



*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@racsa.co.cr](mailto:nltrade@racsa.co.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@racsa.co.cr](mailto:nltrade@racsa.co.cr) or you can download it from our website [www.handelswijzer.com](http://www.handelswijzer.com).*

### **KLM to increase frequency direct flight to Panama**

The aviation industry is suffering a crisis and most airlines are closing down destinations. But not KLM. The Dutch airline company will extend its direct flight from Amsterdam to Panama from 3 to 5 weekly flights starting from December. Due to the growing Panamanian economy ever more companies are coming to the isthmus but also tourism is increasing. Since the restart of the flight after ten years the 31<sup>st</sup> of March this year occupation has been around 80% but rose last month to a staggering 92%.

### **Panamanian economy slows to 8.2%** (Source: La Prensa)

The Panamanian economy measured through the Monthly Index of Economic Activity (IMAE) grew at a rate of 8.2% in the first semester of 2008. This level of growth represents a deceleration of more than 2% when compared to the same time period of 2007, but the growth rate continues to be "very strong" and one of the highest in Latin America.

**Panama ranked at the top of the FDI-GDP Latin Business Index**

Panama ranked at the top of the Latin Business Index from Latin Business Chronicle, the index looks at five key categories and 27 subcategories to measure the recent, current and future business environment in a country. Foreign direct investment in Panama last year reached \$1.8 billion, which was actually a decline of 29 percent from 2006. However, even the new figure produced favorable results. It represents 9.1 percent of Panama's GDP of \$19.7 billion, highest percentile in Latin America.

**Panama Canal celebrates 94<sup>th</sup> birthday** (Source: La Estrella)

On August 15<sup>th</sup>, Panama Canal celebrated its 94<sup>th</sup> birthday. Now 94 years after it's opening, the Panama Canal continues to be the "goose that lays the golden eggs" for the national economy and throughout international channels its efficiency is recognized at all levels. The Panama Canal has contributed more than \$3.2 billion dollars to the Panamanian National Treasury since it was turned over to Panamanian control on 31 December 1999. This total almost duplicates the amount the United States gave to Panama during the entire 85 years the Panama Canal was under US control - over \$1.8 billion dollars. Today, Panama is prepared for a new challenge, the construction of a new third set of locks, which would allow larger "post-panamax" ships to transit the Panama Canal. Completion is set to coincide with the Canal's 100<sup>th</sup> anniversary.

**President Martin Torrijos reviews Panama Canal expansion** (Source: La Critica)

With the completion of the first year of construction on the expansion of the Panama Canal, Panamanian president Martin Torrijos received a report this month on the advances achieved to date on the construction of the third set of locks. Torrijos observed from Cerro Cocolí the earth moving works that make up part of the construction of the 6.1 kilometer navigation channel that will unite the new locks on the Pacific end of the Panama Canal with the Corte Culebra. To date 60 contracts worth more than \$296 million dollars have been awarded for services, consultants, and construction. The expansion project has created more than 2,000 jobs this year.

**IFC considers \$500 million loan for Panama Canal expansion** (Source: Dow Jones)

The International Finance Corporation is considering a loan of up to \$500 million to help finance the expansion of the Panama Canal. In a recent press release the IFC stated that the loan to the Panama Canal Administration would help fund a portion of the total project cost, estimated at around \$5.25 billion. The project includes the construction of a third set of locks and the deepening of the Pacific and Atlantic entrances to the canal. Canal operations generated, either directly or through multiplier effects, about 18.6% of Panama's gross domestic product, 41.2% of its export volume, and 28% of fiscal revenue in 2005, according to the IFC. The IFC said its board of directors could review the loan proposal as early as mid-October.

**China is the second largest customer of the Panama Canal**

The China Cosco Shipping Group is a major client of the Panama Canal. The small Central American country, with a population that just about exceeds 3 million, is the fifth largest trading partner in Latin America of the Asian giant. Trade in 2007 exceeded U.S. \$ 5 billion. Most Chinese products are distributed to Latin America departing from the Colon Free Zone.

**Final drafts for third set of locks delayed**

The Authority of the Panama Canal (ACP) extended the period for submitting the draft design of the new locks. According to the initial planning, the design of the new locks should had been submitted by August 22nd, but the ACP extended the period until December 10th, in response to a request by the 4 consortia prequalified.

**World Bank approves US\$75 million in loans for Panama**

The World Bank Board of Directors approved two loans totaling US\$75 million for Panama to increase access to and quality of basic health services and education among the poor in rural and indigenous areas. "The central objective of the government's program is to tackle poverty and inequality by improving access to health and education programs for poor and underserved groups. This is a very wise investment and the World Bank is pleased to support it," said Laura Frigenti, World Bank Director for Central America.

**Panama flagged fleet still growing** (Source: Maritime Global Net)

Panama, since 1993, has the world's largest registered merchant fleet. During the first six months of 2008, Panama's ship numbers increased by 4.7% bringing the total fleet to 7, 965 vessels in June 2008 and taking aggregate gross tonnage to 177.09m gt, up by 5.4% in the first half of 2008. Reforms to three maritime laws; a maritime commercial law, a general port law on future national and international port concessions and reforms to the merchant marine were approved and signed into law at the beginning of August 2008. The new merchant marine law will ease administrative and legal procedures and offer incentives for new ships and Panama flag loyalty. The legislation grants incentives for registering new ships and to users that register fleets, depending of gross tonnage and type of ships. Those registering 5-15 ships will receive 20% discount in registration fees; 16-50 vessels qualify for 35% and for 51 vessels and above, a discount of 60% will be granted.

