


DOING BUSINESS IN PANAMA

AmCham Panama

THE AMERICAN CHAMBER OF COMMERCE
AND INDUSTRY OF PANAMA






BRIDGING THE OCEANS

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Panama Canal Railway Company

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The Doing Business in Panama is published by the American Chamber of Commerce and Industry of Panama as a worldwide service to potential investors interested in exploring Panama´s multifaceted economy and business opportunities. This publication also provides key information of the country and its development in sectors such as logistics, agroindustry, financial services, tourism, and mining, as well as specific issues related to requirements for contracting with the Panamanian State, information about special economic areas, free trade zones among other matters of great interest.

It is the work of many members, staff, and consultants, listed below, to whom we extend our special thanks and gratitude for a job well done.

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ENRIQUE AGUIRRE

President - AmCham Panama 2021

At a global level there have been significant impacts because of the Covid 19 pandemic, however we are already beginning to see an impressive economic recovery where Panama stands out in growth within the Latin American region. The pillars of the potential of the Panamanian economy to consolidate itself as a world-class business hub have not changed; that is why the country continues to strengthen its advantages to compete worldwide based on its dollarized economy, incentive regimes for different types of industries, special economic areas, an international banking center that facilitate doing business inside and outside of Panama, a strategic geographical position, a robust intermodal logistic center, among other aspects.

The positioning of the Panama Hub is a source of inspiration to continue making our best efforts on issues such as competition, quality and reliability of the services that are currently offered and those that can emerge soon addressed to the new challenges that global trade demands.

Panama's focus will be based on the strengthening of logistics platforms that reinforce the performance of Panama as a center for transshipment and redistribution of world cargo, the alignment of the country as a bridge for the passengers' mobilization to the entire American continent, the facilitation of updated communication services, the production of high-tech goods and services, among others, led by a strategy in matters such as innovation, management, transfer, adaptation and technological commercialization to optimize the value chains following rules uniforms and generating confidence to shield the processes.

This new edition of the "Doing Business in Panama" is a reliable tool that provides up-to-date information on the advantages offered by the country as a potential investment destination in the region, the impressive benefits for investors, which has a positive impact on the local economy due to the capital formation, job creation, business competitiveness, technical training, technology transfer and other outstanding issues.

I hope you find lots of valuable information and insights on this document and hopefully we will see each other soon while Doing Business in Panama, because "Panama is the best place for growing up your business in the region".

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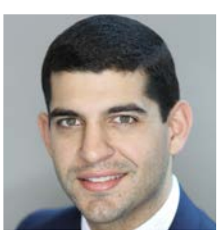

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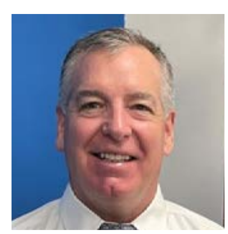

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WHY TO INVEST IN PANAMA?

At the end of 2021, Panama presented the following characteristics strategically to attract investors:

- Trade hub: 8% of global commerce pass through the Panama Canal, with 80 kilometers of distance between the Atlantic and the Pacific Ocean.
- Robust banking system: strong banking system with more than 90 local, regional, and international banks.
- International financial center: with total assets of the banking system as of 2021 representing 7.4% the nominal GDP of the country, Panama has been a financial center for the principal financial corporations in Latin America and the world.
- Air connecting hub: 132,000 direct flights per year to 90 destinations in 35 countries.
- Regional platform: Panama has 23 trade agreements, giving direct access to 59 countries in Latin America and 1.3 billion of potential customers.
- Special regimes: allowing multinationals and niche business (i.e. Research and Development, Administrative, Manufacturing, Corporate services, among others) to have access to competitive tax and administrative benefits;
- Efficient urban mobility system: Panama Metro Line 1 and 2 transport +250,000 people in the metropolitan area.
- Legal investment stability: 10 years of legal stability of the investments done in the country, in terms of tax and special regimes; and
- Full dollarized economy.

The general objective of this document is to present a country profile of Panama to potential interested parties, from an economic, financial, and legal perspective. The specific purpose is to provide an overview of the benefits that Panama offers, as a key receptor for foreign investment development.

B. PANAMA'S OVERVIEW

Panama is the bridge between Central/North America and South America, the passage that connects the Pacific Ocean and the Caribbean Sea and an open door for everyone. Panama has been considered a strategic logistics hub in the Americas and crossroads of the world since early years.

Back in 1513, Vasco Núñez de Balboa discovered the narrowest strip of land that separated the Atlantic and Pacific Ocean in Panama. Intrigued by the Isthmus of Panama and the thought of the construction of a potential canal to cross the seas, in 1534, Charles I of Spain issued a decree for the Panama regional governor to survey a route to the Pacific following the Chagres River, which concluded that the ship canal was an impossible endeavor. Late, in the period of 1881 - 1898, the French construction initiated, but failed to progress and the United States took over the Panama Canal Project in 1904 and concluded successfully in 1914.

The Panama Canal officially opened on August 15th, 1914, greatly reducing the amount of time ships took to travel between the Atlantic and Pacific Ocean, enabling them to avoid the lengthy, hazardous Cape Horn route around the southernmost tip of South America. This newly created route opened new markets and possibilities and helped integrate the nations in and around the Pacific Ocean into the world economy. In June 2016, after an intensive construction program, the Panama Canal inaugurated a third set of locks for the transit of neopanamax vessels, which prioritizes water savings and contributes to the reduction of CO2 due to the shorter distance to travel for larger sized ships carrying a higher load capacity than the previous maximum allowed.

Besides the Panama Canal, Panama is a Connectivity Hub due to seven operational submarine cables: PAC, SAC, PCCS, PAN-AM, ARCOS, Maya-1 and Curie; and two upcoming cables: Aurora (Ready for Service date: Q4 2022) and CX (Ready for Service date: Q2 2024). This infrastructure, which provides the main network of Latin America, presents us with low cost and easy access to connectivity.

Prior to the pandemic, Panama was recognized for operating one the most important air terminals in Latin America in terms of number of destinations and traffic, the Tocumen airport. It operated flights back and forth from more than 90 cities in America and Europe and it was the main hub for important airlines in Latin America. With the reopening of borders and the restart of international travel, it will become once again and international hub.

GEOGRAPHIC & DEMOGRAPHIC DATA	
Population (estimated for 2022)	4,395,414 inhabitants
Surface	74,177.3 Sq. Km.
Territorial Sea	12 nautical miles wide
Coast extension	2,988.3 Km.
Provinces	10
Population Density	59 inhabitants per Sq. Km. (estimated)
Geographic distribution	10 provinces, 3 indigenous reserves classified as provinces and 2 more classified as municipalities
Most population located in (estimated for 2022)	Panama & Panama West: 2,337,060; Chiriquí: 468,948; Colón: 306,704
Housing numbers in country (occupied)	896,050 housing (2010 Census)
Housing density in country (estimated)	12 Houses per Sq. Km.
Population structure according to age (estimated)	11 years or less: 20.1% 12 – 17: 10.0% 18 – 34: 26.3% 35 – 54: 25.6% 55 – 64: 8.8% 65 or more: 9.2%
Languages	Spanish (Official), English (Commercial)

Source: Comptroller of the Republic of Panama

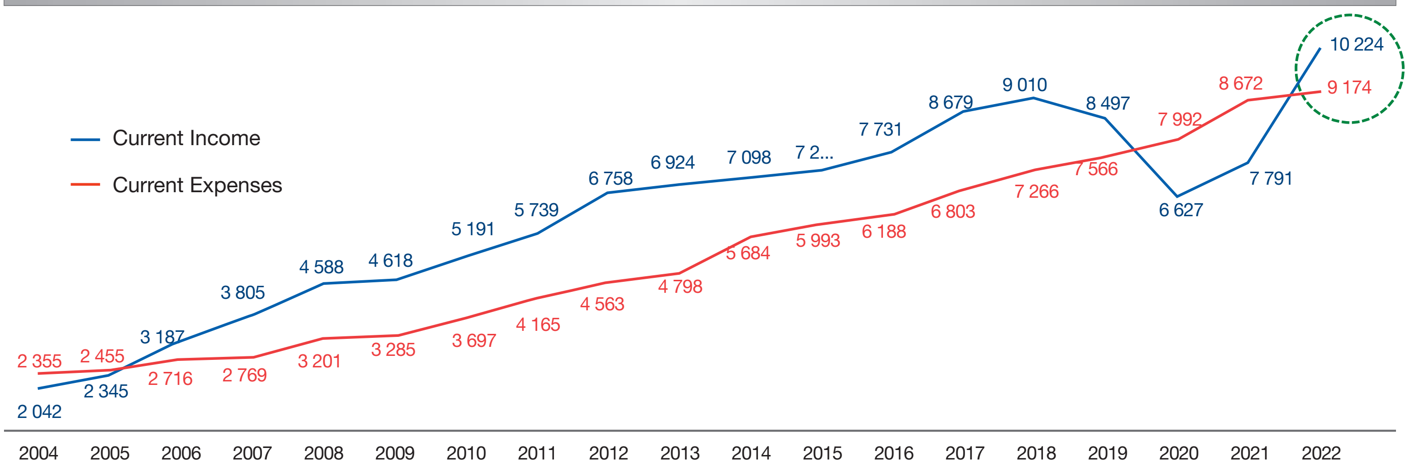
Throughout the years, infrastructure in Panama has experienced a robust and constant growth along with the country's economic growth. Currently, the Panamanian government is in developing significant infrastructure projects such as the construction of Line 3 and expansion of Lines 1 and 2 of the Metro, expansion and maintenance of the highways, and the building of a tunnel under the Bridge of the Americas, among others. In the private sector, the construction of a copper mine and a natural gas plant in Colón have been successfully concluded, and their operations have started.

We will present a snapshot of Panama's economy through different international indicators, rankings, and its various national sectors over this report.

1 Country Economic Outlook

Panama is an upper-middle income country with an estimated (up to Q3 of 2021) gross domestic product of US$29.2 billion dollars, according to the National Institute of Statistics and Census. During the past 50 years, the real growth of the Panamanian Gross Domestic Product has averaged 5.0%, which makes Panama one of the fastest growing economies in Central and Latin American. Since 2004 it has grown at a steady pace, and during the 2008-2009 financial crisis, the Panamanian financial sector demonstrated resilience, which helped attain a positive increase in GDP. The following years, Panama's GDP growth capped at approximately 11% in 2011, and the trend of the following years averaged to approximately 4.6%. Before the COVID-19 outbreak, the World Bank predicted growth in Panama to be greatly influenced by the momentum generated by the completed copper mine. However, the National Institute of Statistics and Census estimates that the national GDP contracted 17.9% between 2019 and 2020. These conditions have led Panama to receive downgraded ratings, with stable and negative outlooks, by major sovereign debt credit rating agencies.

CURRENT INCOME AND EXPENSES IN THE CENTRAL GOVERNMENT (IN MILLIONS OF USD)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Current Savings	-313	-109	470	1,036	1,357	1,333	1,494	1,574	2,195	2,126	1,414	1,274	1,543	1,877	1,745	930	-1,365	-882	**1,050**

Current Income includes Capital Income and Donations. Data for the year 2021 are estimated figures and for the year 2022 from the General State Budget.
Source: Ministry of Economy and Finances of Panama

According to the National Institute of Statistics and Census, unemployment rate has been around a 6% average during the last years prior to the pandemic. Due to the pandemic and its consequences, it is estimated that this percentage increased to 11.3% in October 2021. According to the International Monetary Fund -IMF, by the end of 2019, inflation rate reached -0.1%, and it projects an increase to up to 2.0% in 2022, due to the global pandemic. In terms of poverty, prior to Covid-19, Panama had been reducing poverty, partly due to the observed economic growth and public transfers. During 2015-2018 poverty decreased from 15.4% to 12.5%, while extreme poverty fell from 6.7% to 5.1%, during the same period. During 2020 poverty had increased, with this trend spilling over 2021 and 2022.

	Real GDP Growth (Year-over-year percent change)				Inflation (End of period; percent)				External Current Account Balance (Percent of GDP)			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
CAPDR	3.2	-7.1	7.7	4.6	2.5	2.8	4.2	3.1	-1.1	1.3	-0.9	-1.1
Panama	**3.0**	**-17.9**	**12.0**	**5.0**	**-0.1**	**-1.6**	**2.0**	**2.0**	**-5.0**	**2.3**	**-3.7**	**-3.5**
Nicaragua	-3.7	-2.0	5.0	3.5	6.1	2.9	4.1	3.5	6.0	7.6	4.1	4.0
Honduras	2.7	-9.0	4.9	4.4	4.1	4.0	4.1	4.0	-1.4	3.0	-3.0	-3.2
Guatemala	3.9	-1.5	5.5	4.5	3.4	4.8	4.6	4.3	2.3	5.5	4.3	3.0
El Salvador	2.6	-7.9	9.0	3.5	-0.0	-0.1	4.5	1.6	-0.6	0.5	-2.8	-2.9
Dominican Republic	5.1	-6.7	9.5	5.5	3.7	5.6	6.5	4.0	-1.3	-2.0	-2.0	-2.0
Costa Rica	2.3	-4.1	3.9	3.5	1.5	0.9	1.6	1.5	-2.1	-2.2	-3.0	-2.7

CAPDR = Central America, Panama, and the Dominican Republic | Data for 2021 and 2022 are projections
Source: International Monetary Fund . IMF

Creating sustainable value for your business

By supporting other organizations to mitigate risks and seize opportunities, we can drive positive and sustainable change for our customers, our people, and society at large.

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2 Country Risk

Country risk refers to a country's economic and/or political risks that may affect its business and result in investment losses. These risks may be political, economic, financial, exchange rate related, sovereign related and transfer related, among others. For example, the latter is the risk of capital being locked up or frozen by government action, while sovereign risk refers to the risk that the host government will default on its payment obligations.

Most often investors assess country risk through both country and sovereign risk ratings, which are provided by private rating agencies, as well as multilateral institutions. By taking multiple quantitative and qualitative factors into account, these agencies issue credit and investment ratings for each country. The following sections detail Panama´s country risk ratings and analyses.

3 Investment Rating

The pandemic, and its consequences have directly affected Panama's investment ratings. Standard & Poor's credit rating for Panama stands at BBB with negative outlook. Despite the recent downturn, S&P posit that the economy remains diversified and resilient. Moody's credit rating for Panama was last set at Baa2 with stable outlook. Nevertheless, Moody's stable outlook balances Panama's high economic growth potential and relatively favorable funding conditions against the challenges the authorities will face in adopting policies to arrest the upward debt trend and ultimately support fiscal consolidation. Fitch's credit rating for Panama was last reported at BBB- with stable outlook. Fitch now expects Panama will reach its pre-pandemic GDP level by 2022.

- Standard & Poor's Global Ratings **BBB Negative**
- Moody's Rating **Baa2 Stable**
- Fitch Rating **BBB– Stable**

Source: Fitch ratings, S&P ratings, and Moody's

3.1 Fitch Ratings

Fitch´s international credit ratings relate to either foreign currency or local currency commitments and, in both cases, assess the capacity to meet these commitments using a globally applicable scale.

The local currency international rating measures the likelihood of repayment in the currency of the jurisdiction in which the issuer is domiciled and hence does not take account of the possibility that it will not be possible to convert local currency into foreign currency or make transfers between sovereign jurisdictions (transfer and convertibility [T&C] risk).

Foreign currency ratings additionally consider the profile of the issuer or note after considering transfer and convertibility risk. This risk is usually communicated for different countries by the Country ceiling, which caps the foreign currency ratings of most, though not all, issuers within a given country.

Rated entities in several sectors, including financial and non-financial corporations, sovereigns, insurance companies and certain sectors within public finance, are generally assigned Issuer Default Ratings (IDRs). IDRs opine on an entity's relative vulnerability to default on financial obligations. The threshold default risk addressed by the IDR is generally that of the financial obligations whose non-payment would best reflect the uncured failure of that entity. As such, IDRs also address relative vulnerability to bankruptcy, administrative receivership, or similar concepts, although the agency recognizes that issuers may also make pre-emptive and therefore voluntary use of such mechanisms. In aggregate, IDRs provide an ordinal ranking of issuers based on the agency's view of their relative vulnerability to default, rather than a prediction of a specific percentage likelihood of default.

Country ceilings reflect the agency's judgment regarding the risk of capital and exchange controls being imposed by the sovereign authorities that would prevent or materially impede the private sector's ability to convert local currency into foreign currency and transfer to non-resident creditors — transfer and convertibility (T&C) risk. As such, they are not ratings, but expressions of a maximum limit for the foreign currency issuer ratings of most, but not all, issuers in each country. Given the close correlation between sovereign credit and T&C risks, the Country ceiling may exhibit a greater degree of volatility than would normally be expected when it lies above the sovereign foreign currency rating.

In their most recent rating report, dated January 2022, Fitch Ratings affirmed all the previous ratings and revised the rating outlook to Stable. Additionally, both the Long- and Short-Term Local Currency Issuer Default Rating were withdrawn, as Fitch's criteria states that for fully dollarized economies like Panama, Fitch would treat default on their dollarized debt as a default on the sovereign's Foreign Currency Issuer Default Rating.

According to Fitch, the revision of Panama's outlook to Stable reflects the ongoing improvement in the fiscal position and a better-than-expected economic recovery following the initial pandemic shock. Fitch's fiscal expectations have improved amid a stronger-than-expected 2021 outturn and economic recovery, and improved confidence in the authorities' capacity to successfully narrow the fiscal deficit via revenue-based measures and expenditure restraint.

External demand, including the Panama Canal activity and copper exports, have driven economic growth. The shift of global demand from services towards goods continues to benefit the Panama Canal. Fitch now expects Panama will reach its pre-pandemic GDP level by 2022 (a year earlier than previously). Signs of construction oversupply and a smaller infrastructure project pipeline may indicate lower medium-term growth prospects compared to the high growth rates over the past decade. Panama's diverse economy, however, may mitigate the risk of a protracted economic slowdown, according to Fitch.

REPUBLIC OF PANAMA			
Rating Type	Current Rating	Date	Rating Action
LTR	BBB-/Stable	28-Jan-2022	Affirmed
STR	F3	28-Jan-2022	Affirmed
Local Currency Long Term Issuer Default Rating	WD	28-Jan-2022	Withdrawn (WD)
Local Currency Short Term Issuer Default Rating	WD	28-Jan-2022	Withdrawn (WD)
Country Ceiling	A-	28-Jan-2022	Affirmed

Source: Fitch Ratings

3.2 Moody's

Moody´s issuer ratings are opinions of the ability of entities to honor senior unsecured debt and debt like obligations. As such, Issuer Ratings incorporate any external support that is expected to apply to all current and future issuance of senior unsecured financial obligations and contracts, such as explicit support stemming from a guarantee of all senior unsecured financial obligations and contracts, and/or implicit support for issuers subject to joint default analysis (e.g. banks and government-related issuers). Issuer Ratings do not incorporate support arrangements, such as guarantees, that apply only to specific (but not to all) senior unsecured financial obligations and contracts. While Issuer Ratings reflect the risk that debt and debt-like claims are not serviced on a timely basis, they do not reflect the risk that a contract or other non-debt obligation will be subjected to commercial disputes. Additionally, while an issuer may have senior unsecured obligations held by both supranational institutions and central banks (e.g., IMF, European Central Bank), as well as other investors, Issuer Ratings reflect only the risks faced by other investors.

Moody's assigns a ceiling for foreign-currency bonds and notes to every country (or separate monetary area) in which there are rated obligors. The ceiling generally indicates the highest rating that can be assigned to a foreign-currency denominated security issued by an entity subject to the monetary sovereignty of that country or area. Ratings that pierce the country ceiling may be permitted, however, for foreign-currency denominated securities benefiting from special characteristics that are judged to give them a lower risk of government interference than is indicated by the ceiling. Such characteristics may be intrinsic to the issuer and/or related to Moody's view regarding the government's likely policy actions during a foreign currency crisis. The country ceiling for foreign-currency bonds and notes is expressed on the long-term global scale.

Moody's assigns a ceiling for foreign-currency bank deposits to every country (or distinct monetary area) in which there are rated bank deposits. The ceiling specifies the highest rating that can be assigned to foreign-currency denominated deposit obligations of:

1) domestic and foreign branches of banks headquartered in that domicile (even if subsidiaries of foreign banks); and
2) domestic branches of foreign banks.

The country ceiling for foreign-currency bank deposits is expressed on the long-term global scale.

In their most recent rating action, dated March 2021, Moody's Investors Service downgraded all previous ratings. Moody's downgraded Baa1 ratings to Baa2 and Aa3 to A1 because Panama's fiscal strength deteriorated due to the severe economic shock from the pandemic.

Moody's stable outlook balances Panama's high economic growth potential and relatively favorable funding conditions against the challenges the authorities will face in adopting policies to arrest the upward debt trend and ultimately support fiscal consolidation.

Moody's considers that Panama's government has a relatively low footprint in the economy and financial system. The predictability and reliability of institutions and government actions is adequate and political risk is relatively low. In the context of dollarization, the risks derived from external imbalances are low and Panama is not exposed to a single commodity or productive sector. Additionally, given the long track record of dollarization, there are minimal transfer and convertibility risks.

REPUBLIC OF PANAMA			
Rating Type	Rating	Date	Rating Action
Senior Unsecured (Foreign)	Baa2/Stable	17-march-2021	Downgrade
LT Issuer Rating (Foreign)	Baa2/Stable	17-march-2021	Downgrade
Senior Unsec. Shelf (Foreign)	(P)Baa2/Stable	17-march-2021	Downgrade
Country's ceiling for foreign currency	A1	17-march-2021	Downgrade

Source: Moody's

3.3 Standard and Poor's

Standard and Poor's (S&P) Global Ratings issuer credit rating is a forward-looking opinion about an obligor's overall creditworthiness. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not consider the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. Counterparty credit ratings, corporate credit ratings and sovereign credit ratings are all forms of issuer credit ratings. Issuer credit ratings can be either long-term or short-term.

In their most recent rating action, dated August 2021, S&P Global Ratings affirmed Panama's long-term sovereign credit ratings to BBB, but revised their outlook to negative, and affirmed the country's short-term ratings at A-2. The ratings reflect the country's real and per capita GDP contraction amid the global pandemic. S&P projections expected the Panamanian economy to recover only partially in 2021, growing 9% due to a carryover effect and supported by mining exports and higher private consumption, as mobility restrictions lessen, and vaccination efforts continue. The projections also forecasted that growth should converge to its potential of about 6% over the medium term (the next three years) as private and public investment picks up. Despite the recent downturn, the economy remains diversified and resilient. Finally, their T&C assessment is 'AAA' due to the low likelihood that Panama would cease to use the U.S. dollar as its local currency.

REPUBLIC OF PANAMA			
Rating Type	Rating	Date	Rating Action
Foreign Currency Long-Term	BBB/Negative	04-Aug-2021	Affirmed
Foreign Currency Short-Term	A-2	04-Aug-2021	Affirmed
Local Currency Long-Term	BBB/Negative	04-Aug-2021	Affirmed
Local Currency Short-Term	A-2	04-Aug-2021	Affirmed
Transfer & Convertibility Assessment	AAA	04-Aug-2021	Affirmed

Source: Standard & Poor´s

3.4 BICRAs (S&P)

The strengths and weaknesses of an economy and banking industry are critical factors that underpin the creditworthiness of a country's financial institutions. S&P distills this analysis into a single Banking Industry Country Risk Assessment (BICRA), "designed to evaluate and compare global banking systems" as stated by their criteria. BICRAs are scored on a scale from '1' to '10', ranging from what they view as the lowest-risk banking systems (group '1') to the highest-risk (group '10'). The BICRA methodology has two main analytical components: "economic risk" and "industrial risk."

