Heritage Foundation, the Cato Institute and the Fraser Institute, Panama has historically ranked among the top six Latin American countries. But in the latest such survey, conducted by the Economic Institute of Switzerland, Panama had its best showing ever. The country ranked 42 overall, and second in the region behind only Chile, which was ranked 37th. This is mainly due to the expansion of the Canal, the country's connectivity, the strengthening of its international relations and its trade policies. But the survey not only considered economic factors, such as flow of capital, goods, services and trade, but also political and social issues, like the freedom of expression and the quality of education.

Growth of inflation slows down

La Prensa - After hitting a high point last September, Panama's inflation rate continues to decline. The rate, which was as high as 10 percent, stood at 3.7 percent at the end of March, according to a report released yesterday by the Comptroller General of the Republic. However, the category of food and drink has seen an accumulated increase of 10 percent in the last 12 months, thereby maintaining a relatively high basic food basket price.



US demands Panama to make fiscal changes for TPC (Source: Prensa.com)

US sees it as difficult to adopt the Commercial Protection Treaty (TPC) while there are no tax and banking changes, according to Charles Rangel, Chairman of the Ways and Means Committee of the House of Representatives of the United States, the key body in the approval of the TPC between the two countries. Representative Rangel that: "It will be difficult to adopt the trade protection treaty with the United States until Panama decides to eliminate its 'excessive practices in banking secrecy, regulate the financial sector and require banks and multinational subsidiaries to pay their fair share of taxes."

Foreign Direct Investment up 25%

According to the national controller (*Contraloria*), over the year 2008 Panama received FDI



of USD 2.401 million, which is an increase of 25,9% compared to the year before. FDI has been essential for Panama's strong growth over the last couple of years and without it, the government would have had serious problems of financing its current account deficit, which has not stopped augmenting. By the same token, Panama's future growth is highly dependent on the continuing influx of foreign capital.

High Colombian FDI in Panama (Source: pa-digital.com.pa) There are \$1.7 billion in Colombian investments in Panama, mainly in construction, tourism and food. According to a report issued by the Embassy of Colombia in Panama, Colombian businessmen have invested \$519 million in construction, \$100 million in tourism, \$62 million in the food sector, \$50 million in hydrocarbons and \$40 million in trade. Also Colombian tourists are a key driver of the tourist sector of Panama, more than 130.000 Colombian visited Panama in 2008.

Cuba-Panama sign Commercial Accord

HAVANA TIMES — Cuba and Panama signed a new commercial accord in Havana with Panamanian Foreign Minister Samuel Lewis on hand for the ceremony. Lewis said the agreement would increase transactions of goods and services between the two nations, which are expected to double, reported IPS. Relations between Panama and Cuba have picked up steam since Martín Torrijos became president. The son of former president Omar Torrijos has visited Cuba five times, the last time in January of this year.

Trade between Panama and Costa Rica grows (Source: pa-digital.com.pa) Exports from Panama to Costa Rica increased by 36.1% during the second half of 2008 when compared with the previous year. The entry into force of the Free Trade Agreement between Costa Rica and Panama in January 2009 cleared 90.3% of the tariffs on bilateral trade, according to Leroy Sheffer, director of Negotiations of the Ministry of Commerce and Industry of Panama. For Costa Rica, the markets of interest in Panama would be "dairy, sector services focused on the construction area, tourism and agribusiness." For its part, Panama will aim at "sectors such as agribusiness and financial, insurance and telecommunications services."

Panama and Belgium Sign Investment Protection Agreement

During his visit to Panama, the Belgium Prince Philippe and Panamanian President Martin Torrijos negotiated an agreement on investment protection which was subsequently signed by Panamanian temporary Foreign Minister Ricardo Duran and Belgian Business Minister Vincent Van Quickenborne. Van Quickenborne hailed the importance of commercial protection approaches between the two countries as the commercial cooperation and the European investors' interest in the Panama Canal deepened: the two largest Belgian dredging companies, Dredging International and Jan de Nul, are already part of the process. The agreement would guarantee the juridical security of investment made in both countries, said Severo Sousa, Panamanian Vice Minister of Foreign Trade. Additionally, during the Belgian Prince's visit last month to Panama, the signing of an agreement between the Technum-Tractebel Company and the Panamanian Canal Authority (ACP) to provide advice on the expansion of the canal has been programmed.

