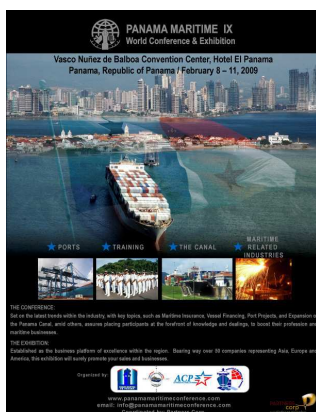




The Panama Newsflash is a publication composed by the Consulate-General of the Kingdom of the Netherlands in Panama and the Embassy of the Kingdom of the Netherlands in San José. The newsflash provides an update in terms of imperative economical developments, the most important tenders and a selection 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 are 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 08-11 February

Ferendi, NCH, EVD and the Consulate-General of the Royal Kingdom of the Netherlands will, together with several Dutch companies, participate in the IX Panama Maritime Congress from the 8th to the 11th of February. The fair is an import event promoting Panama as a maritime & logistic country; it handles over 4 million TEU's and 164.8 million gross tonnages 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.

Panama loose EU tax breaks and creates "eurocertificado"

Panamanian exporters lost important tax breaks from the European Union (EU) because of a mistake by the brother of presidential candidate Balbina Herrera. The Panamanian embassy in Brussels, led by Herrera's brother, Pablo Garrido, had to submit an application for renewal of the Generalized System of Preferences by Oct. 31, something that never has happened before.



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The National Assembly has now approved a measure that will allow exporters to be reimbursed for their loss of preferential tariffs on exports to the European Union. It has created a "eurocertificado", that will be issued to exporters that will allow them to discount their goods that they send to Europe, thus allowing them to remain competitive. Originally the program was only open to businesses that had exported goods to Europe prior to Jan. 1. However, it has been amended so that it is open to any business. Severo Sousa, Deputy Minister of Foreign Trade, said the program would cost an estimated amount of \$32 million.

Common Currency in Central America

Central American leaders are calling for a joint credit fund and a single currency throughout the region. This idea has been a product of the world financial crash with the aim of maintaining some kind of fiscal stability in Central America. There are also fears that this crisis will prevent foreign investment in Central American economies which will further worsen the problem. In an effort to combat this problem, a 41 point economic blueprint has been put together and signed by leaders and representatives in all Central American countries. Costa Rica in particular is pushing for the common currency in Central America, as well as allowing passport-free travel between the group of nations. The eight leaders have grouped together and have said that it is important to develop "a regional conscience that instils people with a sense of identity and belonging to a united Central American region," including "perfecting the issue of a Central American passport and the adoption of a single Central American currency."

Tariff elimination between Costa Rica and Panama (Source: Nacion.com)

Starting from January 1st, the tariff benefits agreed to in the FTA that came into effect in November will be applied to products from both countries. A report from nacion.com demonstrates "that according to the Minister of Foreign Trade in Costa Rica, Marco Vinicio Ruiz, this was agreed to in the internal rules of the trade agreement. Cereals, snack, chewing gum, pasta, jellies and jams will go from paying a 15% duty to being tariff free. Other articles, such as leather and jewellery will change from a tariff between 10% and 15% to zero."

Honduras Panama FTA to become effective in 2009 (Source: proceso.hn)

Both countries signed documents at ceremony for the exchange instruments for the ratification of the protocol of the bilateral FTA, thereby ensuring that it will come into effect on January 9, 2009. The Panama Minister of Foreign Affairs, Samuel Lewis Navarro, indicated during the ceremony, which was held at a hotel located to the east of the capital, that with the signing of the document "Panama will continue the process of integration with the rest of Central America." "We have proposed, with the ratification of these accords, that we open our economies so that there will be more trade, investment, and prosperity" in the region, said Lewis.

FTA between Panama and Nicaragua for 2009 (Source: El Sendero del Peje)

After six years of negotiations, Nicaragua and Panama will sign the FTA treaty next January. The accord contemplates an export quota for Nicaraguan beef (1,500 metric tones) with a grow rate of seven percent and the removal of tariffs for a 10 year term. Coffee, arts and crafts, milk, butter, yogurt, fresh fruits and vegetables will have an immediate zero tariffs.

FTA negotiations between Panama and Mexico restarted (Source: elfinanciero.com.mx)

The Foreign Ministers of Panama and Mexico agreed to restart conversations geared towards fiscal agreements that will allow for the resumption of the FTA negotiations. "There was an



understanding that the technical teams will have to meet regarding the new proposals that the (Mexican) secretary of Finance has sent to Panama," said the Mexican Minister to Notimex, after a bilateral meeting with Lewis Navarro. Both officials held bilateral talks while attending the "Walking towards prosperity in the Americas" meeting which brought together ministers from 14 countries in the Americas.