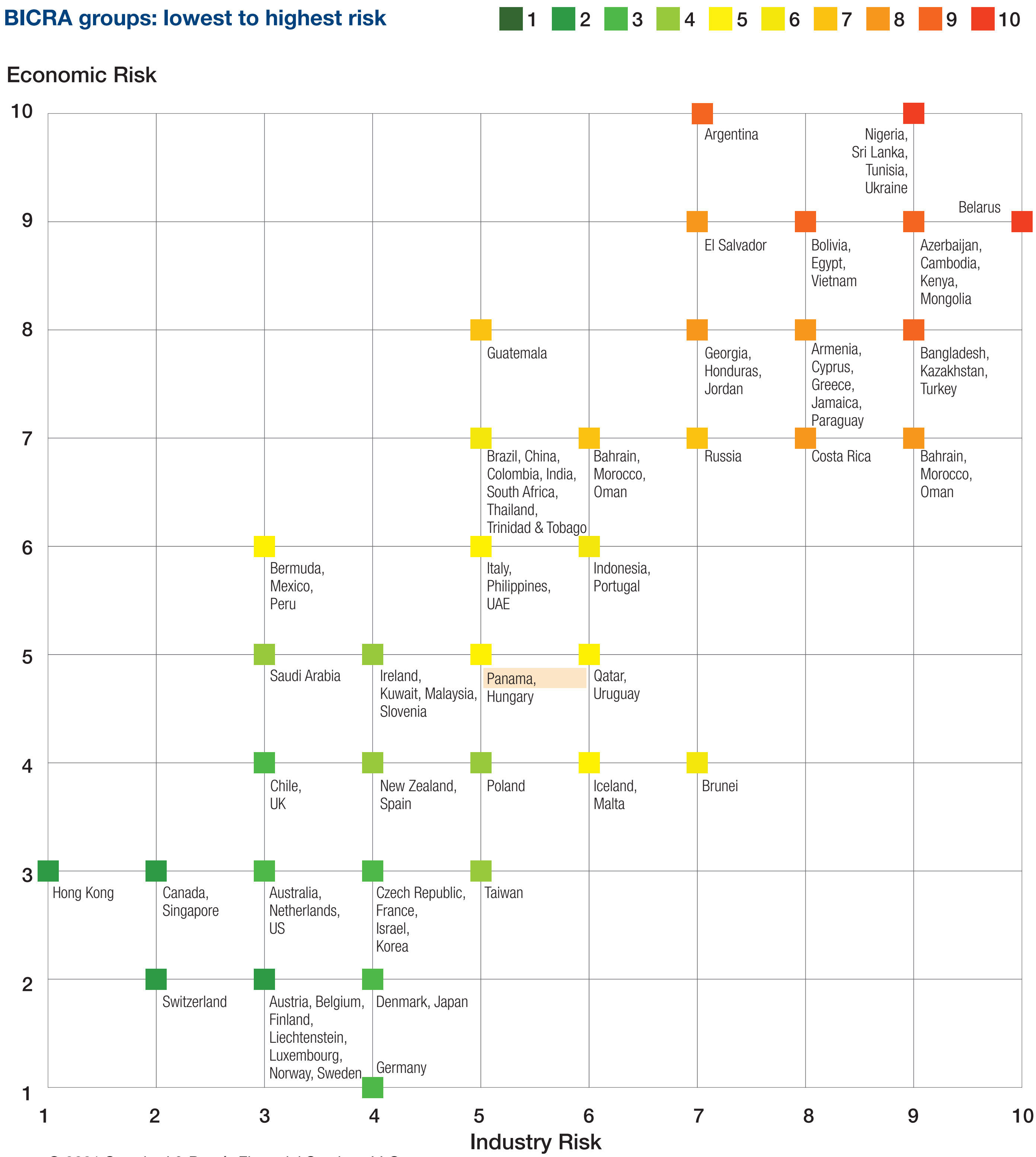
A BICRA analysis for a country covers all its financial institutions that take deposits, extend credit, or engage in both activities, whether rated or not. In addition, the analysis considers the relationship of the banking industry to the financial system, and furthermore to its sovereign. For that reason, many of the factors underlying a sovereign rating are important in determining a BICRA score.

Their analysis of economic risk of a banking sector considers the structure and stability of the country's economy, including the central government's macroeconomic policy flexibility; actual or potential economic imbalances, and the credit risk of economic participants--mainly households and enterprises.

Their view of industry risk factors in the quality and effectiveness of bank regulation and the track record of authorities in reducing vulnerability to financial crises, as well as the competitive environment of a country's banking industry--including the industry's risk appetite, structure, and performance--and possible distortions in the market. Industry risk also addresses the range and stability of funding options available to banks, including the role of the central bank and government.

Panama maintains its position in the middle of both risk tables, in Group '5', with its economic risk equal to its industry risk, according to S&P´s BICRA latest report, dated December 2021.

BICRA, ECONOMIC RISK, AND INDUSTRY RISK SCORES



Source: Standard and Poor’s

4 Growth Rebound (IMF)

Panama has a strategic geographic position and innovative trade policies that allow it to serve as a regional and global center. In July of 2021, the International Monetary Fund (IMF) conducted a first review under the Precautionary and Liquidity Line (PLL) Arrangement for Panama (approved in January 2021). The PLL serves as insurance against extreme external shocks stemming from the COVID-19 pandemic. Panama qualified for the PLL thanks to its sound economic fundamentals, strong institutional policy frameworks, long track record of good economic performance and policy implementation, and commitment to maintain such policies in the future. The arrangement should boost market confidence and provide protection against downside risks.

The latest review acknowledges that the economic growth is expected to continue over the medium term, stabilizing at its potential annual rate of 5%, underpinned by private investment, copper exports, Canal traffic flow and revenues, and tourism. In the medium term, the amended fiscal rule enshrines a gradual reduction in the deficit up to 1.5% of GDP by 2025. The external position is projected to be underpinned by stronger export receipts in the medium term, reducing the current account deficit to 2.5% of GDP by 2026.

Based on the PLL assessment criteria, Panama:

- performs strongly in the external position and market access.
- performs strongly in the fiscal policy area.
- performs strongly in the monetary policy area.
- does not substantially underperform in the financial sector soundness and supervision area.
- does not substantially underperform in the data adequacy area.

Thus, Panama continues to meet the PLL qualification criteria. Panama's economic fundamentals and institutional frameworks remain sound. The country has a track record of —and is implementing— sound policies and has adjusted to shocks emanating from the pandemic as well other global headwinds. Panama remains committed to such sound policies in the future. Its implementation of policies under the PLL arrangement remains on track, while measures to strengthen the policy and institutional frameworks are advancing.

MACROECONOMIC OUTLOOK						
	Actual			Projections		
	2010 - 2018	**2019**	**2020**	**2021**	**2022**	**2023**
Macroeconomic developments						
Real GDP growth (in percent)	3.6	3.0	-17.9	12	5.0	5.0
Inflation (GDP deflator, in percent)	3.5	-0.2	-3.4	1.8	2.0	2.0
			Est.	Projections		
	2018	2019	2020	2021	2022	2023
Demand components (at constant prices)						
Public consumption	7.7	4.5	19.1	4.9	-12.9	-1.0
Private consumption	2.3	3.6	-15.7	12.2	5.0	2.9
Public investment	6.9	-1.6	-19.7	9.1	2.8	11.4
Private investment	-0.4	-2.8	-40	32.4	12.6	6.9
Exports	5.1	-0.1	-28.3	14.2	10.5	9.4
Imports	4.1	-3.3	-34	37.1	7.7	7.4
Total public debt						
Debt of the Non-financial public sector	37.3	42.2	66.3	62.1	61.2	60.6

Source: Comptroller of the Republic of Panama; Superintendency of Banks of Panama; and IMF staff calculations

5 GDP Growth (The World Bank)

Panama had one of the strongest growth performances in Latin America and the Caribbean (LAC) before the COVID-19 crisis. Fast growth and prudent fiscal management allowed Panama to reach investment grade and access private financing markets at low cost. However, Panama suffered from one of the most severe COVID-19 outbreaks in LAC.

Panama's Gross Domestic Product (GDP) contracted 17.9% in 2020. Panama responded to the COVID-19 crisis by maintaining approximately the same investment levels as of 2019, while adding new social spending, despite a large drop in revenues (21.2% in 2020). Consequently, the fiscal deficit widened to 10.3% of GDP in 2020. Fiscal expansion was financed mostly by debt, enabled by ample access to multilateral and market financing. Lower imports and resilient activity in the Panama Canal have helped bring the current account deficit down in 2020 to 0.2% of GDP.

The World Bank forecasts a real GDP growth of 9.9% in 2021 and then a convergence to a potential growth rate at approximately 5%. Budget deficit will still be on the high side in 2021 but will be below the deficit-reduction trajectory set in the revised fiscal responsibility law (7.5% of GDP for 2021). Revenues are expected to expand benefiting from GDP rebound, improvements in tax administration and growing revenues from the Canal. Expenditures are forecasted to decline gradually as the government phases out COVID-19 related expenditures and adopts a more conservative fiscal stance to control the wage bill and purchase of goods and services.

6 World Investment Report (UNCTAD)

The World Investment Report, published by the UN Conference on Trade and Development (UNCTAD) focuses on trends in Foreign Direct Investment (FDI) worldwide, at the regional and country levels, and emerging measures. It also supports policymakers by monitoring global and regional FDI trends and documenting national and international investment policy developments.

Every issue of the Report includes:

- Analysis of the trends in FDI during the previous year.
- Ranking of the largest transnational corporations in the world.
- In-depth analysis of a selected topic related to FDI.
- Policy analysis and recommendations.

FDI flows to Panama shrank 86% to US$589 million, the lowest level in almost two decades. To counter the economic impact of the pandemic, the Government launched several construction projects for highways, railways and bridges and approved a new investment incentives regime, mainly in the form of tax benefits, targeting multinational companies that carry out operations from Panama and provide manufacturing services. Despite the rather unfavorable economic picture, mergers and acquisitions increased from US$175 to US$480 million, mainly because of the purchase of Multibank (Panama), a commercial bank, by Leasing Bogota (Colombia). Looking forward, the resumption of global trade will sustain flows, but the recovery will probably be slow, as indicated by the slump in announced greenfield projects (-26% in number).

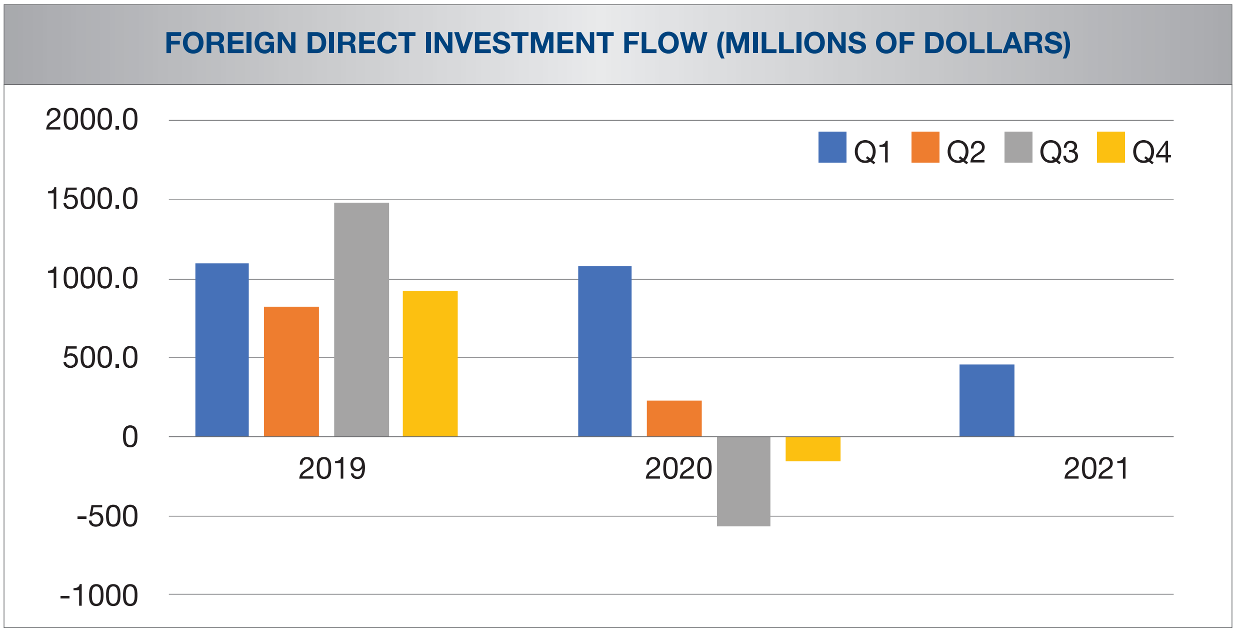
FDI FLOWS, BY REGION AND ECONOMY, 2016-2019 (MILLIONS OF DOLLARS)

Region/Economy	FDI inflows				FDI outflows			
	2017	2018	2019	2020	2017	2018	2019	2020
World	1,647,312	1,436,732	1,530,228	998,891	1,604,697	870,715	1,220,432	739,872
Latin America and the Caribbean	156,330	150,053	160,474	87,574	36,465	1,939	47,004	-3,542
Central America*	45,410	44,870	43,872	33,172	4,654	8,600	10,704	6,954
Belize	24[a]	118[a]	94[a]	76[a]	0.3[a]	1[a]	2[a]	4[a]
Costa Rica	2,778	2,337	2,748	1,711	126	53	117	87
El Salvador	889	826	636	200	0	0	0	-1
Guatemala	1,130	981	975	915	196	203	175	211
Honduras	1,176	961	498	419	141	66	-1	47
Mexico	34,200	33,730	34,097	29,079	3,988	8,365	10,985	6,528
Nicaragua	1,035	838	503	182	65	75	59	40
Panama	4,177	5,080	4,320	589	138	-163	-634	39
Caribbean	4,363	2,715	3,945	2,512	35	78	560	176

* The 2021 World Investment Report incorporates Mexico as part of Central America in their classification. [a] Asset/liability basis.
Source: UNCTAD

Panama amended its tax incentive regime to promote investment in the tourism industry. The country also introduced new tax incentives for multinational companies providing manufacturing services. In April 2021, Panama established the legal basis for creating PROPANAMA, a new autonomous Export and Investment Promotion Authority.

Foreign Direct Investment in Panama has varied significantly since the start of the pandemic.



Source: National Institute of Statistics and Census (INEC) of the Comptroller General of the Republic of Panama

7 Liner Shipping Connectivity Index (UNCTAD)

The Liner Shipping Connectivity Index (LSCI), published by the United Nations Conference on Trade and Development (UNCTAD), measures, liner shipping connectivity. This indicator permits to capture a country's level of integration into the existing global liner shipping networks. As a proxy of the accessibility of global trade, the higher the index means that it is easier to access a high capacity and continuous global maritime freight transport system, and thus efficiently participate in international trade. Thus, the index reflects the duality of being considered a measure of connectivity to maritime shipping and a measure of trade facilitation. Starting in 2020 the index is published as a quarterly series with the index set at 100 for the country with the highest average in the first quarter of 2006 (i.e. China).

The LSCI was improved upon in 2019, including a larger number of countries and adding an additional component for the calculation of the score. The current version of the LSCI is calculated from six components:

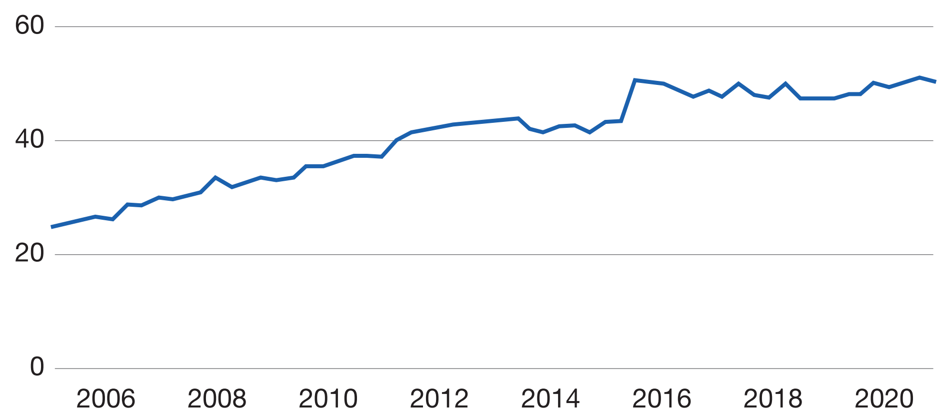
a) The number of scheduled ship calls per week in the country.
b) Deployed annual capacity in TEU: total deployed capacity offered at the country.
c) The number of regular liner shipping services from and to the country.
d) The number of liner shipping companies that provide services from and to the country.
e) The average size in TEU of the ships deployed by the scheduled service with the largest average vessel size.
f) The number of other countries that are connected to the country through direct liner shipping services.

Panama remains at the lead in Latin American and the Caribbean, with the best maritime connectivity, according to data from 2021. In the last five years, its score has reflected ups and downs. However, 2021 Q4 score of 51.60 is the highest since 2006.

LINER SHIPPING CONNECTIVITY INDEX - LATIN AMERICAN AND CARIBBEAN									
Rank	Country	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
1	**Panama**	**49.34**	**50.06**	**50.65**	**50.04**	**50.08**	**50.02**	**51.25**	**51.60**
2	Colombia	48.26	49.01	48.96	49.37	49.44	49.09	50.16	49.23
3	Mexico	48.76	48.57	48.17	48.40	48.63	47.19	47.61	47.28
4	Dominican Republic	38.13	37.78	36.16	38.26	38.27	38.22	43.37	42.23
5	Peru	40.07	40.02	39.24	39.20	39.31	39.20	41.11	40.42

Source: UNCTAD

PANAMA'S LINER SHIPPING CONNECTIVITY INDEX: 2006 – 2021



Source: UNCTAD

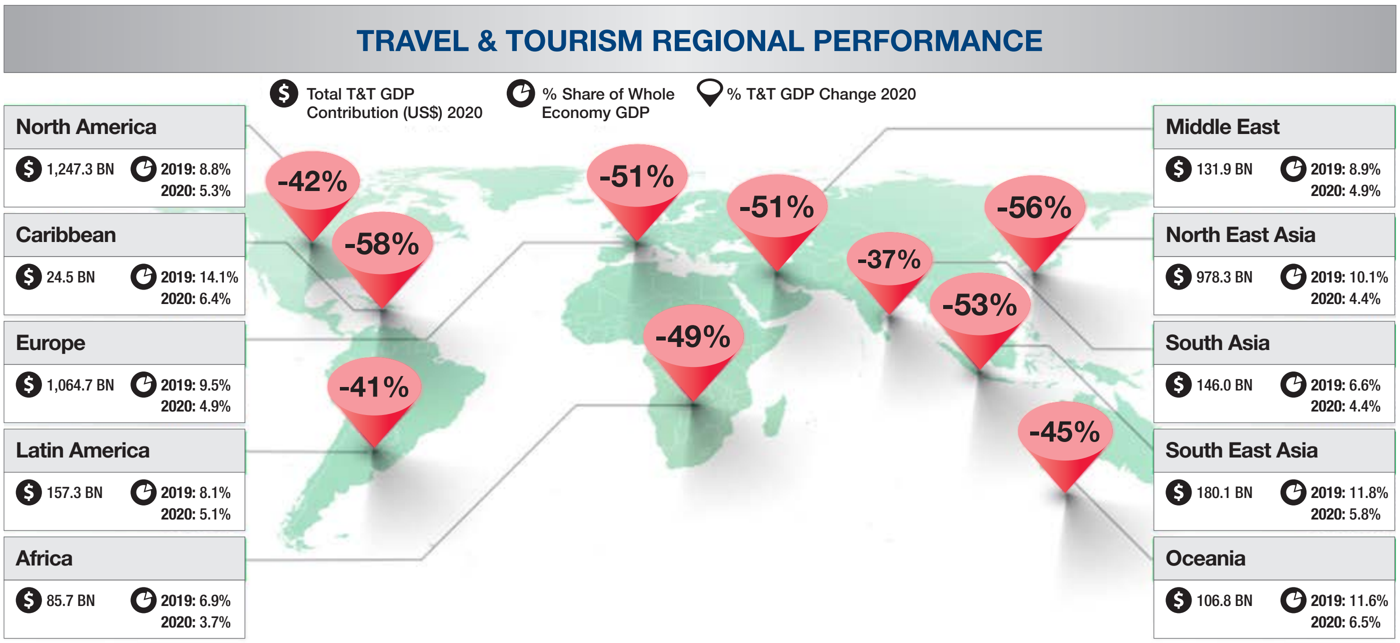
8 Container Port Traffic

The following data, relative to container handling activity, expressed in TEU, has been provided by the Panama Maritime Authority. Throughput includes the handling of imports, exports, empty containers, and transshipments. Transshipment refers to the storage of a container at a terminal while being transferred from one ship to another at some point during the journey. The measure is in twenty-foot equivalent units (TEUs), which refers to a standard-sized container.

Port	Location	2021 Transshipment (TEUs)	2021 Throughput (TEUs)
Manzanillo	Atlantic side	2,494,717	2,813,637
Balboa	Pacific side	2,119,396	2,335,923
Rodman (PSA)	Pacific side	1,168,310	1,227,509
Colón (CCT)	Atlantic side	873,480	1,053,712
Cristóbal	Atlantic side	1,009,513	1,048,626
Bocas Fruit	Atlantic side	69,066	144,520

9 Travel & Tourism Economic Impact 2021 (World Travel & Tourism Council)

The World Travel & Tourism Council (WTTC) is the body that represents the Travel & Tourism private sector globally. It has been quantifying the economic and employment impact of travel and tourism for more than 25 years. The WTTC provides Annual Economic Reports that present the compiled current data. According to its 2021 Economic Impact Report the direct global contribution of travel and tourism to GDP in 2020 was US$4,671bn (5.5% of GDP). Unfortunately, these numbers reflect a loss in the Travel & Tourism sector of almost US$4.7 trillion in 2020, with the contribution to GDP dropping by a staggering 49.1% compared to 2019; relative to a 3.7% GDP decline of the global economy in 2020.



Source: World Travel & Tourism Council - WTTC

Panama's 2020 key highlights can be summarized as follow: travel and tourism contributed to 5.4% of the total economy, 68.0% below 2019. Regarding employment, they contributed with 277,700 jobs, or 12.3% of total employmet.

Most inbound arrivals were from the U.S., Colombia, Venezuela, Costa Rica and Ecuador, while most outbound departures left for the U.S., Costa Rica, Mexico, Colombia, and Venezuela.

Panama	2019 - % of total	2020 - % of Total
Total GDP contribution	15.6	5.4
International spending	80	61
Domestic spending	20	39
Leisure spending	88	80
Business spending	12	20
Total contribution to employment	16.9	12.3

Source: World Travel & Tourism Council - WTTC

The 'International Spending' indicator references spending within the country by international tourists for both business and leisure trips, including spending on transport. The 'Domestic Spending' indicator alludes to the spending within a country by that country's residents for both business and leisure trips. 'Business Spending' and 'Leisure Spending' aggregate the spending of both residents and international visitors on business and leisure travel, respectively.

C. RELATIONSHIP OVERVIEW BETWEEN PANAMA & US

10 Trade Promotion Agreement

The Trade Promotion Agreement (TPA) between US and Panama was the product of negotiations that concluded on December 19th, 2006. On March 30th, 2007 President Bush notified the US Congress of the intention to make a trade agreement with Panama. After a long process of investigation and negotiations, the US Congress approved the agreement. Panama and the US signed the Trade Promotion Agreement on June 28th, 2007. Panama's National Assembly approved the Agreement on July 11th, 2007, but the US Congress approval lingered until 2011. The Trade Promotion Agreement with Panama was signed into law on October 21st, 2011 and entered into force in both countries on October 31st, 2012.

Panama sought the TPA to make trade rules with the United States permanent, and perhaps more significantly, to promote foreign investment in the country. The United States has stressed that the TPA with Panama, in addition to enhancing trade by giving the United States greater access to Panama's growing market, would also provide greater access to Panama's large service sector. According to US officials, Panama's strategic location as a major shipping route (with about 10% of US international trade passing through the Canal), enhances the significance of the TPA for the United States.

The TPA established a bilateral free trade area that eliminates tariffs on most goods which satisfy the Agreement's rules of origin. There are specific provisions in the Agreement on customs administration and trade facilitation, which would simplify the bilateral trade of goods. The TPA also liberalizes cross-border trade in virtually all services, with specific chapters focused on financial and telecommunication services. It builds upon existing WTO agreements, as well as other agreements and international commitments, by strengthening the rules that govern investment, intellectual property rights, labor, the environment, and government procurement.