Banking system remains solid

According to the *Superintendencia de Bancos* (SBP), liquidity reached at the end of February a level of 62,4% or USD 15.207 million. This figure by far exceeds the legal requirement of USD 7.897, thereby proving its solidity. On the other hand, between January of 2008 and January of 2009, 2,7% less new loans were transmitted, decreasing from USD 1.485 to USD



1.445 million. To stimulate credit, the government has announced a stimulation package but has not yet put the plan in effect.

IDB approves \$500 million loan to strengthen liquidity of Panama's banks

The Inter-American Development Bank said it approved a \$500 million loan to strengthen the liquidity of Panama's banking system. The loan will be channeled through Banco Nacional de Panama, a state-owned institution that also acts as a commercial and development bank, will act as an intermediary to provide working capital and foreign-trade financing to the industrial sector. "The funds are expected to partially offset a shortfall in dollar-denominated lending to the productive sector triggered by the current global financial crisis," the IDB said.

Andean Development Corporation approves credit line for Panama

The Andean Development Corp., or CAF, approved a \$210 million credit line for Panama to strengthen the liquidity of the country's banking system. The loan will be channeled through the Banco Nacional de Panama, a state institution that also acts as a commercial and development bank. The Caracas-based CAF focuses mainly on making low-interest loans to countries in the region for development and infrastructure projects. Since its accession to CAF in 1997, Panama has received credits of USD 820 million, principally destined for infrastructural works. Enrique García, president of the Andean Development Corp believes Panama is among the Latinamerican countries that are best prepared to weather the global economic crisis. He predicts an economic growth of around 5% for Panama and 1,5% for the region. CAF will continue to grant loans between USD 400 and USD 500 million.

World Bank approves USD 80 Million Loan

The World Bank approved a loan of USD 80 million for Panama to fight poverty in the midst of the global economic crisis. According to the World Bank, 32% of Panama's 3.3 million inhabitants still live in conditions of poverty and the current situation may aggravate this situation.



Canal expansion estimated at \$3.7 billion (Source: reuters.com) According to the Italian Impreglio construction company, the contract for the Panama Canal expansion could be worth \$3.7 billion. Impregilo belongs to one of three consortiums pre-selected to expand the Panama Canal. Its other partners are the Spanish Company Sacyr Vallehermoso SA, the Portuguese Company Somague, the Belgian Company Jan de Nul, **the Dutch companies Heerema en IV-Groep** and the Panamanian Company Cusa. The

Italians have a 37% participation. The other participants in the bid are the C.A.N.A.L Consortium, which is made up of the Spanish Companies ACS SA and Acciona SA, the German Company Hochtief AG, the **Dutch Royal Haskoning** and a Japanese-American Consortium led by Bechtel.

Slight drop in Panama Canal transits

The Panama Canal Authority (ACP) says total Canal transits decreased 1.4% in the quarter January to March compared to a year previously, to 3,914. Transits of "supers", larger ships that "require greater time and navigation skills to transit the Canal", declined 2.9% to 1,815. During the quarter, Q2 of the ACP's 2009 fiscal year, Canal Waters Time (CWT), the average



time it takes a vessel to transit the Canal, including waiting time for passage, decreased significantly, while total transits and net tonnage remained nearly flat. Average CWT decreased 27.9 percent – to 26.22 hours from 36.39 hours. CWT for booked vessels (those ships holding reservations) decreased 19.5 percent – to 15.83 hours from 19.66 hours. General cargo, dry bulk and tanker transits increased, while reefer ships, container vessels, vehicle carriers and passenger ship transits decreased. “Our results for this quarter paint a favorable picture of how the Canal continues to weather the global economic crisis. Q2 numbers remained steady and we do not expect to see major fluctuations,” said ACP Executive Vice President of Operations Manuel Benítez.