European investments in Panama increase (Source: Prensa.com)

"Panama is the main destination for German investments in Central America," said Ubertus Legge, economic adviser at the German Embassy in Panama. The Embassy does not keep track of the flow of investment nor could they indicate the total amount of investment and data for all the companies that have entered the Panama market in the last few years. However they did point out that said investments have increased considerably during the last decade. The Panama Germany Chamber of Trade and Industry said the same thing. Italy's ambassador in Panama, Placido Vigo, forecasts substantial growth in Italian investment as Panama develops as a logistics centre of the Americas. Two Italian consortiums are taking part in the bidding for the third set of locks on the Panama Canal.

Panama economic growth slows sharply in October (Source: Reuters)

Panama's economy slowed sharply in October 2008, expanding 4.74 percent compared to the same month a year earlier, according to the government. The economy had expanded by 8.57 percent in September, the government reported, revising its previous calculation for growth in September, which was originally reported at 8.24 percent. Still Panama's economy grew by 9.2 percent in the third quarter over the year-ago period, helped by expansion of agriculture, manufacturing and services. Economic analysts now foresee a growth of GDP between 5% and 6%, half of the growth in 2007 (11.5%) and about three percent points compared to 2008 (9%). The Economic Commission for Latin America and the Caribbean (CEPAL) estimates an economic growth of 4.5% whilst the Panamanian Government says it expects a 7.5% growth. This growth, partly propelled by the canal expansion, is still very solid and only expected to be surpassed in Latin America by Peru. Inflation is expected to be between 4% and 4.8%.

CPI drops slightly in November

The Consumer Price Index (CPI) fell with 0.6 percent from October to November, pushing the country's inflation rate down to 7.7 percent. The slowdown in inflation was due mainly to falling fuel prices, which have dropped dramatically as the price of a barrel of oil has gone down. Inflation has been falling for the last three months. At the close of September it was 10 percent, and fell to 9.5 percent in October before further dropping to the 7.7 percent level recorded in November.

US\$100 million loan from World Bank

The World Bank's Board of Directors today approved a US\$100 million loan to support economic growth in Panama by enhancing private sector competitiveness, consolidating fiscal discipline and increasing public sector accountability. The Second Competitiveness and Public Financial Management Development Policy Loan (DPL) is the result of close coordination with Panamanian officials and is the second of the program's two loans specified in the Country Partnership Strategy 2008-2010 that supports specific components of the government's program. Despite the global financial crisis that has directly affected the region, Panama remains among the countries with the highest growth rates in 2009.

The loan will focus on:



- Reducing red tape, thereby improving competitiveness.
- Improving professional training and innovation.
- Improving public finance management, including debt management.
- Increasing accountability in fiscal management and recruitment in the public sector.

\$210 million credit for National Bank of Panama (Source: prensa.com.pa)

The Andean Development Corporation granted the loan to "strengthen foreign trade" in the country, the multilateral organization reported today in a release. "This approval is contained with the action program of the Corporation to deal with the current international financial situation," according to the document. Banconal, the official financial entity of Panama created in 1904, is the country's third largest bank and since 1979 it has carried out other functions such as collecting and distributing the dollars in circulation.

Foreign investment may bail out rising deficit

(La Prensa) Panama's trade deficit accumulated during the first nine months of the year amounted to over \$3.3 billion, according to statistics from the General Accounting Office. This translates into a 42 percent increase over figures recorded for the same period in 2007. The consulting firm Indesa estimated that the Panamanian trade deficit will close this year with an amount equivalent to 5.5 percent of the gross domestic product (GDP), much higher than in 2007 (1.9 percent). Indesa further predicts that decreasing exports and stringent import requirements will send the trade deficit soaring well above 10 percent of the GDP for the next three years.

Importation of raw materials increase with 30% (Source: estrelladepanama.com)

Imports for the first nine months of 2008 reached \$1.2 billion, 30% more than for the same period last year. Laestrella.com reports that "the manufacturing industry had a 4% growth, driven mainly by the development of agro-industrial products. The report prepared by the Panama Industrial Union (SIP) points out that "this is the first time that the sector has surpassed the billion dollar mark for the import of raw materials, which is an evidence of the sector's dynamism.