US firms will have better access to Panama's service sector, compared to those that Panama provides to the other WTO members under the GATS (The General Agreement on Trade in Services). All service sectors are covered under the TPA, except where Panama has made specific exceptions. Moreover, Panama agreed to become a full participant in the WTO Information Technology Agreement.

The TPA changes rules for US exporters to Panama. More than 99% of Panama's agricultural exports enter the US market duty-free, and approximately 40% of US agricultural exports enjoy duty-free access to the Panamanian market. The TPA eliminates duties on half of US farm exports, including on high-quality beef, frozen turkeys, sorghum, soybeans, soybean meal, crude soybean, and corn oil, almost all fruit products and tree nuts, wheat, most peanuts, whey, cotton, and many processed products. It also eliminates nearly all remaining tariffs on US farm exports within 15 years and it immediately provides duty-free access through Tariff Rate Quotas (TRQs) for specific volumes of standard grade beef, chicken leg quarters, pork, corn, rice, and dairy products.

Over 87% of US exports of consumer and industrial products to Panama become duty-free immediately, with remaining tariffs phased out over a period of ten years. US products which gained immediate duty-free access include information technology equipment, agricultural and construction equipment, aircraft and replacement parts, medical and scientific equipment, environmental products, pharmaceuticals, fertilizers, and agro-chemicals.

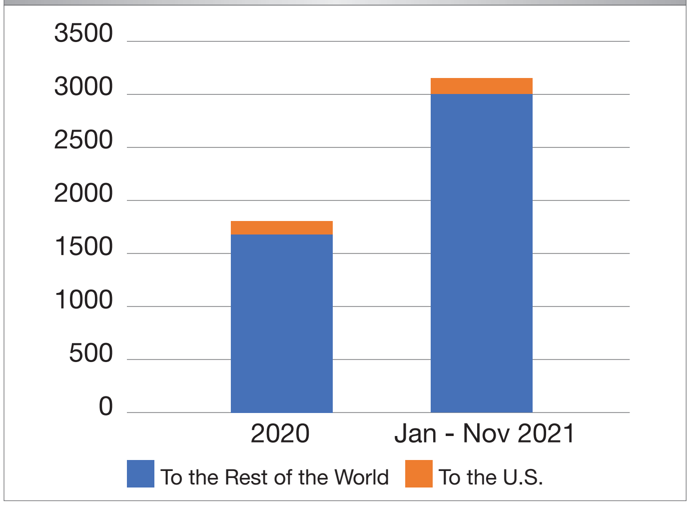
In addition to the favorable market access provisions, the Agreement resolves significant sanitary and technical issues. Panama, for example, will recognize the meat inspection system of the United States as equivalent to its meat inspection system.

Due to the small size of the Panamanian economy the impact of US Goods Exports to Panama will be significant. However, since Panama has had a traditional service market-oriented economy; chapter 11 of the TPA means a tremendous window of opportunity for Panamanians wishing to export this type of services to the US market.

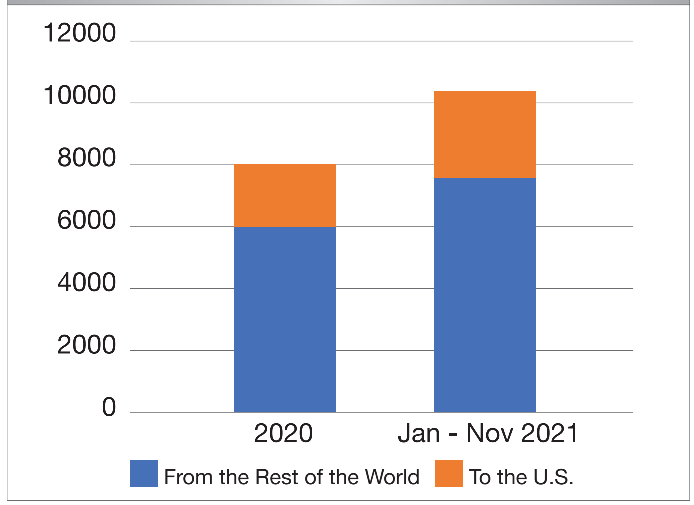
The Agreement also established a bilateral Free Trade Commission to supervise the implementation and the work of all committees and working groups established under the Agreement. Furthermore, there are numerous provisions throughout the Agreement that promote bilateral consultation and cooperation, procedural and substantive due processes, administrative and judicial review, transparency, and the rule of law. Finally, the TPA contains a transitional safeguard measure and a mechanism for settling disputes.

According to the statistics of the National Directorate for Export Promotion, of the Ministry of Commerce and Industry, at the end of 2020, Panama had exported a total of US$1,725.5 million dollars (of which 6% or a total of US$105.7 million dollars were exported to the US). For the period January-November 2021, Panama has exported a total of US$3,148.4 million dollars (4% or US$120.1 million to the US). Regarding imports, in 2020 Panama imported a total of US$8,076.8 million dollars and specifically 26% of that total (that is US$2,070.1 million) was from the United States. In 2021, from January to November, Panama has imported a total of US$10,273.8 million and from the US a total of US$2,632.0 million dollars, corresponding once again to 26% of the country's total imports.

PANAMANIAN EXPORTS (IN MILLION USD)



PANAMANIAN IMPORTS (IN MILLION USD)



Source: National Directorate for Export Promotion, Ministry of Commerce and Industry of Panama

Among the most important products that benefit from the TPA are:

- **Vehicles**
- **Poultry meat**
- **Food preparations**
- **Telephones and portable automatic data processing machines**
- **Petroleum oils & oils obtained from bituminous minerals** (excluding crude)
- **Oil cake & other solid residues:** The Agreement locks in duty-free treatment for US soybeans, soybean derivatives and crude soybean oil. Panama will phase-out the 20% tariff on crude soybean oil over 15 years beginning after 5 years.
- **Corn:** The Agreement provides immediate duty-free access for a specific volume of US corn through a 298,700-metric ton TRQ, with 3% compound annual growth. Panama will phase-out the out-of-quota tariff of 40% over 10 years with tariff reductions beginning after 5 years.
- **Wheat:** The Agreement locks in duty-free for US wheat.
- **Rice:** The Agreement provides immediate duty-free access for a specific volume of rice through two TRQs totaling 12,190 metric tons, with 6% compound annual growth. Panama will phase-out the out-of-quota tariff of 90% over 20 years beginning after 10 years.
- **Horticulture and horticultural products:** Panama's tariffs on these products range from 0% to 81%. Under the Agreement, Panama will provide immediate duty-free access on nearly 80% of these products. With a few exceptions, Panama will phase-out tariffs on most of the remaining products over 5 years.
- **Agricultural goods:** face an average tariff of 15%, with some tariffs as high as 260%, because there is a high governmental protection over some local productions.
- **Industrial goods:** currently face an average tariff of 7% in Panama, with some tariffs as high as 81%.

Some of the most relevant aspects of the Trade in Services sections are:

• **Telecommunication services:** This chapter regulates the access and use of public telecommunication services, covers obligations regarding public services providers and independent regulatory organisms, submarine cables systems and conditions relating to the supply of information services. Based on the actions agreed under the TPA, the parties will have a non-discriminatory access to networks and essential resources. It is worth mentioning that mobile services have been excluded from some sections of the chapter.

• **Professional services:** The professional services provisions will contribute to increased market access and national treatment for US professional services, practitioners engaged in cross-border trade, especially in such services historically reserved for Panamanian nationals. Certain professional services should benefit from a process whereby agreements on mutual recognition could be accomplished over time, such as in Engineering.

• **Retail services:** Retail service provisions will improve conditions of market access and national treatment.

• **Financial services:** The financial services provisions will lead to increased penetration of the Panamanian market by US firms.

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D. BUSINESS OPPORTUNITIES IN PANAMA

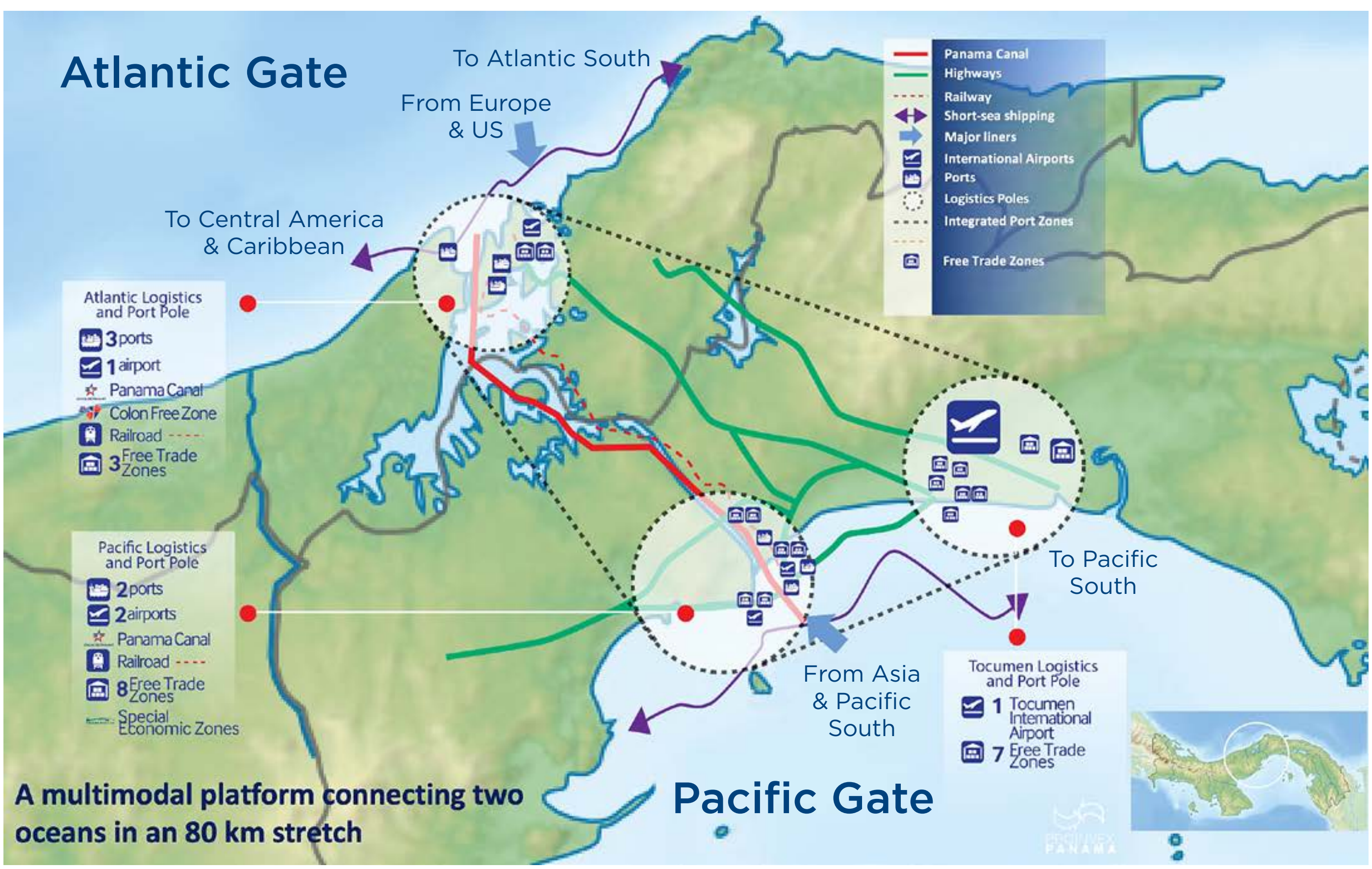
11 Logistics

Even though there is no separate category for logistical services in the WTO Services Sectorial Classification List, elements related to logistics are included under various headings: for example, in the "Transport Services" sector (freight transportation, cargo-handling services, storage and warehouse services, freight transport agency services, etc.) and the "Business Services" sector (inventory control, order processing, etc.). Other related elements, such as customs clearance services, container station and depot services, and maritime agency services, were in fact introduced over time, thus WTO Members generally recognized the specific characteristics and the importance of those elements in achieving the unfettered delivery of goods.

The express delivery service sector is believed to be taking on ever greater importance in issues related to logistics and inventories. A clear linkage is also seen between logistical services and other activities, such as electronic commerce and customs and health procedures; areas in which Panama has strengthened its institutional framework and implemented speedier procedures.

In addition, Panama has the largest merchandise redistribution free zone in the Western Hemisphere, the Colon Free Trade Zone, as well as the Panamá-Pacífico Special Economic Area (Área Económica Especial Panamá Pacífico), an area reserved to produce high technology services, as well the import, export and re-export of merchandise and other goods.

The Panama Canal is the principal component of the logistical hub that also contains a system of container terminals between the Pacific and the Caribbean, supported by the inter-oceanic railway, a maritime hub with ports on both the Atlantic and the Pacific Coasts, and an International Air Transportation Platform. Panama's geographical position enables it to offer a modern logistical platform via sea, land, and air to both domestic and foreign investors, which has been one of its most valuable assets, presently serving as a natural access center for the markets of over 3.5 billion people.



Source: National Authority for the Attraction of Investments and Promotion of Exports of Panama - ProPanama

Before the Panama Canal Expansion, only 20% of sea traffic coming from Asia took the Canal, because it takes 21.6 days to complete the route; the rest went through the Suez Canal, to the US east coast, taking 21 days. The impact of having Post Panamax ships, which carry as much cargo as 16 trains, on commodities traffic is important. The Panama Canal Expansion project started operations in June 2016.

The Expansion is making the US economy more efficient since it has greater value for the transportation of commodities to get from the West Coast to the East Coast faster and with greater value. Moreover, it relieves congestion from the LA/Long Beach port and might double the traffic in big east coast ports like Savannah, Charleston, New York/New Jersey.

The Panama Canal's capacity is complemented by the container ports in the Atlantic and the Pacific Coasts that function as merchandise transshipment and redistribution centers, moving more than 7 million TEUs annually. These ports are considered among the most modern in Latin America and are part of the largest Logistical Center in the region:

- **Manzanillo International Terminal (MIT):** located on the Atlantic coast of Panama, near the northern entrance to the Panama Canal, MIT is a large logistics complex that includes a first-world Ro-Ro and container terminal, extensive container storage areas, a logistics park with four warehouse systems, and a multimodal platform connecting maritime, land (including railroad access) and air transportation services.

- **Colon Container Terminal (CCT):** at the Atlantic entrance of the Panama Canal, CCT serves the regional markets of the Caribbean, North, Central and South America with shipments originating mainly in the Far East. This port has land access to the Colon Free Zone and the railroad. With four berths, thirteen gantry cranes and 74 hectares of storage area, CCT can berth all sizes of vessels, including two neopanamax vessels simultaneously.

- **Cristobal Port:** located at the Atlantic entrance of the Panama Canal, its strategic position allows for connection with the most important shipping routes in the Caribbean and Atlantic Ocean. The port has 3 berths for panamax and postpanamax vessels, a 970-metre dock and a 2 million TEU annual capacity.

- **Balboa Port:** located at the Pacific entrance of the Panama Canal, with a total of 43 hectares dedicated to container storage and 5 docks for container ships, Balboa operates with 25 gantry cranes, and with more than 80 rubber-tyred gantry cranes (RTGs). Hutchison Ports PPC manages and operates the ports of Balboa and Cristobal.

- **PSA Panama International Terminal:** located on the west side of the Pacific entrance to the Canal, it has 330-meter-long dock and is equipped with 3 postpanamax cranes and 9 RTGs. PSA Panama has undertaken the expansion of its container terminal, which consists of the installation of 800 linear meters of quay, two docking structures for mega vessels, eight new quay cranes and 12 RMGs, and the expansion of its container yard to 2 million TEU capacity.

The Panamanian government is expected to continue to invest in the construction of a very well-developed transportation and communication infrastructure. The projects approved by the Maritime Authority of Panama include on the Atlantic side: Puerto Verde Panamá Atlántico, Muelle 3, and Panama Colon Container Port (PCCP), and on the Pacific side: Mystic Rose Terminal and The New Corozal Terminal.

Regarding mass transit and sanitation infrastructure, the government has announced plans to:

- **Continue the construction of the Metro Line 3 from Albrook to Ciudad del Futuro:** covering the southwest part of the city and connecting to the Panama Oeste province (project has already been tendered and contracted).

- **Expansion of Metro Lines 1 and 2.**

- **Expand the Panama-Arraiján highway.**

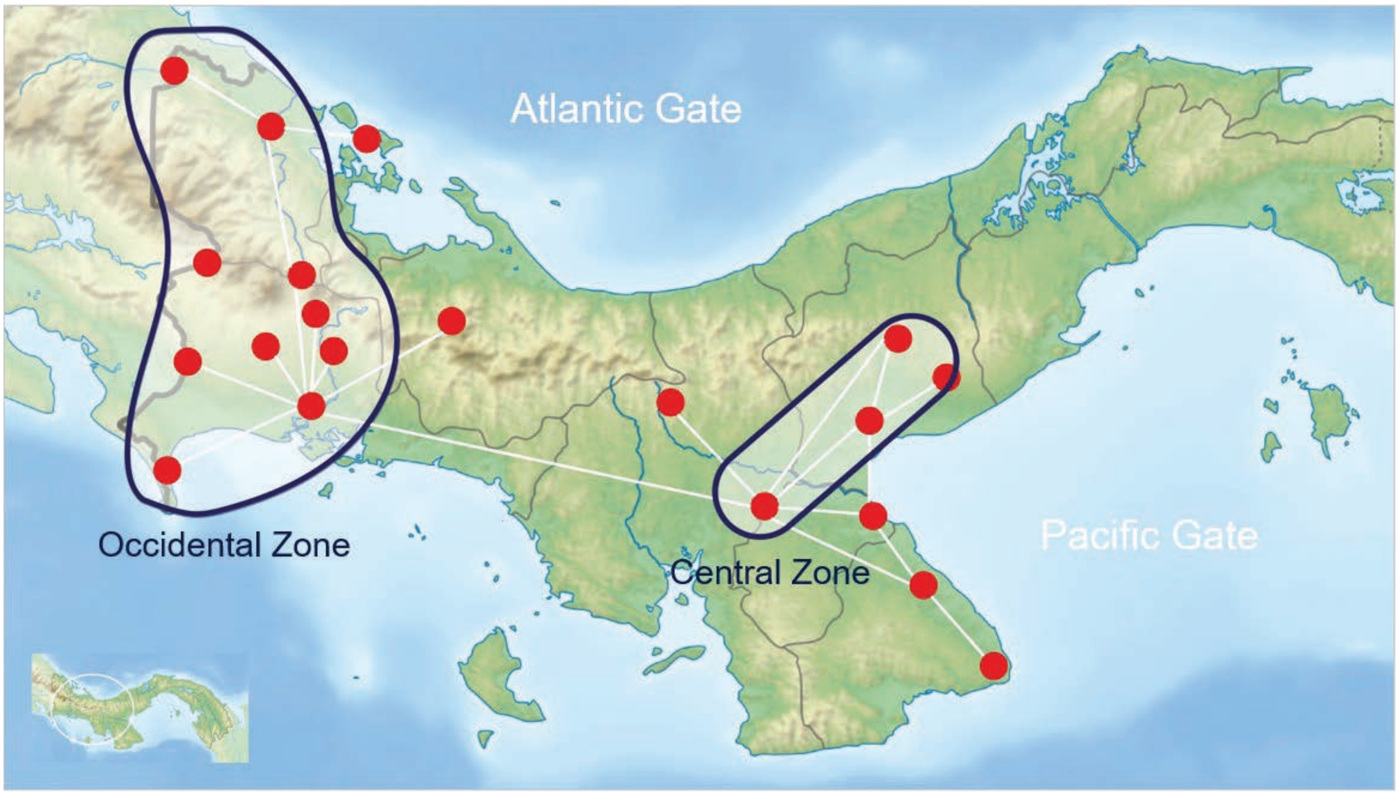
- **Build a tunnel under the Bridge of the Americas.**

Tocumen International Airport is among the few in the region with two runways for landing. The airport manages 2 passenger terminals (T1) and (T2), 1 domestic terminal and 1 cargo terminal. Tocumen is one of the most important terminal areas of the Continent by number of destinations and traffic mobilized. Before the global pandemic 23 commercial airlines operated from it, connecting 85 destinations to 37 countries around the world.

Lastly, the Panama Canal Railway Company (PCRC) provides an efficient high-volume transshipment system, connecting the Pacific Intermodal Terminal, located contiguous to the Port of Balboa, and the Atlantic Intermodal Terminal, located next to the Port of Manzanillo International Terminal and the Colon Free Zone. Trains can operate continuously between the Atlantic and Pacific intermodal terminals with capacity for 10 trains each direction every 24 hours, and the possibility to increase to 32 daily train runs. Currently it handles 500,000 containers per year, and PCRC plans to increase this in stages of around 250,000 moves a year, to reach a maximum of 2 million TEU a year. The PCRC also offers transportation to passengers. With passenger stations on both sides, people can travel next to the Canal and through the rainforest. The Corozal Passenger Station is located at the Pacific side, while the Atlantic Passenger Station is located at Monte Esperanza in the city of Colon, near the Cristobal Port.

12 Agroindustry

In the agro-industrial sector, Panama has an exceptional natural advantage that makes it different from the other countries in the region. The high amount of daylight hours, the absence of extreme summers, and high soil and water quality contribute to the fruit's greater sweetness, allowing Panama to position its exportable goods into markets such as the United States, Central America, and Europe. This sector is mostly locally oriented and needs more investment in areas other than the traditional rice and banana sector. The biggest opportunities are the so-called non-traditional products which include pineapples, melons, cucurbits, tubers, coffee, flowers, orchids, plantains, and salmonids, among others.

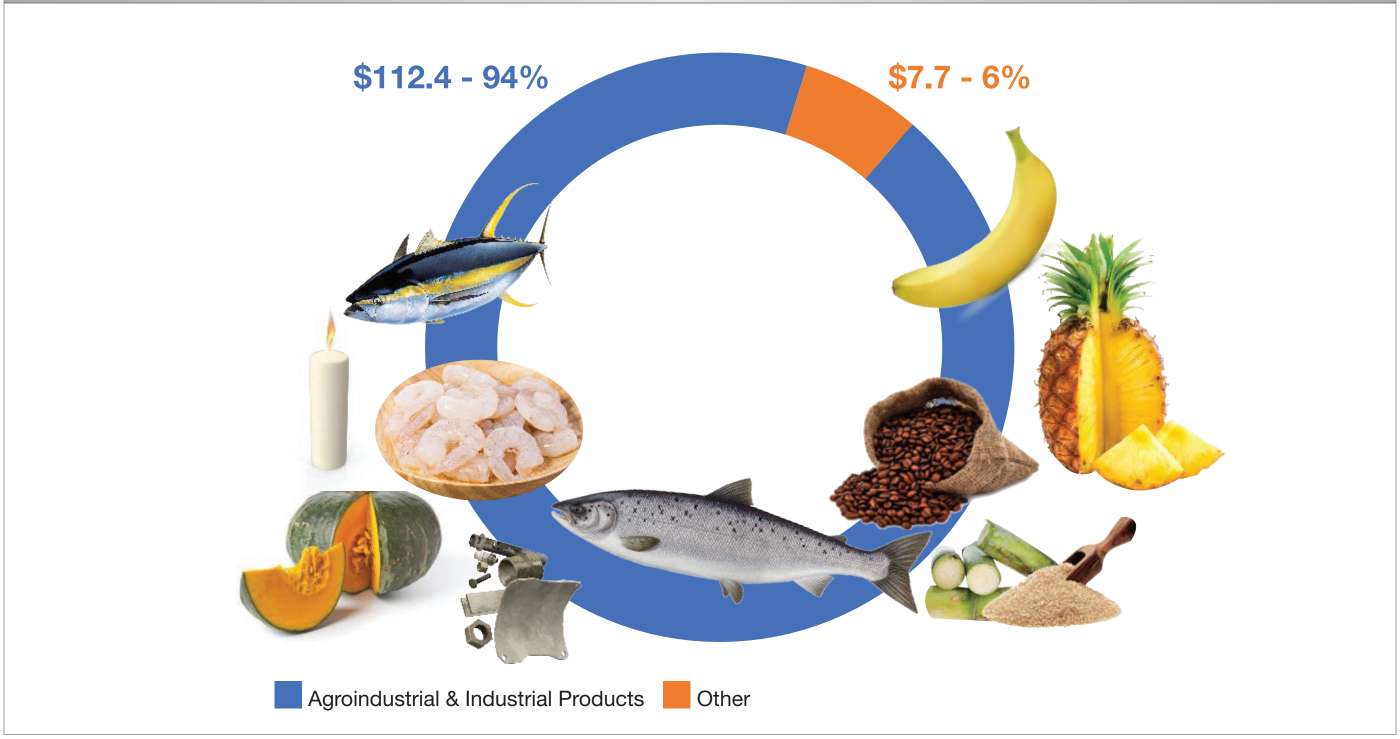


Agro-industrial Zones
Source: National Authority for the Attraction of Investments and Promotion of Exports of Panama - ProPanama

Panama´s Ministry of Commerce and Industry (MICI for its acronym in Spanish), through the National Export Program, conducts regular agro-export seminars where attendees are instructed in export logistics, market analysis, management of international prices, certifications, and how to negotiate international standards contracts. These are some of the concepts that Panamanian producers must handle, to enter the market of agro-exports. The latest development in this sector comes from the Panama Exporta program. The objective of the program is to support the country's agricultural, agro-industrial, and industrial sector to promote, increase and diversify exports, through training, advice, and technical assistance. This country brand seeks to publicize the potential of the Panamanian sectors, highlighting the competitive and productive identity of the country, with a solid foundation in high quality. Currently, 43 businesses export using the Panama Exporta seal, 18 of which do so toward the US.