**Panama promotes wind energy projects**

Development of projects to generate aeolian energy is among the actions that Panama is promoting for using alternative energy sources, in an environment marked by high oil prices. According to the National Public Service Authority, 20 initiatives of that kind have been granted the relevant licenses to carry out feasibility studies. Several of those plans are for Colon, Cocle, Veraguas and Chiquiri provinces, and other national areas. Experts have estimated that winds in Panama are strong only in summer, thus aeolian generation is not guaranteed at all times, because it is necessary a force of at least 20 or 23 feet per hour to move the rotors. However, there are favorable places, subject to assessment by national and foreign investors. In this reference, German Wind 7 AG company and

Panamanian Aerogeneradores Cerro Azul Ltd. are developing in Colon a project estimated at over \$400 million that could contribute around 200 megawatts.

**Construction remains robust in Panama** (Source: La Prensa)

The government of Panama is issuing building permits at a record speed. In the first six months of this year \$829.8 million dollars worth of permits were issued, which is a 54% increase over the same period last year. Most of the approved projects will be located in Panama City, however, Arraijan, a small town on the outskirts of Panama City came in second with \$44 million worth of construction projects approved. That is a 161% increase from the first half of 2007. The president of the Panamanian Construction Chamber is positive that the growth will continue through the second half of the year.

**Tourism continuous strong growth in 2008** (Source: La Prensa)

Tourists arriving to visit Panama between January and June 2008 spent \$677.2 million dollars, 19.7% more than in the same period of the previous year, according to the Nation's Comptroller. During the first six months of the year 765,000 tourists visited Panama, up 11.4% compared to the first six months of 2007.

**Canada's Inmet Mining Corp buys out Petaquilla Copper partner.**

Petaquilla Copper Ltd. agreed a taken over by Inmet Mining Corp. for just over \$350-million. The two companies, along with Teck Cominco Ltd., are joint venture partners in the Petaquilla copper project. Metso Minerals reported that it will supply grinding equipment to Minera Petaquilla, S.A. for the mine, located approximately 100 kilometers west of the Panama Canal. The delivery will be done by mid 2011. The value of the order is approximately EUR 48 million.

**New Palm Oil Processing Plant in Progreso** (Source: La Estrella)

The Directors of the Coopemapachi organization and authorities from the Ministry of Farming Development are concluding an deal for a \$5.9 million dollar loan for the construction of a palm oil extraction plant in Progreso in the Chiriquí province. Currently there are six thousand hectares dedicated to production of palm oil. The manager of the Coopemapachi cooperative Leandro Marquínez said that the feasibility of palm oil is high due to its big profits. Those who know the industry have projected that in some five years they will duplicate the area cultivated to more than 12,000 hectares. The government, through the Farming Development Bank (BDA), facilitated the loan required for the installation of the processing plant.

**[www.panamacompra.gob.pa](http://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](http://www.panamacompra.gob.pa). This new system is more efficient and transparent thus raising confidence amongst people and companies doing business. From the 1<sup>st</sup> of January untill the 31<sup>st</sup> of May almost 28 thousand public contracts worth roughly USD 200 million were awarded. The ACP alone awarded contracts worth USD 286.5 million.

**Expologística 15-16 October**

*Expologística Panamá* is an International Exposition of Logistics and Transportation organized by the Chamber of Commerce, Industry and Agriculture (CCIAP) in cooperation with the National Secretary of Science, Technology and Innovation (SENACYT). The fair is an import 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-exported. National and international businesses will be presenting their products and services. The fair will take place on 15 and 16 October. For further information on the program, participation and inscription visit [www.expologistica.org](http://www.expologistica.org) or contact the Consulate at [nltrade@cwpanama.net](mailto:nltrade@cwpanama.net).

### **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 and 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](http://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](mailto: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. More information please visit website: [www.evd.nl/landen](http://www.evd.nl/landen).

More information can be obtained from Marcel Knoors, country manager Panama, through email [panama@info.evd.nl](mailto:panama@info.evd.nl) or by phone (0031) 070-7788698.

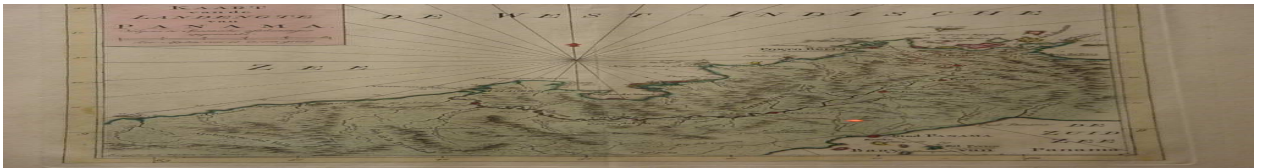
### **Embassy of the Kingdom of the Netherlands as information source**

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

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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](http://www.holanda.or.cr) or [www.handelswijzer.com](http://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](mailto:nltrade@racsa.co.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](mailto:consuladonl@cwpanama.net)

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