Panama should invest \$1 billion in water (Source: Prensa.com)

The draft strategic plan designed by the IDB establishes objectives which include modernizing the Idaan without privatizing it. According to studies by the IDB, in order to accomplish the millennium goals by 2015, Panama will have to invest at least \$1 billion in the sub sector during the next 5 years, and this includes the sanitary project for the city and bay of Panama. Therefore there are plenty of business opportunities for Dutch water sanitation companies.

Bank profits grow 57.44% (Source: Prensa.com)

Banks operating in the market earned \$904 million dollars in the first 10 months of this year. The internal demand for credit from the private sector, which was above \$31.6 billion in October, continuing an upward trend of 20.38%, according to data from the Panama Superintendence of Banks. Regarding deposits, there was an increase of 24.69% in the total portfolio (\$38.4 billion), which shows that the main source of financing for the expansion of credit comes from the local population.

An international group seeks to make Panama less attractive to money launderers. (Source: La Prensa)



(The Organization for Economic Cooperation and Development (OECD) has spent a little over a decade campaigning against tax havens and is now working closely with these enclaves in the hope to ensure the practice of transparency standards and open exchange of information concerning possible criminal activities. A recent report by the organization demonstrated that Panama, the Cayman Islands, Samoa and the Bahamas, are belonging to a group of notorious tax paradises that continue to be lax on complying with the standards that they agreed upon to joining the list of cooperating countries. All countries considered as tax havens could face more pressure from industrialized nations as the economic squeeze obliges governments to seek more sources of the origins of money.

Panama Canal, multilateral agencies sign a \$2.3 finance package for the Panama Canal expansion

The five multilateral and development agencies (Japan Bank for International Cooperation (JBIC), European Investment Bank (EIB); Inter-American Development Bank (IDB), Corporación Andina de Fomento (CAF) and International Finance Corporation (IFC)) together offered a \$2.3 billion financing package that will cover a portion of the \$5.25 billion total cost of the project. The negotiated financing structure includes favourable provisions for the ACP including a 20-year amortizing period with a 10-year grace period and establishes an unsecured, untied financing for the ACP. The ACP reached a “Common Terms Agreement” with the five agencies whereby the agencies agreed to equivalent terms and conditions within the financing structure. Considering the overall competitiveness of the Panama Canal route, the remaining amount for the project will be financed through Canal-generated cash flow, said Canal officials.

Ports register double-digit growth

The country's port system received nearly 4 million TEUs (shipping containers measuring 20 feet in length) between January and October of this year, equivalent to a growth of 15.1 percent compared to the same period last year. Some 1.7 million TEUs unloaded and 2 million shipped from Panamanian ports on either side of the Canal, according to records from the Maritime Authority. Maritime authorities expect to end the year with a total of 4.5 million or more TEUs. The nation's ports are expected to be even busier in 2009, Maritime Administrator Fernando Solórzano said. This is due to expansion projects at existing facilities that will be completed next year.



Balboa Port growing in Panama (Source: Prensa.com)

In the last five years, the Balboa port has been at the top of the list of the 30 ports with the most growth in Latin America, according to the bulletin published by CEPAL. According to prensa.com: "In the last few month, Balboa, where some 3000 persons work, has began operations in several routes and shipping lines which use Panama as their distribution centre".

Panama will be the first home port for cruise ships in Central America (Source: Prensa.com)

The Colon 2000 port, Colon and Panama cities, were debuted yesterday as the home port for a big cruise ship. The new Colon terminal experienced the launch of the Enchantment of the Seas, a Royal Caribbean Ship that will sail throughout the southern Caribbean with



approximately 2600 passengers for the next six days, visiting Cartagena and Santa Marta in Colombia, Aruba, Curacao and Bonaire. The creation of jobs at port terminal or the possibility of supplying cruise ship products are some of the ways that a cruise ship terminal may yield economic benefits for the country.

Tocumen sees traffic increase (Source: La Prensa)

The number of passengers who used Tocumen International Airport from January to September increased with 20.3 percent as compared to the same period in 2007. The airport accommodated 3.34 million passengers, 564,000 more than in the first nine months of 2007, according to the airport's third quarter report. Most passengers, 41 percent of the total, travelled to or from South America, followed by North America (32 percent) and Central America (13.2 percent). While travel to and from Europe resulted in just 2.6 percent of passenger traffic at the facility, it was the region with the highest level of growth, rising 51 percent compared to 2007. This increase was due to the inauguration in March of a KLM flight between Amsterdam and Panama of three, now increased to five, flights a week.