According to the statistics of the National Directorate for Export Promotion, of the Ministry of Commerce and Industry, in 2020, Panama exported US$105.7 million to the US, and from January until November (included) 2021, Panama has exported US$120.1 million. The main products were bananas, cane sugar, fresh salmonids, frozen and farmed shrimp, coffees (roasted, non-decaffeinated, decaf, gold), yellow fin tuna and striped-bellied tuna or bonito, fresh snappers, cobia fish, offal aluminum, iron and copper, goldfish, other fresh fish, grouper, gourd, rum, candles-similar items, raw lead, pineapples, and ambergris. These 25 items generated a total of US$112.4 million corresponding to 94% of Panamanian exports to the United States.

EXPORTS TO THE U.S. JAN - NOV 2021 (IN MILLION USD)



Source: National Directorate for Export Promotion, Ministry of Commerce, and Industry of Panama

Another recent development is Law No. 196 of 2021, which creates a special regime for the establishment of operating and development companies of agroparks and dictates provisions for their operation. More information on this regime will be presented in the Incentive Laws section.

13 Financial Services

The Panamanian Financial Centre, consisting largely of banking services, insurance, and securities, is one of the key strategic areas of the country's economy. According to the statistics of the General Comptroller´s Office, financial intermediation corresponded to an estimated 7.5%, 7.9% and 7.2% of 2021's first, second and third quarters, respectively. In recent years, the regionalization of banking and insurance in Latin America has redefined the structure of the Panamanian Financial Centre, which seeks to expand and diversify its operations in the region. For this reason, Panama is promoting open trade practices in the sector, to achieve greater access to other markets. Since 1904, Panama has used the US Dollar as its legal tender; thus, allowing it to enjoy low inflationary pressures and zero exchange risks for American investors. Also, Panama does not have a central bank and enjoys international trustworthiness in its banking system. The lack of a central bank means that there is no mandatory central currency. Therefore, technically, business can be transacted in euros, gold, silver, and other currencies. This has created a small but growing niche market for those interested in creating alternatives for businesses and savings accounts, and who do not want to use traditional currencies because of the threat of inflation.

The conditions have contributed to the development of the prestigious international banking center, made up of more than 90 financial institutions including banks with general licenses, with international licenses, and with representative offices. Panama´s Banking Superintendence estimates that in October 2021 its total assets added up to more than US$131,330.49 million. Moreover, it is strictly governed by the principles of the Basel II Convention, which represent an international standard for banking regulators on the control of how much capital banks need to guard against the types of financial and operational risks, they (and the whole economy) face. As of 2020, Panama adopted some Basel III regulations, it was the first Central American country to embrace Basel III standards on capital and liquidity and has been working to align regulations more closely with the rest of the Basel III package.

Panama has subscribed to the US the "Agreement to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act (FATCA)", known as Intergovernmental Agreement or IGA Model 1 as discussed in the following pages. Similarly, in 2015, Panama enacted a legislation to meet the current Financial Action Task Force on Money Laundering (FATF) Standards. Most recently, in 2017, Panama subscribed to the Convention on Mutual Administrative Assistance in Tax Matters, of the Organization for Economic Co-operation and Development (OECD), to improve tax transparency to tax administrations overseas.

14 Tourism

Due to the increasing relevance that the tourist sector is achieving each year in Panama, the government, through its Tourism Authority (ATP for its acronym in Spanish), considers essential the implementation of a strategic framework for the continuing development of this sector. This instrument, known as the Sustainable Tourism Master Plan 2020-2025, is driven by both the government and private sector of Panama. The Master Plan has the mission of strengthening tourism activity as a strategic economic sector of Panama, developing a sustainable economic model that generates an increase in employment at the national level, connecting the territories and increasing the competitiveness of the sector. Likewise, the Plan it contributes to the implementation of inter-institutional and multisectoral efforts, through mechanisms such as the Tourism Cabinet.

Unlike the preceding version, this Master Plan focuses on priority destinations, analyzing them and presenting future, to achieve concrete results in them. These high-impact destinations and their potential are Bocas del Toro, Boquete, Panama City / Taboga, Pedasí – Tonosí, Portobelo- Santa Isabel, Pacific Riviera, Santa Catalina/ Soná/ Coiba National Park / Veraguas' Pacific Coast, and Volcán / Tierras Altas (Highlands). These locations are presented in the following figures, disclosing their touristic and investment potential. Additional special attention destinations that are presented in the Sustainable Tourism Master Plan 2020 - 2025 include the Anton Valley, Gulf of Chiriquí, the Panama Canal and its basin, Darien, Veraguas, and Guna Yala.

TOURISTIC AND INVESTMENT POTENTIAL								
Priority Destinations	Sun & Beach	Water Sports	Wildlife	Events	Shore Excursions for	Other activities	Branches of Tourism	Specialty
Bocas del Toro	x	x	Bird watching	Nightlife	Small cruises		Community tourism Gastronomy tourism Musical tourism	Indigenous cultures
Boquete			Bird watching				Community tourism Agrotourism Scientific tourism Wellness tourism	Hot springs Eco-Agrotourism
Panama City				Events Nightlife Shopping MICE*	Any size of cruises	Sporting events Cultural events	Heritage tourism	Camino Real Panama Canal Visits Transisthmian Route
Taboga	x	Scuba Diving	Bird watching Marine life			Walking tours	Heritage tourism	Panama Canal observation points
Pedasí / Tonosí	x	Surfing Scuba Diving Snorkeling	Marine life		Small cruises	Biking Running Trekking	Cultural tourism Ethnic tourism	
Portobel / Santa Isabel	x	Scuba Diving Snorkeling	Bird watching		Any size of cruises	Biking Trekking	Cultural tourism Ethnic tourism Scientific tourism	Authentic places, people and traditions
Pacific Riviera	x	x			Small cruises	Golf	Agrotourism Gastronomy tourism Nature tourism	
Santa Catalina / Soná / Coiba National Park / Veraguas' Pacific Coast	x	Surfing Scuba Diving Snorkeling Fishing	Bird watching Marine life			Trekking	Community tourism Scientific tourism	Fishermen and coastal communities
Volcán / Tierras Altas Highlands)			Bird watching	Events		(Volcanic) Trekking	Agrotourism Wellness tourism	Hot springs Visits to coffee plantations

MICE refers to the Meetings, Incentives, Conferences & Exhibitions industry

Source: Panama Tourism Authority

Panama, strategically located, has a world-class port infrastructure, which makes it an ideal hub for cruise ships in the region. It recognizes the great potential for the development of the cruise ship market, both mega and small cruises, providing incentives to those who select Panama as their base port. The government continuously works with stakeholders to ensure the improvement of the cruise ship infrastructure, which is preparing for the future with the new cruise terminal in Amador, which would support the vision of turning Panama into a world-class sustainable tourist destination, spreading the positive effects throughout more destinations within the country. Visitors will have the opportunity to get to know the country before disembarking or embarking, go shopping, taste local and international cuisine, among other activities that activate the economy and generate jobs.

Panama has also one of the most advanced airport infrastructures and airline connectivity in all of Latin America, which it leverages in the Sustainable Tourism Master Plan 2020-2025. Starting from its privileged geographical position, the Tocumen International Airport has become an important hub for connections between North and South America. Tocumen International Airport is in a process of continuous expansion, operating flights to and from more than 90 cities in America and Europe, covering most of Latin America. It is also Copa Airlines' main hub of operations and Star Alliance's hub for Latin America and the Caribbean.

Programs like the "Panama Stop Over" (which seeks to motivate passengers in transit to visit the country and spend the night free of charge on their Copa airline tickets), as well as other strategies regarding access to tourism resources for visitors, benefit the expansion of Central American regional air connectivity and highlight the generation of tourist synergies with neighboring Central American destinations, to attract flows of travelers to Panama. Additionally, Panama's terminal network includes five other international airports: Marcos A. Gelabert International Airport, Enrique A. Jiménez International Airport, Panamá Pacífico International Airport, Scarlett Martínez International Airport, Enrique Malek International Airport, as well as 24 landing strips allowing the mobilization of passengers and cargo.

However, due to the distancing measures taken to fight the pandemic situation, the tourism sector has been majorly affected in Latin America and the Caribbean. The closure of hotels and casinos contributed to unemployment, further impacting the lodging rate that hotels pay for taxes. Similarly, a collateral impact to the transport sector associated with the tourism sector has been reflected, reinforced by border closures, decrease of national and international flights, and of cruises, as shown by the figures below. Nonetheless, amid the current situation and thanks to the ongoing vaccination, health and safety efforts of the government, the World Travel & Tourism Council (WTTC) considers Panama as one of the destinations that has the necessary protocols to reactivate its tourism sector in a safe environment, to the extent that it is inducted in the "Safe Travel Stamp" program. This Safe Travel Stamp is a recognition that mainly communicates that the protocols of that destination are at the level of the established global protocols, worldwide, of the private sector.

PANAMA'S TOTAL VISITORS THROUGH THE MAIN PORTS OF ENTRANCE				
Port of Entrance	January - December 2020	Percentual Variation to 2019	January - September 2021	Percentual Variation to same period 2020
Total	647,100	-74.1%	438,772	-21.8 %
Tocumen International Airport	414,144	-76.3%	374,711	+8.8%
Paso Canoas Border Crossing	38,826	-74.8%	29,398	-8.9%
Cruise Ports	135,891	-62.5%	0	-100.0 %
Other Ports	58,239	-74.9%	34,663	-26.3%

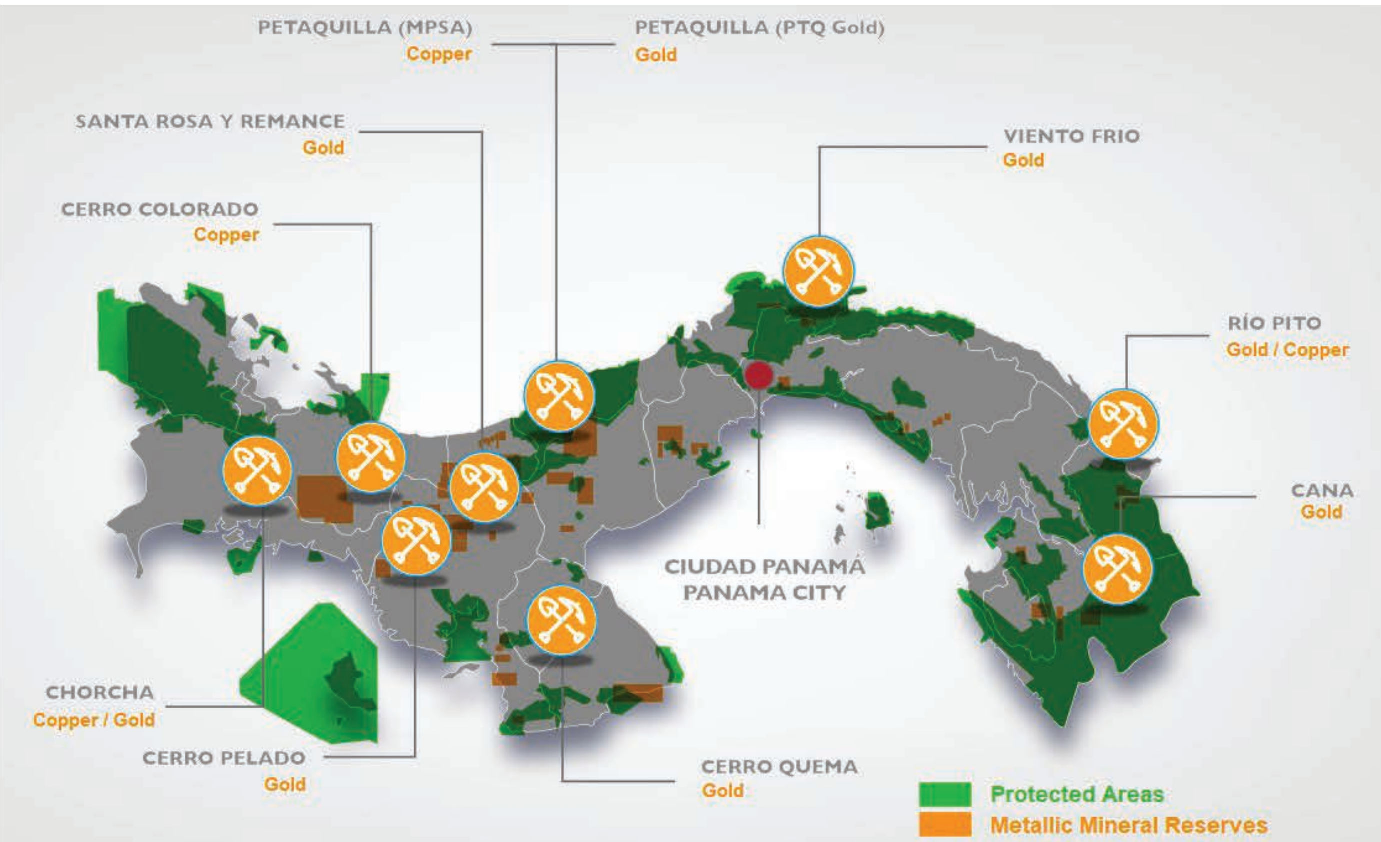
Source: Panama Tourism Authority
Note: The number of visitors included in the previous table are related to people that enter the country and does not include people that use the country as connecting point in Tocumen Airport.

15 Mining and Oil Prospects in Panama

Mining, in the early 2010s, became one of the leading sectors of the Panamanian economy after a recording growth of 25% in 2013. Nevertheless, the activities of this sector mainly focused on the extraction of stone and sand, necessary for the construction industry, in both public and private projects. Since that year, mining's share of the national GDP reigned steady between 1.6% and 1.8%. However, this increased once copper mining and exports started in 2019.

Description	Percentage Composition of the Gross Domestic Product							
	2016	2017	2018 (P)	2019 (E)	2020 (E)	2021 (E) Q1	Q2	Q3
Agriculture, livestock, hunting and forestry	2.0	2.0	2.0	2.1	2.6	2.0	2.7	2.8
Fishing	0.4	0.4	0.4	0.3	0.4	0.3	0.4	0.4
Mining and quarrying	1.7	1.8	1.8	2.4	4.0	7.4	7.5	7.9

P = preliminary numbers; E = estimated numbers. Source: Comptroller of the Republic of Panama



Source: National Authority for the Attraction of Investments and Promotion of Exports of Panama - ProPanama

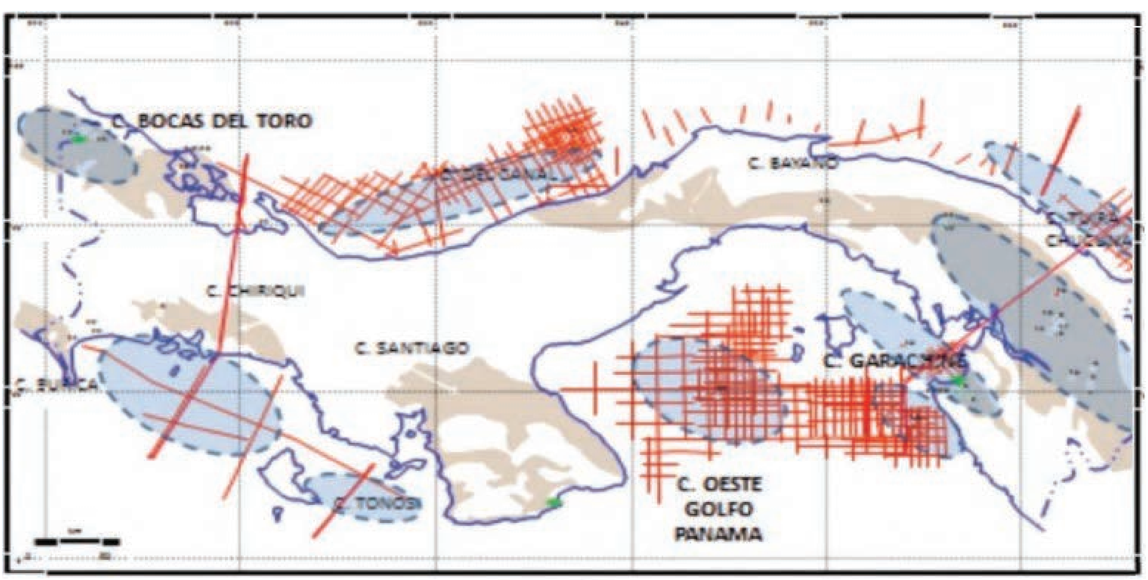
Cobre Panama, one of the world's largest open-pit copper mines, has been developed by Minera Panamá, a subsidiary of Canadian-based First Quantum Minerals Ltd. The concession is located 120 km west of Panama City and 20 km from the Caribbean Sea coast, in the district of Donoso, Colon province, in the Republic of Panama. The concession consists of four zones totaling 13,600 hectares. This project's production of copper started in February 2019, with the first export achieved in June 2019.

In Los Santos province in south-western Panama, 255 km from Panama City, is the Cerro Quema project – a smaller, five-year lifespan mine owned and managed by Canadian company Orla Mining Ltd. The concession grants Minera Cerro Quema, a wholly owned Panamanian subsidiary of the company, the exclusive rights for the extraction of gold and silver for 20 years, over an area of 768 hectares.

MINERAL RESERVES		
COPPER		
Project	**Reserves (lb millions)**	**Value in situ (US$ million at US$4/lb)**
Cerro Colorado	25,000+	100,000
Cobre Panamá	26,000	104,000
Chorcha	2,200	8,800
Sub-total	**53,200**	**212,800**
GOLD		
Project	**Reserves (oz)**	**Value in situ (US$ million at US$1,800/oz)**
Cobre Panamá	7,300,000	13,140
Molejón	500,000	900
Cerro Quema	750,000	1,350
Santa Rosa	750,000	1,350
Remance	100,000	180
Sub-total	**9,400,000**	**16,920**

Source: International Institute for Sustainable Development (IISD), Cámara Minera de Panamá (CAMIPA), with Copper and Gold prices adjusted to conservative January 2022 values.

In 2011 a geological study determined the existence of oil in Bocas del Toro and Darien, as well as in the central region of Azuero and on the Panamanian Caribbean coast. In January 2018, a study to collect geological information yielded signs of hydrocarbons in the Caribbean Sea of Panama, in an area adjacent to three natural gas wells in Colombia. The National Secretariat of Energy has confirmed in February 2020 that in the Darien province there are around 900 million barrels of hydrocarbons. The future phase of the study presented to the Secretariat aims to describe the geology and petroleum system of the basins, and the delineation of blocks to be offered in public bids for exploration. In the latest related efforts, in late September 2021, the Secretariat formally published a request for information for consulting services relative to the study of the modernization of the regulatory and institutional framework of Panama's hydrocarbons sector.



Preliminary Areas of Interest
- Garachiné (Crude oil)
- Bocas del Toro (Light crude oil)
- West Gulf of Panama (Gas)

Sedimentary basin
Seismic line
Surface oil well
Well with signs of crude oil and gas
Well with signs of gas
Well with signs of crude oil

Source: 2018 Report to the Nation, Presidency of Panama

TEXACO
WITH TECHRON

UNLEASH YOUR POTENTIAL

TECHRON CLEANS AND PROTECTS VITAL ENGINE PARTS AS YOU DRIVE, TO HELP YOUR VEHICLE PERFORM ITS BEST.

E. PANAMA BUSINESS REGULATIONS

16 Corporations and Legal Entities

The Panamanian legislation provides for various types of legal entities through which economic activities can be carried out in the country, such as Partnerships and Limited Liability Companies. However, the Panamanian Corporation is the most widely used business entity. It is flexible and versatile for both local and foreign investors. Panamanian Corporations (known in Spanish as "*Sociedades Anónimas*"} are governed by Law No. 32 of 1927, which is based on the General Corporation Laws of the State of Delaware, enacted in 1899. Two or more persons of legal age, not necessarily Panamanian citizens or residents of the Republic of Panama may form a corporation for any lawful purpose by subscribing in Panama or abroad, in any language, to the articles of incorporation. Panamanian Law requires a minimum of three (3) directors and three (3) officers for corporations. The directors may also act as officers of the company, i.e., President, Secretary and Treasurer, or other positions as desired. Directors and Officers do not need to be shareholders and they may be non-resident foreigners. Also, Directors may be legal or natural persons. Panamanian corporations may engage in all lawful business activities, in any country, and may conduct transactions in whatever currencies they choose. The charter documents must be registered in the Public Registry of Panama (Registro Público de Panamá). Once registered, the corporation attains full legal rights and powers to carry out its activities.

In addition to the tax benefits above, corporations also have advantages regarding stockholders and directors. These benefits include:

- Stockholders may be Panamanians or foreigners or foreign legal entities.
- There is no requirement on nationality or residency for directors and officers.
- Board of Directors or Stockholders meetings can be held in any country.

The Commercial Code (Law No. 2 of 1916) offers other types of associations or partnerships:

- **General Partnerships (Sociedades Colectivas):** In this association, partners' liabilities are unlimited, unless the partnership agreement states that a partner will be liable for a limited sum, which may never be lower than the contribution to the partnership.

- **Simple Limited Partnerships (Sociedad en Comandita Simple):** They consists of general and limited partners. General partners share management responsibilities and are jointly and severally liable for the partnership's debts. Limited partners are liable only up to the amount of capital they have invested.

- **Limited Liability Companies (Sociedades de Responsabilidad Limitada):** In this type of entity, the liability of partners is limited to the individual´s capital participation.

- **Joint-stock Partnerships (Sociedad en Comandita por Acciones):** Similar to simple limited partnerships, but with the partners' capital represented by shares.

- **Private Interest Foundations (Fundaciones de Interés Privado):** Foundations used primarily for estate planning, which allows the transfer of assets of the deceased founder without the need to go to court. These entities are regulated by Law No. 25 of 1995.

The previously stated legal entities must register in the Public Registry of Panama to attain full legal rights and powers to carry out their activities. The process involves filling a Public Deed, issued by a Panamanian Notary Public, through minutes prepared by a Panamanian licensed lawyer.

PANAMA
THE PLACE TO BE

Panama's continued focus on major infrastructure projects as well as public policies aimed at facilitating international trade & investments, has led to Modern Day Panama having several competitive advantages for doing business on a global scale, such as:

- Having a dollarized economy with almost no inflation since 1904
- A well developed and long established international banking center with over 60+ licensed International banks.
- Sustained economic growth above 7% on average for the last 15 years (leading the Latin American Region).