\$2 billion slated for energy plan

La Prensa - The National Secretariat of Energy presented their national energy plan for the 2009-2023 period, which includes an investment in the energy sector just shy of \$2.33 billion. The plan contemplates investing \$1.16 billion in power generation plants, \$158 million in transmission, \$581.8 million in distribution, \$203.5 million in interconnections, and \$222.7 million in bio-fuels. The 17 power generation projects already in the pipeline are slated to begin operating between 2009 and 2012, which would expand the capacity of the system by 1,024 megawatts. Among its objectives, the plan sets out to diversify the energy matrix, implement a mandatory energy efficiency program in the public sector, encourage energy savings in the private sector, and establish legal measures for the rational and efficient use of energy across the board. **The Dutch embassies in Costa Rica, Colombia and Mexico are anticipating the regions need for energy and are planning study to identify opportunities in renewable energy and subsequently organize trade missions.**



Hydroelectric projects exceed \$1.35 billion (Source: prensa.com.pa)

The 15 hydroelectric projects currently under construction in Panama have a value of \$1.35 billion, and they will increase the installed capacity by 600 kilowatts. According to the Authority of Public Services (ASEP), the majority of the projects are being developed in Chiriquí and Bocas del Toro, on rivers with large flow. The 223-kilowatt Gavilán hydroelectric, developed by the AES Changuinola US consortium, is the most important one with an investment of \$502 million. Next in importance are the Gualaca, Prudencia and Lorena projects by the GDS Suez Energy Central America

Company, valued at \$250 million.

Credit dries up for hydro plants

La Prensa - Companies developing hydroelectric plants in the country have had to turn to international sources to finance the projects as local credit becomes scarcer in the cooling economic climate. Hydropower projects currently under construction or in the study phase are valued at an estimated \$2.2 billion, according to the National Authority of Public Services. “Banks are adopting more cautious and conservative attitudes, especially when it comes to lending substantial amounts for long-term projects like hydro plants,” explained Mario De Diego, director of the Banking Association of Panama. At the same time debates over the environmental and social impact of these projects have become more heated in recent months, but energy officials say more plants are needed to meet the demand, which increases some 4 percent annually.



Wind turbine plant to be built in Panama (Source: Prensa.com) A Belgian-Spaniard company is building a wind turbine factory in the Panamá Pacífico. The operation is being carried by Industria Tecnológica Panameña (Panamanian Technological Industry, ITP), a company that emerged from the union of the Belgian consortium Turbowinds and the Spaniard Holly World Computers. The former has 60% and the latter 40% of ITP. Turbowinds, the former US WindMaster, is a Belgian company with over 30 years in the wind turbine and windmill market in Belgium, Ukraine and India. ITP will have 50 employees in Panama in the beginning and is looking to have orders of between 50 and 100 wind energy generators in the first year. The factory, which is located in Panamá Pacífico, will start operating in late 2009.



Panama Logistics Expo 2009 (Source: webpicking.com) On October 14 and 15, companies will show their products and services, forming contacts between themselves and potential customers. Panama Logistics Expo 2009, to be held at the Vasco Núñez de Balboa Convention Center, will bring together multinational companies, suppliers, government representatives, consultants, agents and freight and passenger transport companies. Among those attending the conference are: The Panama Canal Authority, Colón Free Trade

Zone, SENACYT (National Secretary of Science, Technology and Innovation), Kawasaki, Suez Canal Authority, Cranfield University, Latin America Logistics Center, DHL Global Forwarding, KPMG Mexico and PROINTEC Panama.



Panama has the lowest logistics costs in Latin America (Source: Prensa.com) Panamanian companies have a total logistics sales cost of 12.4% where the average in Latin America is 14.7%. These figures are the result of a survey conducted by the Latin America Logistics Center (LALC), at the request of the Chamber of Commerce and the National Secretary of Science, Technology and Innovation (SENACYT). María Rey, LALC consultant, stated: "The results are

very positive and confirm that logistics costs are lower in this country than elsewhere in the region. However, these costs could be lower if Panama made the necessary investment in technology and human development. "



Shanghai – Panama transit accelerated (Source: Evergreen Line) Evergreen Line shipping company has announced a new transit time of 25 days for their Far East - Panama Service from Shanghai to Colón. The company shortened the transit time between the Taiwan hub at Kaohsiung to Mexico from 23 to only 16 days, resulting in a transit time of 25 days for the route from Shanghai to the Caribbean

hub in Puerto Colón, Panama.