Panama seeks investment from European Hotel owners (Source: Prensa.com)

European developers will visit Panama between January and February 2009 to get to know more the country and to seek areas for investment. The Panama Tourism Authority (ATP) recently held meetings with various European Hotel groups within the framework of the French Mipim Horizons fair, which is dedicated to the real estate market in regions with fast growth, the ATP reported in a press release.

Copa begins flights to Aruba (Source: pa-digital.com.pa)

Starting on December 15th, Copa Airlines has a new destination in the Americas, Oranjestad in Aruba. Flights are with an Embraer 190 aircraft. The flight to Oranjestad leaves Panama on Mondays, Thursdays, Fridays, and Saturdays at 12:02 p.m., arriving in Aruba at 2:54 p.m., while the return flight is on Mondays, Thursdays, Fridays, and Saturdays at 4:50 p.m., arriving in Panama at 5:36 p.m.

Canadian charters to offer full-fledged flights

The Open Skies agreement between Canada and Panama signed last June allowed the Canadian airlines the option to operate scheduled flights. The agreement allows airlines of both countries to fly to any destination in the other country. Canadian airlines Westjet and Air Transat will offer regular weekly flights to Panama. Canadian Transport Minister John Baird announced that Air Transat would operate two flights a week from Tocumen, while WestJet reported it would schedule a single flight each week. Flights will operate between November and April.

New hydroelectric plants to be put to tender in Panama (Source: estrelladepanama.com)

Panamanian government announced that five hydroelectric projects will be put to tender, four of which were previously taken away from the first developers due to non-compliance and will now be given to the company with the best offer. The general administrator of the Public Services Authority (ASEP), Victor Urrutia, said that the developers have one year to begin the construction of the projects and will only be granted extensions for another year provided that there is a valid reason. He also said that construction activity must be proven.

3PL Pan-American invests \$15 million in Panama (Source: Prensa.com)



3PL Pan-American, the logistics services company, will be the first to set up the Pan-American Corporate Center (CCP) which is a part of the Howard development plan. London & Regional Panama (L&RP), the main developer of the Special Economic Area of Panama Pacific, reported that it has signed an operations contract with 3PL. The multinational company, whose clients in Panama include Pepsi, Hewlett Packard, Johnson & Johnson, Wyeth and Kraft, will rent an area measuring more than 18 thousand m² for the CCP.

Tesoro Announces Panama Pipeline Agreement (Source: Business wire)

Tesoro Corporation announced that it has entered into a throughput agreement that will allow the company to transport crude oil in a pipeline owned by Petroterminal de Panama (PTP). PTP has announced a project that will reverse the flow of its 81-mile trans-Panamanian pipeline. After the completion of the project, Tesoro has agreed to ship 107,000 barrels-per-day of crude through the pipeline under a seven-year agreement. PTP expects the pipeline reversal project to be ready for start-up during the third quarter of 2009. The throughput agreement will allow Tesoro to economically deliver crude oils produced in Africa, the Atlantic region of South America and the North Sea to the company's five Pacific Rim waterborne refineries. "This project is consistent with our strategic goal to increase optionality around crude oil selection," said Bruce Smith, CEO of Tesoro Corporation.

Telecarrier launches second generation IP network in Panama (Source: estrelladepanama.com) This is the first network of its kind to be used to offer managed multiservices in Panama. Telecarrier announced the launch of its new service for telephone, internet, data and video transfer, and value added services on the same channel, all possible due to its new second generation IP network to offer managed multiservices. Public and private companies that are interested in reducing communications costs, can contract the new technology and implement a manage multiservices network that will also provide customers with a better quality service, greater flexibility and capacity for integration, greater speeds, security and reliability in the transfer of their information on a network that is 100% fibre optics.

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.

Matchmaking facility 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 sector 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 main port 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



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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.



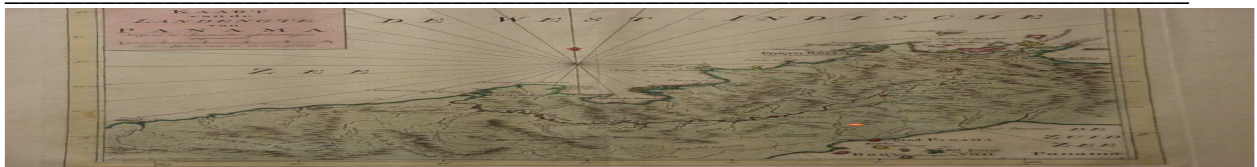
EVD Panama country webpage

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@racsaco.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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