All of these factors make for a World Class Logistical Hub

132,000 direct international flights

Best connected airport in LATAM

144 maritime routes to **1700** ports in 160 countries

Top ports in both Atlantic and Pacific oceans

Continental link of **7** submarine fiber optic cables

Panama is the node for

100% regional Internet traffic

97% international voice traffic

90% electronic data transmission

REPUBLIC OF PANAMA
— NATIONAL GOVERNMENT —

MINISTRY OF TRADE AND INDUSTRY

On account of the FACTA legislation and the Financial Action Task Force on Money Laundering Standards, Panama must automatically disclose the end beneficiaries of Panamanian corporations and trust funds. Moreover, Law No. 18 of 2015 does not allow the free issue of bearer shares unless it is a publicly traded company subject to stock exchange information, or the bearer shares are tied to a licensed securities custodian. There are also expanded obligations to perform due diligence procedures, found in Law No. 23 of 2015. “Tying” bearer shares allows them to exist while permitting some measure of transparency for law enforcement agencies.

Aside from the listed entities and partnerships, a new type of legal entity named Limited Liability Entrepreneurship Companies (Sociedades de Emprendimiento de Responsabilidad Limitada) was created by Law No. 186 of 2020. The main characteristics of this type of entities are:

- Can only be constituted by one (1) up to five (5) individuals and said individuals cannot be part of another Limited Liability Entrepreneurship Company.
- Liability is limited to any obligations contracted by the entity regarding its business activities and each partner is economically liable up to their participation (made or promised).
- Are not required to have a Resident or Registered Agent and are not subject to a corporate annual fee.
- The minimum share capital is US$500.00.
- Can have gross income up to US$1,000,00 per annum. If this gross income is exceeded, the entity will be required to convert into any other type of entity authorized under Panamanian law.
- Cannot be listed in a stock exchange.
- Are exempted from corporate income tax for two (2) years and import duties can be reduced to up to 50%.

LAWS DISCUSSED

Law No. 32, February 26th, 1927, Regarding corporations – Ley 32 de 26 de febrero de 1927, Sobre Sociedades Anónimas

Commercial Code – Law No. 2, August 22nd, 1916, Whereby the Penal, Commercial, Mine, Fiscal, Civil and Judicial Codes, prepared by the Assessment Committee, are approved – Ley 2 de 22 de agosto de 1916, Por la cual se aprueban los Códigos Penal, de Comercio, de Minas, Fiscal, Civil y Judicial, elaborados por la Comisión Calificadora

Law No. 25, June 12th, 1995, Whereby Private Interest Foundations are Regulated – Ley 25 de 12 de junio de 1995, por la cual se Regulan las Fundaciones de Interés Privado

Law No. 18, April 23rd, 2015, that modifies articles of Law No. 47 of 2013, Whereby a Custody Regime, Applicable to Bearer Issued Shares, is Adopted – Ley 18 de 23 de abril de 2015, Que modifica artículos de la Ley 47 de 2013, Que adopta un régimen de custodia aplicable a las acciones emitidas al portador

Law No. 23, April 27th, 2015, Which Adopts Measures in Order to Prevent Money Laundering, the Financing of Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction, and Dictates Other Provisions – Ley 23 de 7 de abril de 2015, Que adopta medidas para prevenir el blanqueo de capitales, el financiamiento del terrorismo y el financiamiento de la proliferación de armas de destrucción masiva, y dicta otras disposiciones

Law No. 186, December 2nd, 2020, Which regulates Limited Liability Entrepreneurship Companies in the Republic of Panama – Ley 186 del 2 de diciembre de 2020, Que regula las sociedades de emprendimiento de responsabilidad limitada en la República de Panamá.

17 Operation Notice

Law No. 5 of 2007 created a new on-line system known as “Panamá Emprende” (www.panamaemprende.gob.pa) which facilitates the establishment and operation of companies. The new system replaces the use of commercial licenses with the Operation Notice (Aviso de Operación, in Spanish). In addition, since April 24th, 2012, the Ministry of Commerce, and Industries (MICI, according to its Spanish acronym) and the City Hall of Panama City have become interconnected through Panamá Emprende. As a result, it is no longer necessary to visit City Hall to obtain a taxpayer number. Now entities can receive the municipal taxpayer number together with the operation permit through Panama Emprende automatically.

This new system eliminates the inconvenience of permit applications and state authorizations required to operate a business in Panama, thus motivating entrepreneurs to accelerate the execution of their projects as well as adding stimulus to the country’s economy.

The main advantages of the Operation Notice are:

• It is an online process performed through the MICI’s specialized web page, www.panamaemprende.gob.pa, which eliminates long queues, office visits and waiting periods.
• It is the only requirement that the MICI stipulates enterprises need to begin most commercial activities. (There are certain businesses that require other special permits.)
• The Operation Notice’s system informs the user if other special permits are required, or if its line of business is of special concern.
• When you obtain the Operation Notice, the system automatically informs City Hall. To complete your registration, you must provide the City Hall with some physical documents.
• It establishes a fixed rate for legal or natural persons, without distinction or additional charges related to the businesses they operate.
• The Operation Notice fee can be paid at the National Bank of Panama (Banco Nacional de Panamá, in Spanish) or online with the use of a credit card.
• The system allows the printing of the Notice, and the user can sign the document, thereby formalizing it.

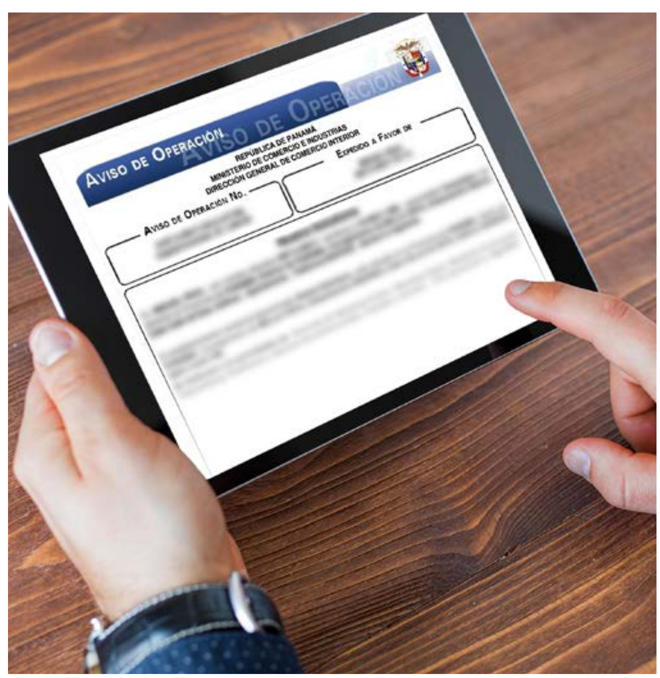
The basic information that is needed to fill the Operation Notice is:

• The company name and registration information.
• General information on the Company’s managers and directors.
• An office address.
• Contact information, such as phone numbers, emails, etc.
• The type of business or related activities, as well as an initial investment figure.

After filling, printing, and signing the Operation Notice, it must be always kept visible in the company’s office or workplace.

LAW DISCUSSED

Law No. 5, January 11th, 2007, Which Streamlines the Process of Opening Businesses and Establishes other Provisions – Ley 5 de 11 de enero de 2007, Que agiliza el proceso de apertura de empresas y establece otras disposiciones.



18 Income Taxation

According to the Panamanian Constitution, no tax or contribution can be levied unless such tax has been previously legally established. The Panamanian tax system is based on the territoriality principle, which means that all income derived from local operations is subject to income tax, unless otherwise stipulated in special laws, while foreign sources of income are exempt.

The Panamanian-source income is all income arising from any service or activity, which benefits any person located in Panama, including fees, interests and royalties. In cases where such income is derived through individuals or legal entities located outside of Panama, the amount of the tax to be withheld is one-half of the sum which would normally be taxable as Panamanian-source income. Income earned either from activities or transactions performed abroad is of foreign source and isn´t taxable

In 2013, Panama started negotiations with the US government to implement the 2010 Foreign Account Tax Compliance Act (FATCA), aimed at identifying US fiscal residents, who generate income from foreign sources. FATCA compels Panamanian banks and defined entities to send information to the US Internal Revenue Service (IRS). This agreement requires local banks and other financial institutions to determine which depositors are US fiscal residents, and thus share this information with the IRS. These entities will also act as tax agents for the IRS, retaining 30% of payments from the accounts of enterprises, who fail to comply with the FATCA regulations. Specifically, any U.S. taxpayer with assets over US$50,000 placed in financial institutions in Panama will have their finances reported to the IRS.

On April 27, 2016, the Agreement between the Government of the Republic of Panama and the Government of the United States of America to improve international tax compliance and to implement the Foreign Account Tax Compliance Act (FATCA) and its annexes, was signed and on October 24, 2016 it was enacted as Law No. 47 of 2016, entering into effect that same date.

The General Directorate of Revenues (DGI, according to its Spanish acronym) confirmed that Panama sent the first FATCA report at the end of September 2017. This process has and will be repeated in a yearly manner.

19 Double Taxation Treaties

Double taxation occurs when the same transaction or income source is subject to tax by two or more taxing authorities. This can occur within a single country, when multiple independent governmental units have the power to tax a single transaction or source of income or may result when different sovereign states impose separate taxes, in which case it is called international double taxation. A country can unilaterally offer tax credits for foreign taxes paid, or outright exemptions from taxation of foreign-source income.

Many countries have signed treaties to mitigate the effects of double taxation through Double Tax Agreements, which may cover income tax and capital tax. Panama has double taxation agreements with many countries, which allow residents of the contracting states to obtain relief from double taxation when doing business in Panama.

The countries that have signed double taxation agreements with Panama are Barbados, South Korea, United Arab Emirates, Spain, France, Ireland, Israel, Italy, Luxembourg, Mexico, the Netherlands, Portugal, Qatar, the United Kingdom, Czech Republic, Singapore, and Vietnam. Furthermore, Panama has signed Exchange of Tax Information Agreements with Canada, Denmark, the United States, Finland, Greenland, Iceland, Faroe Islands, Norway, Sweden, and Japan. For specific information regarding each or any of these Agreements, please visit the General Directorate of Revenues at:

https://dgi.mef.gob.pa/Tributacion/ConveniosFirmados.php

https://dgi.mef.gob.pa/Tributacion/OtrosConvenios.php

20 Information Exchange

Complementing FATCA and bilateral agreements, Panama passed Law No. 23 of 2015. The law created the Intendancy of the Supervision and Regulation of Non-Financial Subjects (Intendencia de Supervisión y Regulación de Sujetos no Financieros, in Spanish) and took measures to strengthen the Financial Analysis Unit (Unidad de Análisis Financiero).

Law No. 23 creates several government agencies to look out for money laundering, to receive reports from banks, loan, insurance and securities companies, and stock exchanges on suspicious activities and to exchange information regarding crimes. Monitored enterprises include:

- Law firms
- Pawn shops
- Real estate agencies
- Factoring agencies
- Leasing agencies
- Plastic or e-money issuing agencies
- Free Zones enterprises
- Casinos
- Construction firms
- Stock and bonds custodians
- Money transfer agencies
- Gold, silver, and other bullion metal dealers
- Gems dealers
- Saving and loans societies
- Some government agencies like state banks and lotteries

All these businesses must have proper due diligence measures to identify the end beneficiaries and must report any suspicious activity, when not covered by professional confidentiality laws. In the case of lawyers and banks, they must also ensure the compliance of their clients on long business relationships. The law also regulates asset forfeiture of suspected money launderers. As of January 2020, the Intendancy was granted autonomy and upgraded to the level of national Superintendence, by Law No. 124.

Additionally, in January 2018, Panama subscribed to the Multilateral Competent Authority Agreement for the Common Reporting Standard (CRS MCAA), of the OECD. The CRS MCAA is the prime international agreement for implementing the automatic exchange of financial account information under the Multilateral Convention on Mutual Administrative Assistance. Panama was the 98th jurisdiction that joined this Agreement, which permits the country to activate bilateral exchange relationships with the other 100 signatories.

On June 30th, 2021, the Ministry of Economy and Finance of the Republic of Panama published the list of 66 reportable jurisdictions with which Panama must exchange information in 2021, concerning the 2020 fiscal period. The reportable jurisdiction list is updated and published each year.

LAWS DISCUSSED

Law No. 23, April 27th, 2015, Which Adopts Measures in Order to Prevent Money Laundering, the Financing of Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction, and Dictates Other Provisions – Ley 23, de 7 de abril de 2015, Que adopta medidas para prevenir el blanqueo de capitales, el financiamiento del terrorismo y el financiamiento de la proliferación de armas de destrucción masiva, y dicta otras disposiciones.

Law No. 124, January 7th, 2020, Which Creates the Superintendency of Non-Financial Subjects, and Dictates Other Provisions – Ley 124 del 7 de enero de 2020, Que crea la Superintendencia de Sujetos no Financieros y dicta otras disposiciones.

OECD's Multilateral Competent Authority Agreement for the Common Reporting Standard (CRS MCAA).

21 Immigration

Panamanian immigration law, Decree-Law No. 3 of 2008, classifies foreign nationals in four (4) general categories: non-residents, temporary residents, permanent residents, and foreigners under the protection of the Republic of Panama.

Non-Residents

Foreigners who enter Panama on an occasional basis and who are unwilling to take up residency in this country or to abandon the residency in their country of origin. They must rely on their own economic resources to finance their stay in Panama, and to leave at the expiration of the authorized period. Tourists, transit passengers and sailors are included in this classification. All travelers who wish to enter Panama must carry the equivalent of US$500 or a credit card, and a return ticket. The stay of foreigners in any case may not exceed 90 days. If any foreigner wishes to initiate a procedure for obtaining a long-stay visa when in Panama, they may request an exceptional extension of 60 days by demonstrating to the immigration authorities, with supporting documentation, the seriousness of their claim.

Among the tourists, there are two classifications:

- The nationals of countries having concluded an agreement or agreements with Panama on abolishing visas for tourism (for example, citizens of the Schengen area and the EU).
- The nationals of countries that have not entered into such agreement (for example, Canada).

All the types of visas for non-residents can be obtained through Panamanian Consulates, Embassies or directly at the National Migration Service.

All foreign relevant documentation needed to apply for visas must be legalized by Apostille and translated into Spanish.

The Executive Decree No. 320 of 2008 establishes visas with specific requirements for the following individuals: seamen, entertainment workers, transient or eventual workers, domestic workers, passengers, and crew members of recreational or tourism vessels. The latter allows the passengers and crew members of recreational or touristic yachts and sailboats to stay 3 months (if the vessel is registered under a foreign flag) or 1 year (if the vessel is registered under the Panamanian flag).

Another interesting aspect of the Executive Decree No. 320 of 2008 is the introduction of the short-stay visa (Visa de Corta Estancia, in Spanish), which regulates the entry of individuals related to one of the following categories: business, family visit, research and science, medical treatment, trade and investment through special laws, international humanitarian assistance, and banking sector. The stay cannot exceed 9 months and this period cannot be extended. This visa would allow those who would not necessarily need or want to establish themselves immediately in Panama, to get to know the country and its investment opportunities. The commerce related activities that this visa allows are: establishing foreign subsidiaries, analyzing investment opportunities, executing transactions in Special Economic areas, Call Centers or special areas designated for the development of the Film and Audiovisual Industry, and, for banking institutions, giving or receiving training, attending meetings, conventions, workshops, seminars, courses, internships, audits, verifications and inspection programs.

Temporary Residents

Foreigners who come to Panama for a longer stay, but do not exceed six (6) years, due to work, exploration, family ties, study, or religious reasons. Some of the professional related permits are geared toward:

- Employees of multinational companies with a subsidiary in Panama, as part of the policy regarding headquarters of multinational companies.
- Employees of entities or companies active in the technology sector of the City of Knowledge.
- Employees working for companies contracted by the Canal Authority or public institutions.
- Employees of companies established in the Colon Free Zone (CFZ) or Panamá-Pacífico (minimum wage of US$2,000 for the CFZ).
- Foreigners employed by private companies within the 10% limit allowed for ordinary personnel or the 15% limit allowed for technical personnel (minimum wage of US$850).

Temporary residents also include students, church members and religious congregations. Moreover, spouses or family members not wishing to reside permanently can apply for a permit in this category.

All the types of permits for temporary residents can be obtained through Panamanian Consulates, Embassies or directly at the National Migration Service.

All foreign relevant documentation needed to apply for permits must be legalized by Apostille and translated into Spanish.

Permanent Residents

These are foreigners who come to Panama with the intention of staying permanently. The Executive Decree No. 320 of 2008, states that these permits may be acquired for economic reasons, due to special policies and for family reunification. In 2012, the Executive Decree No. 343 was issued, declaring that citizens of 22 friendly nations could apply to become permanent residents in a fast-track manner. Since then, other Decrees have increased the number of friendly nations to 50. The formal wording of this permanent residency permit is for "citizens of friendly nations with professional and economic ties with the Republic of Panama." This means that citizens of these countries must establish professional or economic relationship with Panama. This can be accomplished by starting a new business or purchasing an existing business or being hired to work for a Panamanian company.

In 2020 the Executive Decree No. 722 was issued, creating the Qualified Investor subcategory. Permanent residency can be acquired by reason of a real estate investment, a real estate investment through a contract promises of purchase, an investment made through a Brokerage House with a license approved by the Superintendency of the Panama Securities Market or an investment in a fixed-term deposit in the banking sector. Further details will be provided in the next section.

Foreigners under the protection of the Republic of Panama

This category includes refugees, asylum seekers, stateless persons, and persons under temporary humanitarian protection status. The recognition of such status is subject to national law and international treaties ratified by Panama.

LAWS DISCUSSED

Decree-Law No. 3, February 22nd, 2008, Which Creates the National Migration Service, the Migratory Career and Dictates Other Provisions – Decreto Ley No. 3 del 22 de febrero de 2008, Que crea el Servicio Nacional de Migración, la Carrera Migratoria y dicta otras disposiciones.

Executive Decree No. 320, August 8th, 2008, Which regulates the Decree Law No. 3 of February 22nd, 2008, Which Creates the National Migration Service and Dictates Other Provisions – Decreto Ejecutivo No. 320, de 8 de agosto de 2008, Que reglamenta el Decreto Ley No. 3 de 22 de febrero de 2008, Que crea el Servicio Nacional de Migración y dicta otras disposiciones.

Executive Decree No. 343, May 16th, 2012, Which creates within the Permanent Resident Migratory Category, the Subcategory of Permanent Residents for Foreigners, Nationals of Specific Countries that maintain Friendly, Professional, Economical and Investment Relations with the Republic of Panama – Decreto Ejecutivo No. 343, de 16 de mayo de 2012, Que crea dentro de la Categoría Migratoria de Residente Permanente, la Subcategoría de Residente Permanente en Calidad de Extranjeros Nacionales de Países Específicos que mantienen relaciones Amistosas, Profesionales, Económicas y de Inversión con la República de Panamá.

Executive Decree No. 722, October 15th, 2020, Which creates within the Permanent Resident for Economic Reasons Category, the Subcategory of Qualified Investor Permanent Resident – Decreto Ejecutivo No. 722 del 15 de octubre de 2020, Que crea dentro de la categoría de Residente Permanente por Razones Económicas, la subcategoría de Residente Permanente en calidad de Inversionista Calificado.

aes Panamá

LNG and Panama's role as a Regional Energy HUB


AES Colon, Panama


AES Colon, Panama

Together we accelerate the future of energy

We will work with you to tailor a unique energy solution to your business, increasing your sustainability goals and elevating your position as a leader in your industry.

Alternatives of use

Efficiency and cleaner fuel within everyone's reach.

Alternatives in the Industry

- Boiler processes
- Isolated generation
- On-site generation for supply reliability
- Cogeneration (steam and heat)
- Trigeneration (steam, heat and cold)

Bunkering Alternatives

It is the practice of supplying LNG to a ship for its own consumption.

- Large ships:
  - Containers and cruises
  - Tanker and bulk
- Medium or small ships:
  - Tugboats
  - Dredges and/or service ships

Ground Transportation

- Light passenger transport
- Public transport
- Light cargo transportation
- Heavy load transport
- Marine transport

Electricity Generation

Mainly used as a source of energy for electricity generation:

- Gas power plants
- Dual fuel and combined cycle processes
- Small on-site generation and/or isolated generation (IPSA Case)
- Generation barges

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22 Investor Permits & Visas

Investor Permits and Visas are regulated under multiple decrees. Requesting permission for a temporary or permanent residence must be done through a legal representative to the National Migration Service. Some of the visas and permits available to investors are:

Business Investor Visa

Requires a minimum investment of US$160,000 in any new business or corporation. If the Investor has dependents, the investment amount must increase by US$2,000 for each dependent. Additionally, a commercial business license and a social security registration are needed, and five Panamanian employees must be hired. After this 2-year temporary resident visa expires, the individual is granted a permanent residence permit.

Panamá-Pacífico Special Economic Area Investor Visa

For foreigners that invest a minimum of US$250,000 in a company registered in the Special Economic Area of Panamá-Pacífico. The investments funds must come from abroad.

Permits for Foreign Personnel Hired by Businesses in the Colon Free Zone

Applicable only to foreigners that have been hired to lend functions in executive, confidence and management positions, or as specialized technicians, in businesses authorized to operate in the Colon Free Zone. To apply for this permit, the monthly salary must not be inferior to US$2,000.

Agrarian Investment Permits

Allow individuals to become temporary residents. Foreigners, themselves or through a legal entity, must invest a minimum of US$60,000, in a Panamanian agroindustry business or aquaculture industry. If the Investor has dependents, the investment amount must increase by US$500 for each dependent. The investments must be made in areas that the Ministry of Agricultural Development (MIDA, by its Spanish acronym) assesses to be of national interest for the country.

Economic Solvency Permanent Residence Permits

For foreigners investing a minimum of US$300,000 in real estate, in a fixed term deposit of a bank located in the country, or a combination of the previous options. The funds must come from abroad and for every dependent, the financial reliability must increase by US$2,000 for each one.

Qualified Investor Residence Permits

For foreigners based on any of the following types of investment:

- real estate investment: through a minimum of US$500,000 in one piece of real estate.
- real estate investment through a contract promises of purchase: through a trust deposit of a minimum of US$500,000, managed by a local bank or trustee, with a promise of purchase of one piece of real estate of the same value.
- investment made through a Brokerage House with a license approved by the Superintendency of the Panama Securities Market: through a minimum of US$500,000 of one or multiple investments in securities of issuers, whose businesses affect the national territory, through the Panama Securities Market, and whose commitment is maintained for at least five years from the moment of the investment.
- investment in a fixed-term deposit in the banking sector: through a minimum of US$750,000, for a fixed term of five years.

Additional procedural fees may apply for this kind of permit.

Reforestation Investor Visa

Achieved through a minimum investment of US$80,000 in at least twenty hectares of a government certified reforestation project. For any additional dependents, an additional investment of US$2,000 must be made.

Free Trade Zones Investors Visa

For foreigners investing US$250,000, with funds from abroad, in a duly authorized promoter or operator of a Free Trade Zone. After this 2-year temporary resident visa expires, the individual is granted a permanent residence permit.

Call Center Investor Visa

For foreigners investing US$250,000, with funds from abroad, in a duly authorized Call Center.

Film and Audiovisual Industry Investor Visa

For foreigners that invest a minimum of US$150,000, with funds from abroad, in the film industry.

23 Labor Law

The Labor Code of 1971 establishes the labor relationships, rights and duties of both employers and employees. It also states that every employer can hire foreign workers, if they meet a set of specific conditions. Panama restricts the hiring of foreign personnel. Foreigners can be hired in proportion that doesn't exceed 10% of the total workforce, while foreign specialists or technical workers can be hired if they do not exceed 15% of the total workforce. These restrictions don't apply to foreign spouses of Panamanian citizens and fall in the category of 90% of the workforce.

The Law states that in some cases the Ministry of Labor and Employment Development (MITRADEL, by its Spanish acronym) will allow the hiring of a higher proportion of foreign specialists or technical personnel, but only for a specified period and for specific cases.

When hiring foreign personnel, the employer will always need to get an authorization from MITRADEL. This authorization will be restricted to the term of one year, renewable for a maximum of five years. The foreign employee´s requisites are varied and depend on each specific case.