Panama continues to lead Maritime Registry (Source: Prensa.com) Some 1.765 international cargo ships that will come into operation by 2010 have applied for a Panamanian flag. In the competition that several nations have for ship registry, Panama continues to exert its leadership, particularly in the important area of new vessels, followed by Singapore where 852 new ships have requested registry. Alfonso Castellero, director general of Shipping, stated: "Singapore is the closest competitor to Panama with 852 new units, followed by



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Marshall Islands with 621 units, Cyprus with 458, Germany with 423 and Holland with 370. New ship registry is very important for the countries competing in this market. "



11.6% decrease in world's second largest Free Trade Zone (Source: Prensa.com) Companies located in the Colón Free Zone (ZLC) have reported a decrease of 11.6% during the first three months of the year. The above is in comparison to the same period last year and reflects the current international crises, according to the manager of the ZLC, Nilda Quijano.

Tocumen airport traffic increases by 19.5% (Source: Prensa.com) At the close of 2008, more than 4.5 million passengers passed through the main airport in Panama, 19.5% more than in 2007. The increase in traffic is higher than the 6% average for Latin America, according to the report submitted by the International Airport Council. One of the reasons is the growth in the number of connections and direct destinations being that nonstop flights from Tocumen were 42 at the end of 2007 and 54 at the end of 2008.

Titles awarded on coastlines and islands (Source: Prensa.com) The new law will recognize whoever has occupied the land for more than 5 years as the original holder. This new regulation, adopted on April 2 by the National Assembly of Panama, will grant titles to 22,000 hectares of islands and coastal lands, recognizing whoever has occupied them for 5 years as the original owner. The next step for the implementation is for the law to be sanctioned by President Martín Torrijos. The project benefits 100 thousand families and no titles shall be granted in mangrove zones, indigenous territories and protected areas.

Aquaculture in Panama (Source: Prensa.com) Panama aims to have the first industrial aquaculture project in America, using the sea as a means of raising product. The project won the Entrepreneurial Innovation price 2008, and it will cultivate the cobia species. This species can not be cultivated at water tanks because it is very susceptible to diseases. This methodology allows the species to grow in an environment very similar to their natural habitat. Richard Pretto, manager of the company, stated: "The technique, with materials coming from the United States, Australia, Chile and Peru, consists of submerging the cages in the ocean with an automatic food dispenser. This provides a sustainable alternative against overexploitation of aquatic resources and species extinction that is occurring now." Aquaculture is gathering strength in the region. This is the example of Costa Rica, where 60% of the fish products marketed by the Wal-Mart chain are from this industry.

Caterpillar invests \$25 million in training center (Source: mipunto.com) The multinational construction company started building a training center for the entire continent in Panama. The new center will create about 500 jobs and represent an investment of \$25 million. Last year Caterpillar acquired 100 hectares of land on Panama's Pacific coast to set up their regional headquarters for Latin America.

Expocomer 2009 generated over USD100 million in transactions

According to the organizer of the fair Expocomer, the *Cámara de Comercio*, 2009 exceeded the expectations by attracting 20 thousand visitors, 7% more than last year. Furthermore the fair generated over USD100 million in transactions. **The Dutch consulate was present again, promoting Dutch products and businesses and received 120 trade requests.**



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New information technology system for PanamaCompra (Source: estrelladepanama.com)
With an investment of \$3 million, the State's Director of Procurements intends to launch PanamaCompra version 2.0 by mid-2009. Since its implementation 27 months ago, there have been over 180 thousand procurements in which some 13 thousand companies participated for an amount **over \$2.2 billion**. This new version consists of the automation of public procurements and the implementation of electronic commerce tools.



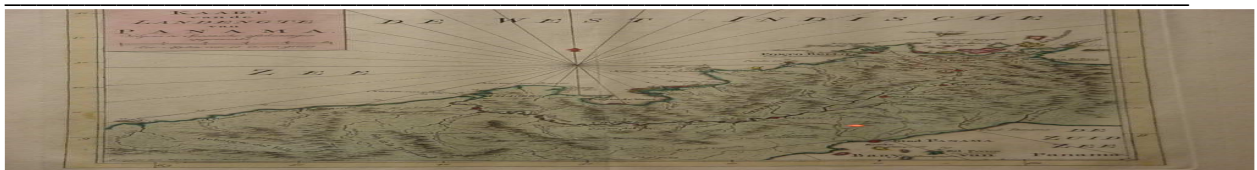
EVD Panama country webpage

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Embassy of the Kingdom of the Netherlands as information source

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