The Trade Promotion Agreement signed between Panama and the United States agreed upon the commitment to protect labor rights. The Agreement commits both countries to adopt and maintain in their laws and practice the five fundamental labor rights as stated in the 1998 ILO Declaration. Both countries are also required to effectively enforce – and may not waive – labor laws related to fundamental labor rights.

The official national holidays and mourning days enforced by law in Panama are:

MONTH	DAY AND CELEBRATION	
January	01/01 09/01	New Year’s Day Martyr’s Day
February - March	Tuesday of Carnival (This varies from year to year between February and March)	
March - April	Holy Week – Good Friday and Holy Saturday (This varies from year to year between March and April)	
May	01/05	Labor Day
July	01/07	Presidential Inauguration (Every five years)
November	03/11 05/11 10/11 28/11	Separation of Panama from Colombia Consolidation of the Separation of Panama from Colombia Independence of La Villa de los Santos Independence Day of Panama from Spain
December	08/12 25/12	Mother’s Day Christmas

Should a holiday fall on a Sunday, it is common for the following Monday to become the day off.

In Panama, the minimum wage hourly rates are divided into two regions (I and II) and each one covers different locations throughout the country. The following table presents some of the minimum wages according to the latest decree, Executive Decree No. 74 of 2021. It is recommended to constantly check with MITRADEL for updates.

MINIMUM WAGE IN PANAMA (PER HOUR)*		
Composed by Sector or Activity	Region I Districts of Panamá, Colón, San Miguelito, David, Santiago, Chitré, Aguadulce, Penonomé, Bocas del Toro, La Chorrera, Arraiján, Capira, Chame, Antón, Natá, Las Tablas, Bugaba, Boquete, Taboga, San Carlos, Chepo, Guararé, Los Santos, Pedasí, Dolega, San Félix, Barú, Boquerón, Portobelo, Donoso, Santa Isabel, Santa María, Parita, Pesé, Atalaya, Changuinola, Chiriquí Grande, Almirante, Tierras Altas, Omar Torrijos Herrera.	Region II The rest of the country
Average minimum wage hourly rate (calculated from this table's sample)	US$2.69	US$ 2.31
Agriculture, Cattle Raising, Hunting, Forestry, Aquaculture, Fishing. Small Business.	US$1.94	US$1.94
Agriculture, Cattle Raising, Hunting, Forestry, Aquaculture, Fishing. Large Business (11+ employees).	US$1.91	US$1.91
Agroindustry. Processing. Small Business.	US$2.27	US$1.91
Agroindustry. Processing. Large Business.	US$2.81	US$2.31
Manufacturing Industry. Small Business.	US$2.22	US$1.87
Manufacturing Industry. Large Business (16+ employees).	US$2.91	US$2.40
Construction	US$3.27	US$3.08
Wholesale Trade	US$2.81	US$2.30
Retail Trade. Small Business.	US$2.27	US$1.90
Retail Trade. Large Business. (11+ employees).	US$2.81	US$2.30
Free Trade Zones. Special Economic Areas.	US$3.50	US$2.34
Hotels. Small Business.	US$2.28	US$1.89
Hotels. Large Business (11+ employees).	US$2.75	US$2.25
Restaurants. Small Business.	US$2.22	US$1.87
Restaurants. Large Business (11+ employees).	US$2.88	US$2.36
Transportation	US$2.94	US$2.42
Financial and Insurance Activities	US$3.34	US$3.34
Real Estate	US$3.24	US$2.89
Teaching (Administrative Personnel)	US$2.88	US$2.34
NGO's	US$2.77	US$2.27
Arts, Entertainment and Creativity	US$2.88	US$2.88

* Please remember that these are only a small part of the minimum wages, for illustrative purposes. We recommended to constantly check with MITRADEL for updates.

LAWS DISCUSSED

Labor Code – Cabinet Decree No. 252, December 30th, 1971, modified by Law No. 44, August 12th, 1995 – Código Laboral – Decreto de Gabinete No. 252 del 30 de diciembre de 1971, modificado por la Ley No. 44, de 12 de agosto de 1995.

1998 ILO Declaration on Fundamental Principles and Rights at Work – Declaración de la OIT de 1998, Relativa a Los Principios y Derechos Fundamentales en el Trabajo.

Executive Decree No. 74, December 31st, 2021, Which sets the New Minimum Wage Rates Throughout the National Territory – Decreto Ejecutivo No. 74 del 31 de diciembre de 2021, Que fija las nuevas tasas de salario mínimo en todo el territorio nacional.

24 Intellectual Property

Panama´s first Intellectual Property Law was enacted as Law No. 35 of 1996. It contains norms that protect inventions, utility models, industrial designs, trade secrets and trademarks of products and services, collective and certification marks, indications of source, appellations of origin, trade names and advertising slogans and signs.

Law No. 35 of 1996 provides twenty years of patent protection from the submission date of the application. Pharmaceutical patents are granted for 15 years but could be renewed for an additional ten if the patent owner licenses a national company (with a minimum of 30% Panamanian ownership) to exploit the patent. It also provides specific protection for trade secrets.

To meet the requirements of the TPA, Panama amended and updated Law No. 35 of 1996 through Laws No. 61, No. 63 and No. 64 of 2012. The latter allows officials to impose fines of up to $100,000 for copyright infringements without a trial or civil suit. Additionally, these Laws also authorize the office of Intellectual Property of the Ministry of Commerce and Industry to impose larger fines and to act as the prosecutor´s assistant in criminal law cases. Panamanian Customs can also act inside the free trade zones, when there is the suspicion that some merchandise might be in violation of copyright laws.

The TPA provides improved standards for the protection and enforcement of a broad range of intellectual property rights. Such improvements include state-of-the-art protections for digital products such as software, music, text, and videos and stronger protections for patents, trademarks, and test data, including an electronic system for the registration and maintenance of trademarks.

Panama has been a member of the World Intellectual Property Organization (WIPO) since 1997, and is a member of the Geneva Phonograms Convention, the Brussels or Satellite Convention, the Universal Copyright Convention, the Berne Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, and the International Convention for the Protection of Plant Varieties. In addition, Panama was one of the first countries to ratify the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. As an example and due to these international treaties, Panama upgraded regulations on computer software and extended the intellectual property rights from 50 to 70 years.

LAWS DISCUSSED

Law No. 35, May 10th, 1996, Whereby Provisions on Industrial Property are Issued – Ley No. 35 del 10 de mayo de 1996, Por la cual se dictan disposiciones sobre la propiedad industrial

Law No. 61, October 5th, 2012, Which Amends Law No. 35 of 1996, Whereby Provisions on Industrial Property are Issued – Ley 61, de 5 de octubre de 2012, Que reforma la Ley 35 de 1996, por la cual se dictan disposiciones sobre la propiedad industrial.

Law No. 63, October 5th, 2012, Which Amends Articles of Law No. 23 of 1997, On Rules for the Protection of Plants Varieties – Ley No. 63, de 5 de octubre de 2012, que reforma artículos a la Ley N° 23 de 1997, Sobre normas para la protección de las obtenciones vegetales.

Law No. 64, October 10th, 2012, On Copyrights and Related Rights – Ley No. 64 del 10 de octubre de 2012, Sobre el derecho de autor y derechos conexos.

25 Customs Laws

The Ministry of Economy and Finances (MEF by its Spanish acronym) is the entity duly authorized to issue the Import Tariff of the Republic of Panama, which establishes an entry regime for all types of merchandise.

When Panama joined the WTO in 1997, the government lowered tariffs to a maximum of 15%, except for a few agricultural products, and to an overall average of 12%, the lowest in the region. The revised import duty structure was significantly lower than the one negotiated for the WTO accession and represented a substantial commitment to trade liberalization. Today, Panama's nominal tariff duties are the lowest in the region, with an average of 9% in tariffs rates.

Panama assesses import duties on an ad valorem basis. The ad valorem system uses the declared CIF value as the basis for import duty calculations. In addition to the duty, all imports into Panama are subject to a 7% Transfer or Value Added Tax (ITBMS, by its Spanish acronym), levied on the CIF value and other handling charges. Pharmaceuticals, foods, and school supplies are exempt from VAT.

In October 2012, the Trade Promotion Agreement between the United States and Panama came into effect, eliminating import duties for 87% of the products in the tariff, except for some food and agricultural products, whose duties have gradually decreased over the course of the past years, and will continue to do so.

Since there are a number of exceptions under the TPA, it is important to check which products come under the duty-free regime. We suggest that U.S. exporters go through the following processes to determine duties today and in the future:

Tariff Tool for Free Trade Agreements

Shows the tariffs/duties that Panama is currently assessing. You can access this database by simply visiting:
https://www.ana.gob.pa/w_ana/images/ANA_pdf/arancel/Arancel-Nacional-Importacion2020.pdf

Tariff Tool for Free Trade Agreements

Shows how tariffs will be phased out for any particular good in any country that has a Free Trade Agreement (current or pending) with the U.S. Cautionary note: this tool does not show agricultural products. In addition, it is not completely accurate for current tariff rates; instead, it shows what Panama is allowed to charge, a value which in reality may be higher.

Visitors entering Panama may bring with them personal items such as jewelry, and professional equipment, including cameras, computers, and electronics, as well as fishing and diving gear, for personal use; all of which are permitted duty-free.

26 Unfair Business Practices Regulation

Law No. 45 of 2007 was introduced to comply with the requirements of the World Trade Organization. This law helps protect the national production and industry against uncompetitive foreign trade activities, which threaten their development. It was further amended by Law No. 14 of 2018, which extends the protection the present protection to the customer and the defense of competition.

The General Directorate for the Defense of Trade of the Ministry of Commerce and Industries (MICI, by its Spanish acronym) is the current entity responsible for safeguarding the commercial interests of the country's industry.

The Directorate conducts negotiations on issues pertaining to safeguards and unfair practices, monitors the trade of goods, initiates investigative procedures and reviews relevant information.

The anti-dumping and countervailing proceedings are governed by Decree-Law No. 7 of 2006, and the Marrakesh Agreement was adopted through Law No. 23 of 1997, which also enacted the rules for trade protection and defense. The General Directorate for the Defense of Trade and the adoption of the relevant legislation have strengthened the institutional capacity, thus ensuring the credibility of trade reforms needed for the domestic liberalization in Panama.

LAWS DISCUSSED

Law No. 45, October 31st, 2007, Which issues Rules on Consumer Protection and Defense of Competition and Another Provision – Ley No. 45, de 31 de octubre de 2007, Que dicta normas sobre protección al consumidor y defensa de la competencia y otra disposición.

Law No. 14, February 20th, 2018, Which modifies articles of Law No. 45 of 2007, on Consumer Protection and Defense of Competition – Ley No. 14, de 20 de febrero de 2018, que modifica artículos de la Ley 45 de 2007, sobre protección al consumidor y defensa de la competencia.

Decree-Law No. 7, February 15th, 2006, Which Establishes the Rules for the Protection and Defense of the National Production and Issues Other Provisions – Decreto Ley No. 7 de 15 de febrero de 2006, Que establece normas para la protección y defensa de la producción nacional y dicta otras disposiciones.

Law No. 23, July 15th, 1997, Which approves the Marrakesh Agreement, Establishing the World Trade Organization, the Panama´s Accession Protocol to said Agreement, together with its Annexes and Commitment List, Adapts the internal legislation in Regards with the International Standards and Issues Other Provisions – Ley No. 23 de 15 de Julio de 1997 por la cual se aprueba el Acuerdo de Marrakesh , constitutivo de la Organización Mundial de Comercio, el protocolo de Adhesión de Panamá a dicho Acuerdo junto con sus Anexos y Lista de Compromisos, se adecúa la legislación interna a la normativa internacional y se dictan otras disposiciones.

27 Panama's New PPP Regime

Panama has adopted its first public-private partnership (PPP) regime though Law No. 93 of 2019 (referred to as the "Law" in this section), regulating the institutional framework and processes for the development of investment projects under the PPP category, seeking to promote the development of infrastructure and public services in the country, contribute to economic growth, employment creation, competitiveness, and to improve the living conditions of the population.

Facing fiscal constraints and in some cases technical limitations, Panama anticipates benefiting from this initiative, attracting private experience, investment, and financing for the development of important projects.

With a few exceptions, the Law is applicable to the Central Government, autonomous and semi-autonomous entities of the Non-Financial Public Sector, municipalities, and business corporations in which the State has a majority stake.

It incorporates strong mandatory principles applicable throughout PPP projects such as transparency, budgetary capacity, appropriate risk allocation, fair competition, and integrity. It also includes eligibility factors that will determine the convenience of implementing a given project through the PPP regime. These factors include a general social analysis that should indicate the benefits of the project to the population, a cost-benefit analysis that would determine the convenience of undertaking the project under the PPP regime versus the traditional public procurement or concession method, a risk distribution proposal including construction, financial, commercial and other risks throughout the different project stages, sustainability and feasibility studies, legal and environmental analysis, among others.

PPP project´s scope of work may include design, construction, reparation, financing, expansion, exploitation, operation, maintenance, administration and/or supply of a good and/or service to the contracting public entity and/or to the end users of any public service.

Institutional Framework

A Governing Body called the **"Ente Rector"** was created, consisting of the Ministers of the Presidency, Economy and Finance, Public Works, Commerce and Industry, and Foreign Affairs, and in addition, the Comptroller General of the Republic, who does not have right to vote.

The Ente Rector is the maximum authority in PPP projects. It is responsible for defining the priority areas of PPP projects and the analysis criteria on the identification, selection and prioritization of PPP projects, approving the requests raised by the contracting public entities to undertake projects under the PPP regime, approving rules and guidelines for risk allocation, as well as the scope of work proposed by the contracting public entities and the content of PPP agreements, authorizing modifications to the tender documents and PPP agreements, among others.

The Law also created the **PPP National Directorate** (the "Directorate"). The Directorate acts as a technical and operational support unit for the Ente Rector, preparing (for the consideration and approval of the Ente Rector), the selection criteria for PPP projects, the standardization of processes, the protocols for collaboration between the various institutions involved in the PPP project developing process, guidelines for risk allocation and the design of the scope of work and PPP agreements, in compliance with the provisions established in this Law. The Directorate also acts as liaison between the Ente Rector, the contracting public entities, and the advisory committee.

The **Advisory Committee** is made up of four members of Panama's private sector, two members of the academic and teaching sector, and two members of the organized groups of workers. It raises recommendations and proposes PPP projects to the Ente Rector, through the Directorate.

The **Ministry of Economy and Finance** plays a huge role in the implementation of PPP projects as it must coordinate, in accordance with its Budget Classifications Manual of Public Expenditure, the methodology that will be applied to assess the impact of the PPP projects on the specific public expenditure of the contracting public entity and the Government's General Budget during the term of the PPP agreement.

The Tender Process

The tender documents will be made public through a publicly accessed website with sufficient time for its review by interested parties. The publication of the tender process will include the date of a homologation meeting where all interested parties may discuss the tender documents with the contracting public entity. Also, the publication will include the date, place and time for the bid proposal submission.

Once the contracting public entity receives the proposals from the bidders, it would first verify that all the minimum technical, administrative, and financial requirements established in the tender documents are met, and then it would apply the corresponding quantifiable objective valuation method for the economic proposal, as indicated in the tender documents.

The awarded bidder must create a local SPV (which will be the actual contractor and will sign the PPP agreement), provide it with the required capital as indicated in the tender document, and submit a performance bond. The PPP agreement will enter effect only after the Comptroller´s General provides its countersign to the agreement.

Legal recourses are available for bidders that may consider that their rights were not respected during the tender process.

PPP Agreement

The maximum term for PPP agreements is 30 years, with a possible extension of up to 10 additional years. The Law recognizes the possibility of further extensions (up to five years), due to delays attributable to the contracting public entity.

All PPP projects must be at least fifteen million dollars (US Dollars), except for PPP projects undertaken by municipalities, which will be subject to what the regulation of the Law establishes.

The Law classifies the PPP projects as "self-sustaining projects" (entirely financed by the fees and tolls paid by end users) and "co-financed projects" (requiring or potentially requiring financial contributions from the contracting public entity), depending on the financial commitments assumed by the contracting public entity. In co-financed projects the contracting public entity will assume fixed or contingent commitments, as determined in the corresponding tender documents of the given project.

It is worth mentioning that although constitutionally Panamanian budget is determined annually by a law approved by the National Assembly, the Law requires that all co-financed PPP agreements contain a provision that obligates the contracting public entity to include the financial resources programmed to pay the PPP contractor in the budgets of the next fiscal periods,

Also, the Law establishes that the Ministry of Economy and Finance will honor the financial obligations acquired by the contracting public entities in PPP agreements and will prioritize the projects in execution.

Dispute resolution mechanisms are contemplated in the Law, starting with an initial stage of direct negotiation to allow a friendly and direct solution between the contracting parties, if applicable. If a friendly solution is not reached between the parties, the technical and/or economic disputes may be submitted for consideration of a technical panel of professionals with outstanding experience in the technical, economic, and legal matters of the infrastructure concessions sector. Such technical panel will consist of two lawyers, two engineers and a professional specialized in economic or financial sciences. The technical panel will issue an expedite technical recommendation which will not be binding for the parties but may be furthered considered as evidence by an arbitration board.

All PPP agreements will include arbitration clauses and will establish the regulations applicable to the arbitration proceeding. The applicable law to the process shall be that of the Republic of Panama, and the arbitration proceeding will be carried out in the Republic of Panama.

The Law also includes "step-in-rights" for creditors, to replace the PPP contractor in all its rights and obligations under the PPP agreement if the PPP contractor is in breach of its obligations under the PPP agreement.

In the same line, the Law enables the holding company of the PPP agreement to transfer the PPP agreement or its rights under the PPP agreement, before the authorization of the Ente Rector, to legal entities that meet the initial requirements applicable to the holding company of the PPP agreement, provided that they are not subject to the prohibitions and disqualifications established by the Law.

Additionally, the Law creates a special pledge in favor of the creditors, that may be agreed between the holding company of the PPP agreement and its creditors. This special pledge may include (i) the rights of the holding company of the PPP agreement under such agreement, payments of the contracting public entity to the holding company of the PPP agreement, and in general all receivables of the holding company of the PPP agreement.

Relevant Projects

The Panamanian government has publicly referred to a pipeline of projects to be developed under the new PPP regime surpassing two billion dollars. Among the anticipated projects, the government has mentioned: (i) the construction of an eight-kilometer cable car system, with seven stations, transporting up to three thousand passengers per hour, that will cross six municipalities and connect with Panama´s two existing metro lines (San Miguelito Metrocable), (ii) the construction of a twenty four kilometer highway, connecting the Arraiján-La Chorrera highway to the neighborhood of Panamá-Pacífico (La Costanera Highway), and (iii) the rehabilitation of a section of the Panamerican Highway of around one hundred eighty five kilometers between the cities of Santiago and David.

Every year the National Assembly approves the General Budget of the State, which includes the expenditures and investments of all the public institutions. It is then up to the State to execute said budget so that each entity can carry out its different tasks and functions, fulfilling the needs of the citizens.

In general, Law No. 22 of 2006 ("*Law 22*") establishes the norms, rules and basic principles that govern the contractor's selection procedures and public contracts carried out by the Central Government and its entities, including financial intermediaries and corporations in which the State owns 51% or more of its shares or assets, as well as those that are carried out with public funds or national assets.

As a rule, all contracts for acquisitions or leases of goods carried out by State entities, execution of public works, disposition of State assets, including leases, provision of services, operation or administration of State assets, concessions or any other contract not regulated by special law, must observe the norms, rules and principles established in Law 22.

It is worth highlighting that Law 22 expressly excludes from its scope of application the acquisition of medicines, supplies and medical equipment by the Social Security Agency (Caja de Seguro Social), which is governed by the provisions of Law 1 of 2001 regarding medicines and other products for human health.

Public procurement in Panama must adhere to and be based on eight fundamental principles: (i) transparency, (ii) economy, (iii) responsibility, (iv) effectiveness, (v) publicity, (vi) efficiency, (vii) due process and (viii) equality of the participants (bidders), as indicated in Law 22.

Likewise, Law 22 establishes that public contracts must maintain equality between rights and obligations when proposing or contracting, and the parties must take the necessary measures to reestablish said equality if it is broken for provable reasons that are not attributable to the affected party. For these purposes, the parties enter into agreements to reestablish the contractual equilibrium which typically include amounts, conditions, formulas, forms of payment of additional expenses and recognition of financial costs, if applicable.

Contractor Selection Procedures

Depending on the type of contract (object, amount, and degree of complexity), the contracting entities will apply one of the following contractor selection procedures:

(i) Minor Contracting (Contratación Menor): For the acquisition of goods, services or works that do not exceed fifty thousand balboas, complying with a minimum of formalities.

(ii) Public Procurement Procedure (Licitación Pública): For the acquisition of goods, services or works that exceed fifty thousand balboas. In this procedure the price is the determinant factor, provided that all the requirements and technical aspects required in the bid specifications are complied with.

(iii) Public Procurement Procedure for Best Value (Licitación por Mejor Valor): For the acquisition of goods, services or works with a high level of complexity and with a contract amount greater than five hundred thousand balboas. In this selection procedure, economic, administrative, technical, and financial aspects are weighted, awarding the participant that obtains the highest score, provided that the participant complies with the minimum obligatory requirements established in the corresponding bid specifications. It is important to mention that in this procedure the price shall not represent less than 40% or more than 49% of the total points for the award.

(iv) Public Procurement Procedure for Framework Agreement (Licitación para Convenio Marco): Procedure for selecting one or more participants with whom a contract called framework agreement is signed, where prices and specific conditions for goods and services are established for a fixed period. In these procedures, the selection criteria are defined by the General Directorate of Public Procurement (Dirección General de Contrataciones - hereinafter, "DGCP") according to the needs of the State.

(v) Public Procurement Procedure of Reverse Auction (Licitación de Subasta en Reversa): Bidding and counter bidding procedure to obtain the best price for a good, service or work for the institution or institutions, within a certain period.

(vi) Auction of Public Assets (Subasta de Bienes Públicos): Procedure in which the State can offer its movable assets and real estate for sale or lease.

There are also exceptional and special contracting procedures, special procurement procedures in case of emergencies, as well as the pre-qualification of participants. However, these procedures are applied less frequently, so they will not be addressed in this section.

Law 22 establishes the minimum content of the bid specifications that the contracting entities draft in preparation for the selection of contractors. Likewise, this law regulates the minimum terms for the publication of the announcement of the selection procedure, in relation to the date of submission of proposals (considering the amount and complexity of the contract); as well as the modifications to the bid specification and the minimum days of anticipation for the publication of said modifications before the proposal submission date.

As a general rule, in contracts with an amount that exceeds one hundred and seventy-five thousand balboas, the contracting entity will hold a public meeting called "prior meeting and homologation", in order to answer questions, clarify aspects related to the bid specifications or other documents, and make observations that may affect the participation in equal conditions of the potential participants.

Once the corresponding commission - composed of suitable and independent members - applies the corresponding evaluation criteria according to Law 22 and bid specifications, it will prepare a motivated report addressed to the legal representative of the contracting entity, containing its evaluation and recommendation so that the legal representative awards or declares deserted the contractor selection procedure, if the formalities established in Law 22 are considered to have been fulfilled.

Except for a few cases, the resolutions, and administrative acts, as well as the communications issued by the contracting entities during the contractor selection procedure and execution of the contract, and those issued by the DGCP and Administrative Tribunal of Public Procurement (Tribunal Administrativo de Contrataciones Públicas - hereinafter, “TACP”), will be published and will be notified in the Electronic Public Procurement System “PanamaCompra":
(http://www.panamacompra.gob.pa)

Legal Challenges

Law 22 establishes the following three legal challenges in relation to public procurement:

(i) Claim Action (Acción de Reclamo): It can be filed before the DGCP against any illegal or arbitrary act or omission that occurs during the contractor selection procedure before the awarding, declaration of desertion or cancellation of a selection procedure.

(ii) Contesting Action (Recurso de Impugnación): It can be filed before the TACP, by the participants that consider themselves affected by a resolution that awards, declares deserted a selection procedure, rejects the proposals or any act that affects the objective selection of the contractor, in which the participants consider that illegal or arbitrary actions or omissions have been committed. The action must be filed together with a Contesting Action Bond, for an amount equal to a percentage of the contractor selection procedure’s reference price (10% for goods and services; and 15% for works).

(iii) Appeal Action (Recurso de Apelación): It can be filed before the TACP against: (i) the resolutions that administratively resolve (terminate) a contract or purchase order and sanctions the contractor for the contract or purchase order breach; (ii) the resolutions issued by DGCP that sanction public officers; (iii) the resolutions that impose fines for delays of the contractor; and (iv) the resolutions that impose debarment sanctions on awardees for refusing to sign the contract.

Bonds

Law 22 contemplates the following types of bonds regarding public procurement:

(i) Proposal Bond (Fianza de Propuesta): Pre-contractual guarantee established in the bid specifications and presented at the proposal submission meeting, to guarantee the proposal of the participants, the signing of the corresponding contract and the presentation of the performance bond in case of being awarded.

(ii) Advanced Payment Bond (Fianza de Pago Anticipado): It guarantees the reimbursement of an amount of money given as an advanced payment to the contractor. This guarantee is enforceable in case that the contractor does not use the advanced payment for the timely and proper execution of the contract.

(iii) Performance Bond (Fianza de Cumplimiento): It guarantees the faithful fulfillment (performance) of the contract by the contractor, as well as the correction of defects, if applicable.

(iv) Investment Compliance Bond (Fianza de Cumplimiento de Inversión): It guarantees the effective investment of a sum of money by the contractor, within the term and under the agreed conditions, in those contracts for acquisition or disposition of goods that require it.

(v) Contesting Action Bond (Fianza de Recurso de Impugnación): It guarantees the damages and injuries that may be caused to the public interest in the presentation of contesting actions.

(vi) Claim Action Bond (Fianza de Acción de Reclamo): Guarantee required to file claim actions after the second verification or evaluation committee has been issued by the commission by order of DGCP.

Contract

Law 22 establishes that public contracts governed by said law are subject to Panamanian law, specifically Law 22, complementary provisions, and supplementary provisions of the Civil Code or Commerce Code that are compatible with the purposes of public procurement.

Law 22 regulates aspects such as the exorbitant power of unilateral termination of the contract by the contracting entity (grounds for resolution and administrative rescue), the assignment of the contract, the assignment of credits, the rules for additions and amendments to the contract based on public interest, payments, maximum terms and extensions, penalties and incentives, validity and liquidation of contracts, grounds for nullity of acts and contracts (absolute and relative), and in particular work contracts, supply contracts, services contracts and consulting contracts, as well as the turnkey contracts or contracts of similar modality.

F. INCENTIVE LAWS

29 Investment Stability

The objective of the Law No. 54 of 1998, also known as the Investment Stability Law, is aimed to promote and protect foreign investment in Panama. This Law guarantees equal rights for all foreign and international investors, in terms of investments and business practices, with that of national investors. In other words, foreign investors have the same rights and duties as national ones. It also guarantees the free availability of the resources generated by their investment, the free repatriation of capital, dividends, interests, and utilities derived from the investment, and the free commercialization of their production. Moreover, the right of ownership of foreign investors has no limitations other than those established by the political Constitution and the Law.

Permitted Activities and Sectors:

- Tourism
- Agricultural Exports
- Mining
- Commercial and Oil Free Zones
- Construction
- Electrical Energy Generation
- Industrial Forestry
- Free Trade Zones
- Telecommunications
- Development of Ports and Railroads
- Projects regarding Irrigation and Efficient Use of Hydraulic Resources
- Activities under the Multinational Headquarters Regime
- Activities under Panamá-Pacífico Special Economic Area Law
- Activities under Manufacturing Services of Multinational Business Regime

All activities must be approved by the National Directorate for Business Development (DINADE, by its Spanish acronym) of the Ministry of Commerce and Industries (MICI, by its Spanish acronym), and more activities can be added by recommendation of MICI.

To be eligible for the guarantees, mentioned below, the investor must submit to DINADE a plan to invest the minimum sum of US$2,000,000 within a maximum term of two years or otherwise established by DINADE.

Guarantees:

- Juridical Stability, unless the provisions are related to reasons related to public utility or social interests.
- Tax Stability within the National order, with exception of indirect taxes (i.e., ITBMS, ISC, etc.);
- Tributary Stability within the Municipal order.
- Customs Regimes Stability derived from Special Laws.
- Labor Legislation Stability under the terms in force when the hiring was done.

The guarantees are valid for a period of ten years. The Law also provides the investor with a compensation mechanism should the State, for reasons related to public utility or social interests, expropriate an investment protected by this Law.

LAW DISCUSSED

Law No. 54, July 22nd, 1998, Whereby Measures for the Legal Stability of Investments are Issued – Ley No. 54, de 22 de Julio de 1998, Por la cual se Dictan Medidas para la Estabilidad Jurídica de las Inversiones.

30 Multinational Headquarters Incentives

The government, along with the private sector, has created the necessary conditions for Panama to become a destination for Multinational Companies. Law No. 41 of 2007, also known as the Multinational Headquarters Law, was enacted, and subsequently amended by Law No. 45 of 2012, and by Law No. 57 of 2018.

Law No. 41 created the framework for setting up the administrative offices of Multinational Companies and provides a centralized governmental office, which handles company licensing, employee visa processing and foreign employee benefits, all under one roof through the Investment One Stop Shop of the Ministry of Commerce and Industries.

For the purposes of these Laws, a “Multinational Company” is a legal entity that:

(i) having its headquarters in another country, develops activities in more than one, or
(ii) having its activities in only one country, operates in its different regions and wishes to establish a subsidiary in the Republic of Panama.

The Headquarter of a Multinational Company (SEM, by its acronym in Spanish) is permitted to provide the following services, among others, to its business group:

- The management and/or administration of company operations either globally or in a specific geographical area.
- Logistic and/or storage services of components or spare parts required for the fabrication or assembly of manufactured products.
- The accounting of the business group.
- The developments of blueprints regarding designs and/or constructions, which constitute part of the ordinary course of business of the group.
- Technical, financial and/or administrative assistance, as well as other support services, to companies in the same business group.
- Consulting, coordination and monitoring of market guidelines, and advertising of the goods and services produced by the business group.
- The electronic processing of any activity, including the consolidation of operations for the business group.
- The financial management of the business group.
- Operational support, research and development of products and services for the business group.
- Any other similar service previously approved by the Cabinet Council.

Fiscal Incentives:

- A reduced corporate income tax of 5% and an exemption from VAT, for services provided to the business group outside the country.
- Exemption from dividend, complementary and branch taxes.
- Exemption from the use of fiscal equipment, and from the need to obtain a Notice of Operation.
- Expenses related to the labor remuneration of all its employees can be declared as deductible expenses in the annual income tax return.
- Exemption from income tax and social security quotas for the salaries and other labor remunerations of holders of a Permanent SEM Personnel Visa.
- For services provided to and received by entities located in Panama, the income tax is fixed at 5% and must be withheld by the beneficiary of the services.

The Companies with SEM Licenses must submit their income tax return at the end of the fiscal year.

Economic Substance Requirements:

To maintain the 5% income tax rate, SEM Licensed companies must comply with Economic Substance Requirements, encompassing:

- Executing the main activities from the Republic of Panama;
- Having an adequate number of full-time employees appropriate to the nature business of the SEM Entity;
- Having adequate operating expenses appropriate to the nature business of the SEM Entity; and
- Fulfill annual reporting requirements, including: (i) Annual Substance Affidavit endorsed by a local Certified Public Accountant; and (ii) Audited Financial Statements.

Labor Incentives:

- SEMs may hire of foreign executives (in line with article 17 of the Labor Code), if deemed necessary to carry out their activities, for high and mid-level positions.

Migratory Incentives:

- Permanent SEM Personnel Visas - issued to executives and their dependents for a term of five years, renewable.
- Temporary SEM Personnel Visas - granted to technical personnel whom the company requires on a temporary basis.

LAWS DISCUSSED

Multinational Headquarters Law - Law No. 41, August 24th, 2007, Which creates the special Regime for the Establishment and Operation of Multinational Headquarters and the Licensing Commission for Multinational Headquarters and Issues other Provisions – Ley No. 41 del 24 de agosto de 2007, Que crea el Régimen Especial para el Establecimiento y la Operación de Sedes de Empresas Multinacionales y la Comisión de Licencias de Sedes de Empresas Multinacionales y dicta otras disposiciones

Law No. 45, August 10th, 2012, Which Amends Law No. 41 of 2007, Which creates the special Regime for the Establishment and Operation of Multinational Headquarters and the Licensing Commission for Multinational Headquarters – Ley No. 45 del 10 de agosto de 2012, Que reforma la Ley 41 de 2007, Que crea el Régimen Especial para el Establecimiento y la Operación de Sedes de Empresas Multinacionales y la Comisión de Licencias de Sedes de Empresas Multinacionales

Law No. 57, October 24th, 2018, Which Amends Law No. 41 of 2007, Which creates the special Regime for the Establishment and Operation of Multinational Headquarters and the Licensing Commission for Multinational Headquarters and Issues other Provisions – Ley No. 57, de 24 de octubre de 2018, Que reforma la Ley 41 de 2007, Que crea el Régimen Especial para el Establecimiento y la Operación de Sedes de Empresas Multinacionales y la Comisión de Licencias de Sedes de Empresas Multinacionales, y dicta otras disposición

Executive Decree No. 28, March 27th of 2009, which regulates Multinational Headquarters legislation, as amended by Executive Decree No.241 September 16 th of 2020 / Decreto Ejecutivo No. 28 del 27 de marzo de 2009 por el cual se reglamenta la Ley 41 de 24 de agosto de 2007, que crea el Régimen Especial para el Establecimiento y la Operación de Sedes de Empresas Multinacionales y la Comisión de Licencias de Sedes de Empresas Multinacionales dicta otras disposiciones.

31 Special Regime for the Establishment and Operation of Multinational Companies for the Provision of Services Related to Manufacturing (EMMA)

Background and Objectives

The EMMA Regime was created through Law 159 of August 31st, 2020, with the objective of attracting and promoting investments in productive processes in the Republic of Panama, generating jobs and promoting technology transfer, as well as to make the country more competitive in the global economy.

Panama seeks to attract manufacturing companies that are reconsidering approaching the Latin American market, establishing new distribution or manufacturing centers, carrying out storage known as "stockpiling" or ensuring cuts in product delivery times for this specific area. All this for the sake of promoting investment; minimizing risks; maintaining profitability and above all satisfying their customers. Therefore, making “Nearshoring” a solution to create new opportunities for our economy, will continue to be a goal for 2022. The global health crisis accelerated in Panama the implementation of the automation of logistics processes, such as the online launch of cargo, which reduces delivery times and allows greater efficiency. The new EMMA law was developed specifically to attract manufacturing companies to Panama or those local manufacturers that wish to regionalize.

For the businessman or entrepreneur, EMMAs companies open new business opportunities since the law allows the outsourcing of the main activities in the national territory. We envision suppliers opening the sale of raw materials, logistics services, manufacturing services in general, increased exports with value-added products, among other.

Therefore, the main objectives of this regime are to capitalize on the transfer of technology and knowledge with the aim of promoting new capacities and to achieve a more diversified economy.

The EMMA Law also promotes the growth of other special economic areas such as the Colon Free Zone, Panama Pacific, and Free Zones, as well as any area in the national territory, including the interior of the Republic. The EMMA Law must be seen as an attractive alternative that adapts to a special niche of companies that strengthens the competitiveness of Panama.

Authorized Services

The EMMA license allows the multinational company to provide its same Business Group with the following services related to manufacturing: product manufacturing, assembly, maintenance and repair, remanufacturing, conditioning, product development, research or innovation, analysis, laboratories, tests, logistics, storage, deployment and distribution center of components or parts and any other analogous service previously approved by the Cabinet Council through a corresponding resolution, provided that it complies with the provisions set forth in this Law. Within the services, product labeling, assembly, re-manufacturing, ordering, packaging, maintenance, repair and logistics are contemplated.

The Benefits of the EMMA Regime

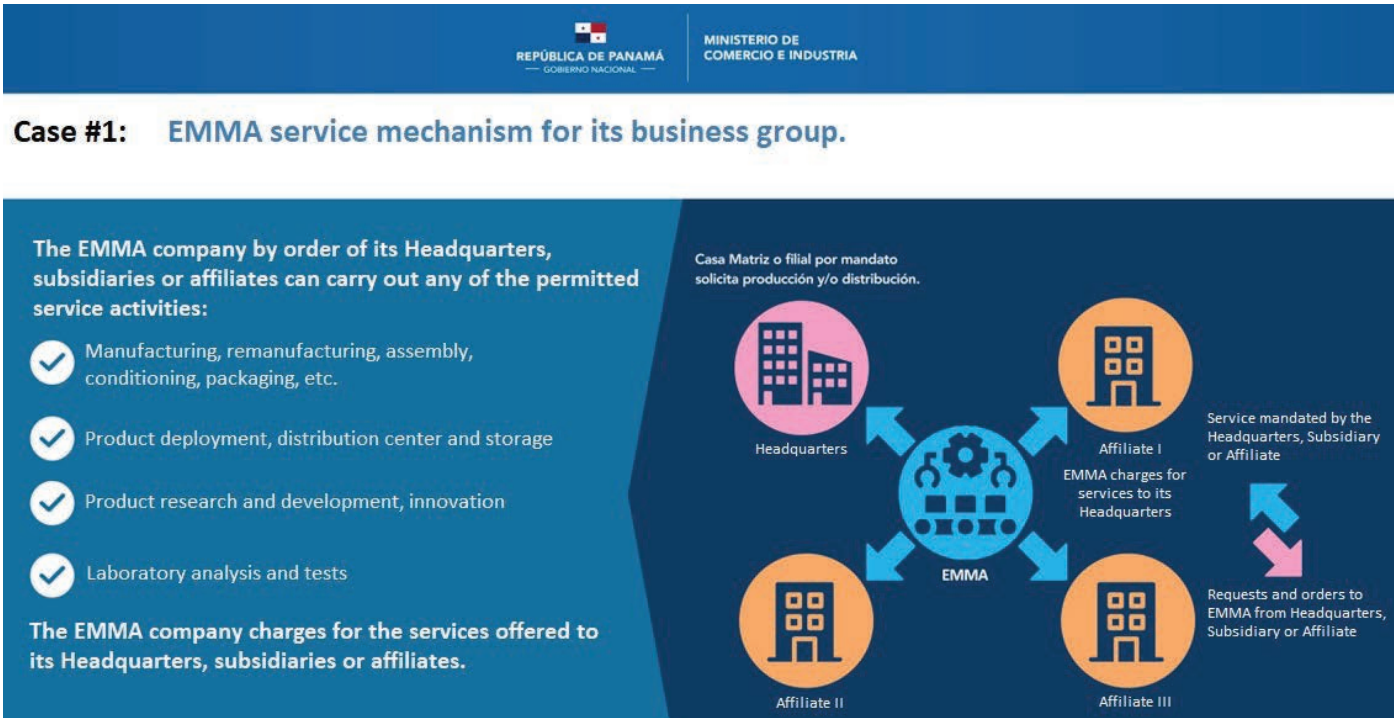
Below is a summary of the benefits and obligations of the EMMA Law:

DESCRIPTION	EMMA REGIME (Law 159 of 2020)
1. Tax Regime	
1) 5% Corporate Income tax (CIT) rate in the Republic of Panama (CIT applies to the regime, but at a reduced rate)	√
2) Exempt from dividend tax, complementary tax and branches tax.	√
3) Not subject to the use of fiscal printers	√
4) ITBMS (VAT) exemption for services provided to companies abroad	√
5) Capital gain (2% rate) (applies to the regime, but at a reduced rate)	√
6) Exempt from tax payment regarding the Notice of Operation	√
7) Transfer Pricing (applies to the regime)	√
8) ITBMS (VAT) exemption for the purchase and import of goods and provision or services in the Republic of Panama	√
2. Immigration Regime	
1) Immigration flexibility (permanent, temporary staff and dependents)	√
Types of Visas, Immigration Permits	
a) Permanent staff visa	√
b) Foreign worker dependent visa	√
c) Permanent residence	√
d) Temporary staff visa	√
e) Temporary staff dependent visa	√
2) Exempt from paying income tax, and social security and educational insurance contributions for wages	√
3. Labor Regime	
1) Subject to the Labor Code, except for the exceptions established in the Law	√
2) It may be agreed with the worker that the mandatory rest day is not necessarily Sunday. When Sunday is a regular work day, there will be no surcharge. Work on weekly rest days will be remunerated with a surcharge of 50%.	√
3) Overtime surcharge (25%)	√
4) Technical Education Centers	√
4. Customs Regime	
1) Exempt from any tax, fees, levy or import duties on all types or classes of merchandise, products and equipment that are required for the execution of EMMA services.	√
2) Exempt from payment of import tax for household items	√
3) Total duty exemption for the importation of a motor vehicle	√
4) Payment, by the company of the Business Group that acts as the importer, of customs duties or taxes only on the value of the raw materials incorporated into the finished product, subject to international trade agreements	√
5. Other benefits	
Legal Stability	√
The operating license is granted for an indefinite term, and without the payment of its fee.	√
The EMMA may be established in a Special Economic Zone or in any other part of the national territory.	√
6. Environment and other requirements	
1) Environmental impact study	√
2) Recyclable waste	√

Business Models

The EMMA law operates under the **"service" model for its own business group**; where it operates and executes the activities permitted under the mandate of its Headquarters or subsidiaries or affiliates. Below are diagrams detailing the “modus operandi”:

1. Basic Concept of the EMMA Regime



Multinational companies that avail themselves of this regime must operate as a foreign company registered in Panama or as a Panamanian company owned by the multinational company, its subsidiaries, or affiliates.

2. EMMA Business Model - Export

Under this model, the application of the Free Trade Agreements that Panama has is considered.

3. EMMA Business Model – Local Market (Panama)

This business model requires establishing a Marketing Company, part of the business group that will be responsible for introducing the products to the national territory, but with the considerations detailed in the diagram.

Business Models

License Requirements

The Multinational Company Headquarters License Commission, through Resolution No.039-20 of December 23rd, 2020, approved the requirements for granting the EMMA License and the Directorate of Headquarters of Multinational Companies of the Ministry of Commerce and Industries is the Single Window where the applications are processed and acts as the administrative and supervisory body of the regime.

To apply for the EMMA license, the Business Group must have total assets equal to or greater than seventy-five million US dollars (US$75,000,000), or the applicant company must provide services to at least three (3) affiliates, subsidiaries, or associated companies.

Economic Substance Requirements

To maintain the 5% income tax rate, SEM EMMA Licensed companies must comply with Economic Substance Requirements, encompassing:

- Executing the main activities from the Republic of Panama;
- Having an adequate number of full-time employees appropriate to the nature business of the SEM Entity;
- Having adequate operating expenses appropriate to the nature business of the SEM Entity; and
- Fulfill annual reporting requirements, including: (i) Annual Substance Affidavit endorsed by a local Certified Public Accountant; and (ii) Audited Financial Statements.

32 Panama's Film and Audiovisual Industry Incentives

The government created stimulus for the film and audiovisual industry by enacting Law No. 16 of 2012. The Law:

- Creates the Panama Film Commission and its Technical Secretariat.
- Creates the National Movie Register for foreigners.
- Regulates the film and audiovisual industry throughout the national territory.
- Grants fiscal, customs, labor and migratory incentives for foreign productions in national territory, with special areas being assigned for the development of the film and audiovisual industry.
- Eliminates of bureaucracy and guarantees efficient process for productions.

The benefits for foreign productions, granted by the Technical Secretariat of the Panama Film Commission, are:

- A "One-Stop-Shop" for all paperwork.
- Expeditious processing of Migratory Permits for foreign personnel.
- Labor Permits for foreign personnel.
- Temporary customs custody of equipment without bonded guarantee.
- Fiscal incentives for special assigned areas, as part of the development of the film and audiovisual industry.
- Permits for public locations throughout the entire national territory.
- Assistance with paperwork required by the public services.
- Associating with national producers, technicians, casting agencies and personnel.

LAW DISCUSSED

Law No. 16, April 27th, 2012, Whereby the Film and Audiovisual Industry Special Regime is Established – Ley No. 16 del 27 de abril de 2012, Que establece el régimen especial de la industria cinematográfica y audiovisual – modified by Ley No. 175 de 2020.

33 Call Centers

Since Panama has become a digital hub with the installation of six sub-maritime optical fiber cables, fully compatible with the US and the UK, with minimal risk of interruption by natural disasters, it is becoming the place of choice for telecommunication companies and data centers. Law No. 52 of 2018 provides fiscal, migratory and laboral zone benefits to call centers established in Panama for commercial operations.

The application for a concession to provide call center services must be delivered to and approved by the Public Services National Authority (ASEP, by its Spanish acronym). In addition to the following incentives, special labor provisions are more flexible than those for other types of businesses that operate in the rest of the Panamanian territory.

FISCAL INCENTIVES

Exemption from direct and indirect taxes, fees, contributions, and charges, (with the exception of those established in this Law and the fees charged the ASEP) relating to the services covered by the concession.

Exemption from income tax for the provided services (subject to the compliance of certain conditions).

A 5% dividend tax rate decreased to a 2% complementary tax in case there is no distribution of profits.

A yearly tax equal to 0.5% of the company's capital (up to a maximum of US$50,000).

LAW DISCUSSED

Law No. 52, October 17th, 2018, Which Regulates Call Centers and Dictates Other Provisions – Ley No. 52, de 17 de octubre de 2018, Que regula la actividad de centro de llamadas para uso comercial (call centers) y dicta otras disposiciones.

MIGRATORY INCENTIVES

Permanent Resident Permit for a Call Center Investor - issued to individuals who have invested a minimum of US$250,000 into a call center. Valid for 2 years (subject to the investment conditions), after which the investor may apply for a permanent stay.

Temporal Resident Permit - foreign personnel hired in trust, executive, expert and/or technical positions will have the right to request such permit. Valid for the duration of the work contract.

Short Stay Visa for Businesspeople and Investors by Special Laws - issued to foreigners who wish to come to evaluate the possibilities of investments or to carry out transactions or business related to call centers. Valid for 9 months (subject to the requirements established by the migratory regulations).

34 Tourism Incentives

Law No. 80 of 2012 dictates various incentive policies for the promotion of tourism in Panama. The Panamanian Tourism Authority (ATP, by its acronym in Spanish) offer fiscal, land and customs tax incentives and exemptions to:

- builders of hotels and hostels outside Panama City.
- existing hotels with less than 50 rooms that obtain a quality certificate.
- enterprises that offer touristic products like conventions, exhibitions, travel promotions, cruises, ecotourism, among other (each activity requires a minimum number of foreign attendants or passengers).
- enterprises that offer nautical tourism and own cruises, yachts, marinas and/or docks.
- enterprises that offer nature, adventure, and beach tourism.
- enterprises that offer special touristic products approved by the National Tourism Council.

The requirements and the application expiration dates vary according to the tourist activities. All permits are granted by the ATP and all necessary documentation must be delivered to them. Law 82 of 2019 amended the deadline to apply for the incentives to December 2025, while Law 122 of 2019 extended the incentive period until the end of 2025 to all applicable existing enterprises.

Law No. 2 of 2006 governs all concession related to touristic investment. This framework dictates all the requirements and obligations needed to invest in large tourist projects that require an extensive portion of land. To qualify for this type of investment, all necessary documents must be submitted to the Ministry of Economy and Finances (MEF, by its Spanish acronym). Subsequently, the MEF will analyze the project and either accept or decline it.

LAWS DISCUSSED

Law No. 80, November 8th, 2012, Whereby the Rules for Panamanian Tourism Promotion Incentives are Issued – Ley No. 80 del 8 de noviembre de 2012, Que dicta normas de incentivos para el fomento de la actividad turística en Panamá.

Law No. 2, January 7th, 2006, Which Regulates the Concessions for Touristic Investment and the Disposition of Island Territory for its Touristic Development, and Issues Other Provisions – Ley No. 2 del 07 de enero de 2006, Que regula las concesiones para la inversión turística y la enajenación de territorio insular para fines de su aprovechamiento turístico y dicta otras disposiciones.

Law No. 82, April 18th, 2019, Which Amends Law No. 80 of 2012, Whereby the Rules for Panamanian Tourism Promotion Incentives are Issued – Ley No. 82 del 18 de abril de 2019, Que modifica la Ley 80 de 2012, que dicta normas de incentivos para el fomento de la actividad turística.

Law No. 122, December 31st, 2019, Which Amends Law No. 80 of 2012, Whereby the Rules for Panamanian Tourism Promotion Incentives are Issued – Ley No. 122 del 31 de diciembre de 2019, Que modifica la Ley 80 de 2012, que dicta normas de incentivos para el fomento de la actividad turística.

Also, in December 2019 it was published the Law No. 122 of 2019, which amends Article No. 09 of Law No. 80 of 2012. The purpose of this amendment is to favor investment and financing of new tourism projects or new stages and extensions of those projects already existing outside the district of Panama, for which the sums invested by individuals or corporations in the acquisition of bonds, shares and other financial instruments issued by tourism companies, will be considered 100% tax credit for income tax purposes.

The most relevant points of this amendment are:

- The tax credit may be used annually as from the second year of the investment made, up to a maximum amount equivalent to 50% of the resulting income tax, as long as this does not exceed 15% of the initial amount of the tax credit up to 100% of the tax credit can be consumed during a maximum period of ten years from the date it was granted.
- The incentive will be granted until December 31, 2025, to those investors not directly or indirectly related to the tourism companies that issue the financial instruments, and that are not part of the reorganization of a company into several legal entities, nor affiliates or subsidiaries of tourism companies.
- The bonds, shares and other financial instruments may be issued by companies registered in the National Tourism Registry, including real estate investment companies duly registered with the Superintendency of Securities, in a stock exchange in Panama and in the National Tourism Registry.
- The bonds or financial instruments must have a minimum validity period of five years, and may not be paid in advance, nor may they be acquired by the tourism companies themselves.
- The validity of the National Tourism Registry will be enabled for those companies or hotels that have expired between January 1, 2014, and December 31, 2019, to maintain the incentives established in their records until December 31, 2025. For those whose registration expires after December 31, 2019, the validity is extended until December 31, 2025.

35 Cruise Line Incentives

Through the Executive Decree No. 35 of 2019, and later its amendment, Executive Decree No. 274 of 2020, a tourism promotion incentive will be granted to the cruise lines that establish their base port in one of the ports of the Republic of Panama, relative to assuming the payment of the toll corresponding to one (1) transit through the Panama Canal. Base port is defined as the port of embarkation and disembarkation of passengers, where the cruise begins or ends. This incentive will be payable as a refund to the cruise line, according to the amount billed by the Panama Canal Authority corresponding to one (1) transit through the Canal.

Year	Condition	Refund Value
2022	Proof that 80% of the embarked passengers are non-national individuals	90% of the paid toll
2023		80% of the paid toll
2024		70% of the paid toll

The current incentive is available for all applicable transits until December 31st, 2024.

LAWS DISCUSSED

Executive Decree No. 35, June 12th, 2019, Which establishes tourism promotion incentives for passenger transport vessels (cruise ships) whose base port is in the territory of the Republic of Panama – Decreto Ejecutivo No. 35 del 12 de junio de 2019, Que establece incentivos de promoción turística a los buques de transporte de pasajeros (cruceros) cuyo Puerto Base sea en el territorio de la República de Panamá.

Executive Decree No. 73, February 6th, 2020, that modifies and adds provisions to the Executive Decree No. 35, June 12th, 2019, which establishes tourism promotion incentives for passenger transport vessels (cruise ships) whose base port is in the territory of the Republic of Panama – Decreto Ejecutivo No. 73 del 6 de febrero de 2020, Que modifica y adiciona disposiciones al Decreto Ejecutivo No. 35 del 12 de junio de 2019, que establece incentivos de promoción turística a los buques de transporte de pasajeros (cruceros) cuyo Puerto Base sea en el territorio de la República de Panamá.

Executive Decree No. 274, November 11th, 2020, that modifies and adds provisions to the Executive Decree No. 35, June 12th, 2019, which establishes tourism promotion incentives for passenger transport vessels (cruise ships) whose base port is in the territory of the Republic of Panama – Decreto Ejecutivo No. 274 del 11 de noviembre de 2020, Que modifica y adiciona disposiciones al Decreto Ejecutivo No. 35 del 12 de junio de 2019, que establece incentivos de promoción turística a los buques de transporte de pasajeros (cruceros) cuyo Puerto Base sea en el territorio de la República de Panamá.

36 Light Manufacturing Incentives

Law No. 76 of 2009 was implemented to encourage the development of industry in Panama. It was further amended by Law No. 25 of 2017, which creates a new institutional framework and a normative body that encourages the competitive development of the national industrial and agro-industrial sector. The Laws are applicable to the agricultural, manufacturing, aquaculture transformation, forestry, and fisheries industries, including micro, small, medium, and other industrial enterprises.

As part of the Laws, the Certificate of Industrial Development has been established. This Certificate offers investors refunds of up to 40% (subject to specific industrial, research and development activities) on the total value invested, profit reinvestment, workforce training and hiring costs of any new production-related staff. This non-transferable document is valid for a maximum of 8 years and can be used when the company fulfills their tax, fee, and contribution obligations.

LAW DISCUSSED

Law No. 76, November 23rd, 2009, Which dictates measures for the promotion and development of the industry – Ley No. 76 del 23 de noviembre de 2009, Que dicta medidas para el fomento y desarrollo de la industria.

Law No. 25, May 23rd, 2017, Which modifies and adds articles to Law 76 of 2009, Which dictates measures for the promotion and development of the industry, and dictates other provisions, and Issues Other Provisions – Ley No. 25 del 23 de mayo de 2017, Que modifica y adiciona artículos a la Ley 76 del 2009, Que dicta medidas para el fomento y desarrollo de la industria, y dicta otras disposiciones.

Executive Decree No. 37 of 2018 that regulates the Law No. 76 of 2009 and its modifications.

37 Renewable Energy Incentives

Since the 2000s, Panama has been seeking to promote the diversification of its energy matrix to ensure the supply of the demanded energy, to mitigate the effects of climate change and to reduce dependence on hydrocarbon imports for the generation of electricity. As such, Law No. 45 of 2004 was passed to stimulate the creation of hydroelectric generation systems an incentive scheme. In 2011, 2012 and 2013, new laws were enacted that incentivized the construction and operation of biomass, wind, natural gas, and solar power plants.

Fiscal benefits that apply to energy generation using biomass include income tax exemption, VAT exemption for imports, and commercial and industrial license taxes exemption. Wind-, solar- and natural gas-based power generation facilities benefit from:

- A tax credit of up to 5% of the total direct investment value (applicable on income tax, for civil works that become public infrastructure).
- Custom duties exemption for equipment, machinery, materials, spare parts and others imports necessary for the plants' proper functioning.
- The possibility to use an accelerated amortization method to depreciate tangible assets.

Additionally, natural gas generation equipment manufacturers within Panama are exempted from paying all national taxes for 20 years, while wind power generation equipment manufacturers and installers are exempted for 15 years.

LAWS DISCUSSED

Law No. 45, August 4th, 2004, Which establishes an incentive regime for the promotion of hydroelectric generation systems and other new, renewable and clean sources, and issues other provisions – Ley No. 45, de 4 de agosto de 2004, Que establece un régimen de incentivos para el fomento de sistemas de generación hidroeléctrica y de otras fuentes nuevas, renovables y limpias, y dicta otras disposiciones – Ley 57/2009.

Law No. 42, April 20th, 2011, Which establishes guidelines for the national policy on biofuels, and electricity from biomass, in the national territory – Ley No. 42, de 20 de abril de 2011, Que establece lineamientos para la política nacional sobre biocombustibles y energía eléctrica a partir de biomasa en el territorio nacional – Ley 21/2013 y Ley 47/2015.

Law No. 44, April 25th, 2011, Which establishes the incentive regime for the promotion of the construction and operation of wind power stations for the provision of the electricity public service – Ley No. 44, de 25 de abril de 2011, Que establece el régimen de incentivos para el fomento de la construcción y explotación de centrales eólicas destinadas a la prestación del servicio público de electricidad – Ley 18/2013.

Law No. 41, August 2nd, 2012, Which establishes the incentive regime for the promotion of the construction and operation of generating plants, based on natural gas, for the provision of the electricity public service – Ley No. 41, de 2 de agosto de 2012, Que establece el régimen de incentivos para el fomento de la construcción y explotación de centrales de generación a base de gas natural destinadas a la prestación del servicio público de electricidad

Law No. 37, June 10th, 2013, Which establishes the incentive regime for the promotion of the construction, operation and maintenance of solar power plants and/or installations – Ley No. 37, de 10 de junio de 2013, Que establece el régimen de incentivos para el fomento de la construcción, operación y mantenimiento de centrales y/o instalaciones solares – Ley 38/2016.

38 Agropark Incentives

An agropark is a physical space where different agri-food or related activities are grouped, to minimize production costs and maximize the creation of value of national production through investments in technology. According to Law No. 196 of February 8th, 2021, agroparks must focus on the development of productive value chains linked to the Panamanian agribusiness sector, and delve into activities such as:

- Production through agrotechnology.
- Services related to the manufacture of products, machinery and equipment related to agribusiness.
- Research and development related to agricultural or agro-industrial activities.
- Laboratory analysis, testing or other services related to the manufacture and transformation of raw materials or semi-finished products.
- Logistics services that include processing, transportation, collection, storage, marketing, distribution, packaging and repackaging of national products.
- Processing and transformation of Panamanian products.
- Environmental services related to agricultural or agro-industrial activities.
- Construction of buildings for offices, factories, warehouses, services, complementary activities, and any technical and convenient infrastructure for the development of the agropark.
- Training services and technical qualification for the benefit of users, workers, registered companies, producers, and value chain representatives in an agropark.
- Any other analogous activity approved by the competent authority if it complies with this law.

FISCAL INCENTIVES

Custom duties exemption for construction materials, equipment, machinery, vehicles, or furniture necessary for the performance of their activities, for a period of five years from the moment the License is approved.

Custom duty of 3% on some raw materials, semi-finished or intermediate products, and other supplies are part of the composition or manufacturing process of their products.

Property tax exemption on new commercial and industrial improvements for twenty years, from the moment the occupancy permit is approved.

Losses suffered during the first two fiscal periods from the start of activities are deductible in the following five fiscal periods, at a 20% rate per year.

Income tax, dividend tax and complementary tax rates of 50% (applicable to both the agroparks Operating and Developing Companies, and any business duly authorized to settle within the agropark) for the first five years of operation.

LAW DISCUSSED

Law No. 196, February 8th, 2021, Which creates the Special Regime for the Establishment of Agroparks Operating and Developing Companies and dictates provisions for their operation – Ley No. 196 del 8 de febrero de 2021, que crea el Régimen Especial para el Establecimiento de Empresas Operadoras y Desarrolladoras de Agroparques y dicta disposiciones para su funcionamiento.

39 Reforestation Incentives

Under Law No. 24 of 1992, all direct and indirect forestry investments will be considered in their entirety as deductible expenses for income tax purposes if the amounts invested come from a source other than this sector. Moreover, some migratory and fiscal incentives are offered for reforestation activities. Panamanian law grants reforestation visas based on ownership of a minimum of 5 hectares (about 12.4 acres) of timber land under the investor's own name or the name of a corporation in which the investor has at least a 51% share. A type of reforestation visa has been previously discussed in the "Investor Permits and Visas" section.

Additionally, Law 69 of 2017 created the Forestry Incentive Program of the Million Hectares Alliance, which grants non-repayable direct financing and exemptions from the income, property, value added, and import taxes, to beneficiaries of the Program, for a period of 20 years from the validity of this law. Beneficiaries are defined as being natural and legal persons who are the owners, lessees, concessionaires, or beneficiaries of land titles that are involved in the following activities:

- Protection and conservation of natural forests.
- Assisted natural regeneration.
- Restoration of natural forests.
- Agroforestry systems.
- Sustainable forest management.
- Commercial forest plantations.
- Processing of timber and non-timber forestry products.
- Plant nurseries.
- Forestry research, development, and innovation.
- Sustainable export of forestry products.

LAWS DISCUSSED

Law No. 24, November 23rd, 1992, Which Establishes Incentives and Regulates the Reforestation Activity in the Republic of Panama – Ley No. 24 del 23 de noviembre de 1992, Por la cual se establecen incentivos y reglamenta la actividad de reforestación en la República de Panamá.

Law No. 69, October 30th, 2017, Which Creates an Incentive Program for Forest Cover, and the Conservation of Natural Forests, and Dictates Other Provisions – Ley No. 69 del 30 de octubre de 2017, Que crea un programa de incentivos para la cobertura forestal, y la conservación de bosques naturales, y dicta otras disposiciones.

40 Foreign Source Income Tax Consideration for some Import & Export Tax Activities

Executive Decree No. 354 of July 9th, 2020, amended Article 10 of the Executive Decree No. 170 of October 27, 1993, which regulates Income Tax and which establishes those activities whose income is considered to be foreign source income.

In accordance with this amendment, sales made by companies not established within the Republic of Panama, of goods or products that are consigned to a logistic operator located in a free zone, special economic area, airports, or national ports, will now be considered as foreign source income and therefore, not subject to income Tax in Panama, as long as these goods do not have as their final destination the Panamanian customs territory.

Under this new act, companies not established in the Republic of Panama now have the possibility of consigning goods or products (without time restrictions) to a logistic operator located in a special zone in Panama or an area with import duty suspension treatment, and that said products or merchandise are sold while they are physically located in the Republic of Panama, without said sale being subject to the payment of income tax or the activity considered to create a Permanent Establishment in Panama, provided that said merchandise is sent abroad or to other zones, areas or enclosures with import tax suspension treatment.

It should be noted that the foregoing shall apply without prejudice to the fact that such goods or products have been subject to operations of introduction, storage, inventory management, classification, consolidation, deconsolidation, transfer, distribution, packaging, repackaging, labeling, re-labeling, packing, repackaging, fractioning, refrigeration, separation, transport, assembly, transformation, adaptation, repair, restoration, or adjustment.

Likewise, income received by logistics operators from operations related to goods or products arriving in a primary zone of a national airport or a port or terminal area granted in concession by means of a contract law is added as income exempt from income tax, provided that such goods are sent abroad or to other zones, areas or areas under customs regimes that suspend import duties.

LAW DISCUSSED

Executive Decree No. 354, July 9th, 2020, Which modifies Executive Decree No. 170 of October 27th, 1993, regulating the provisions of income tax – Decreto Ejecutivo 354, de 9 de julio 2020, Que modifica el Decreto Ejecutivo No. 170 de 27 de octubre de 1993, que reglamenta las disposiciones del Impuesto sobre la Renta.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G. SPECIAL ECONOMIC AREAS

Panama has established several free trade zones and special economic areas that have specific legislations designed to attract investors and businesses; hence, all the infrastructure, operational organization and administrative management has been designed so that companies from around the world can operate efficiently and viably. Some of the activities allowed in these territories are the production of goods and services, the manufacture and assembly of semi-processed or finished goods, high technology, scientific research, higher education, and logistical, environmental, health and general services.

41 Colon Free Trade Zone

The Colon Free Trade Zone (CFZ) is the main distribution center of the hemisphere and the second largest in the world after Hong Kong. All routes in the world lead to the CFZ, which is located at the Caribbean entrance of the Panama Canal. It was established in 1948, reorganized by Law No. 8 of 2016, and currently occupies 1,064.5 hectares of businesses and warehouses. Some of the advantages it offers are:

- Privileged geographical position.
- Political stability.
- Located just steps from the Panama Canal and the Expanded Panama Canal.
- Tourism services.
- Three nearby cruise terminals.
- A strong banking center consisting of national and international banks.
- The US dollar as a circulating currency.
- Airport for passengers and cargo close to the Free Zone.
- Many maritime ports, and more under construction (as mentioned in the “Logistics” section).
- Less taxes and more opportunities for investors.
- Over 2,500 established companies with an excellent assortment of products.
- One of the biggest generators of direct jobs nationwide, around 30,000.
- A digital 24/7 surveillance system.
- Multinational Companies provide cargo services 24/7.
- Special Prosecutor’s Office for Violations of Intellectual Property Rights and Money Laundering on premises.
- CFZ is an Institution certified under ISO 9001:2015.

The permitted activities in the Colon Free Trade Zone are:

- Importation
- Exportation
- Re-exportation
- Manufacture
- Sale, commercialization, and distribution
- Refining and processing of goods
- Operations, transactions, negotiations, or incidental activities appropriate to the establishment and operation of international free trade zones.
- The rendering of services related with aviation and the airports, including the transport, handling and warehousing of cargo in general.
- Construction of ports, docks, boatyard, ports or places of loading and unloading.
- SEM entities, companies incorporated under the City of Knowledge regime and Call Centers can establish their offices within the Colon Free Zone.

FISCAL INCENTIVES

Corporate Income Tax exemption on imports to the CFZ that are re-exported from the CFZ to foreign countries.

Annual Operation Notice Tax of 0.5% on capital.

Exemption from the need to obtain a Notice of Operation.

Here is a table with a summary of fees and charges by the CFZ.

FEES AND CHARGES FOR CFZ COMPANIES	
Operation Permit	US$2,400
Operation Code	US$2,500
Warranty Deposit	US$5,560 (for establishing) or the equivalent of rent for 3 months (for leasing lots)
Cleaning Charge	US$15 - US$100 depending on the m^2 area.
Security Charge	US$65 - US$3,195 depending on the m^2 area.
Commercial Movement Electronic Document (DMCE, by its Spanish acronym)	US$300
Storage Contract for a Public Warehouse	US$2,500

Source: Colon Free Zone

MIGRATORY INCENTIVES

Special migratory procedures are granted for foreign executives and investors.

For more information, please check the "Immigration" and "Investor Permits & Visas" sections of this magazine.

LAW DISCUSSED

Law No. 8, April 4th, 2016, Which Reorganizes the Colon Free Zone and Dictates Other Provisions – Ley No. 8 del 4 de abril de 2016, Que reorganiza la Zona Libre de Colón y dicta otras disposiciones.


GERMINATION
SEED
Activity
Assessment
Tip


3M

42 Panamá Pacífico

The Panamá Pacífico Special Economic Area ("Panamá Pacífico") is a mixed-use real estate development in the former US Howard Air Force Base, established pursuant to the Law No. 41 of 2004, and further amended by Law No. 31 of 2009, Law No. 3 of 2015, and Law No. 66 of 2018. It is located 13 km (8.1 miles) away from Panama City, and its internationally renowned center is the most competitive and stable in the region.

Since 2007, Panamá Pacífico has quickly become a vital world class business and logistics center for multinational enterprises seeking competitive advantages. Currently, there are over 300 companies, Fortune 500 and Fortune Global 2000 multinationals already calling Panamá-Pacífico their home. Built to the standards of international development, the International Business Park and the Pan-American Corporate Center are known for having next generation installations.

There are also residential projects that include houses and apartments, built in a natural environment. Panamá Pacífico is planning to develop 1 million square meters for commercial space and at the same time creating 40,000 new jobs. The master plan also includes the development of luxury and business hotels, retail and lifestyle centers, hospitals and clinics, universities and schools, public art centers, cinemas, and parks, among other.

Panamá-Pacífico is designed to encourage the following activities:

- Main Office corporate operations.
- Back Office operations.
- Call Centers.
- Multimodal and logistics services.
- High technology products and manufacturing processes.
- Aircraft maintenance, repair, and reconditioning.
- Moviemaking industry.
- Data, radio, television, audio, and video transmission.
- Inventory transfer between Panamá-Pacífico companies.
- Transfer of goods and services to ships, airplanes and their passengers.
- Sale of merchandise not manufactured in Panamá Pacifico.

FISCAL INCENTIVES

i. General incentives

Exemption from any import tax, levy, rate, fee or duty on any merchandise, product, equipment, service, or other general goods that are introduced into Panamá Pacifico.

- Value Added Tax (ITBMS, by its Spanish acronym) Exemption.
- Exemption from any movement or storage tax, levy, rate, fee or duty regarding fuel or other hydrocarbons and their byproducts.
- Stamp duty exemption.
- Export and re-export Tax Exemption on any merchandise, product, equipment, goods, or services.

ii. Special incentives

Companies registered under the Panamá-Pacífico regime, authorized to carry out any of the encouraged activities established in article 60 of Law No. 41 of 2004, will be granted the additional tax benefits:

- Exemption on corporate income tax or a reduced rate of 5%.
- Exemption on dividend and complementary tax or a reduced rate of 5% and 2%, correspondingly.
- Exemption on withholding tax related to royalties, commissions, and technical services.
- Reduced rate relative to commercial or industrial license, applicable to entities registered as of January 1, 2017.
- Real Estate Tax and Real Estate Transfer Tax Exemption on land and commercial/industrial improvements until December 2029.

Economic Substance Requirements:

To maintain the income tax rate, companies engaged in certain incentivized activities within APP, must comply with Economic Substance Requirements, encompassing:

- Executing the main activities from the Republic of Panama;
- Having an adequate number of full-time employees appropriate to the nature business of the Entity;
- Having adequate operating expenses appropriate to the nature business of the Entity; and
- Fulfill annual reporting requirements, including: (i) Annual Substance Affidavit endorsed by a local Certified Public Accountant; and (ii) Audited Financial Statements.

The activities subject to these Economic Substance Requirements are:

- Back Office operations.
- Capture, processing, storage, switching, transmission and retransmission of data and digital information.
- Research and development of digital resources and applications for use in intranet networks and the Internet.
- Call Centers.
- Multimodal and logistics services.
- Data, radio, television, audio, and video transmission.

LABOR INCENTIVES

Fixed rates for overtime pay at 25%; on Sundays, holidays, and designated days an increase of 50% over the regular rates.

Flexibility in assigning employees' holidays.

Companies can be open on Sundays and holidays.

Hiring foreign employees can exceed the percentage rule listed in the Panama Labor Code. Companies can request additional expatriate employees more than 15% if local labor is unavailable.

Training Center for College level education.
Justified cause for dismissal due to losses and/or market fluctuations.

MIGRATORY INCENTIVES

Panamá Pacífico's One Stop Shop is a branch of the Panama-Pacifico Special Economic Area Agency (APP, by its Spanish acronym), formed by the Executive Decree No. 77 of 2006, which streamlines the procedures for conducting business in the area, including all procedures related to visas and work permits for employees. Among the migratory incentives there are:

Special visas available for investors and Company personnel (for 3 to 5 years).

Visa benefits extended to immediate relatives: spouses, dependent children up to 25 years of age, if they are studying in college, and dependent parents over 62 years of age.

One-time tax-free import of any personal and domestic belongings (up to US$100,000).
For more information, please check the "Immigration" and "Investor Permits & Visas" sections of this magazine.

OTHER PRIVILEGES

Panamá Pacífico's One Stop Shop helps expedite the establishment of Companies. This process centralizes over 17 government entities in one location allowing the companies to save both time and money.

Panamá Pacífico Special Economic Area Multimodal Connectivity Map
Source: Panama Pacifico

LAWS DISCUSSED

Law No. 41, July 20th, 2004, Which creates a Special Regime for the establishment and Operation of the Panama-Pacifico Special Economic Area, and an Autonomous State Entity, called Panama-Pacifico Special Economic Area Agency – Ley No. 41 del 20 de julio de 2004, Que crea un régimen Especial para el establecimiento y operación del Área Económica Especial Panamá-Pacífico, y una Entidad Autónoma del Estado, denominada Agencia del área Económica Especial Panamá-Pacífico.

Law No. 31, June 22th, 2009, Which Modifies and Adds Articles to Law No. 41 of 2004, On the Panama Pacífico Special Economic Area, and Issues Another Provision – Ley No. 31 del 22 de junio de 2009, Que modifica y adiciona artículos a la Ley 41 del 2004, sobre el Área Económica Especial Panamá-Pacífico, y dicta otra disposición.

Executive Decree No. 77, June 1st, 2006, Whereby an Integrated Procedure System in the Panama-Pacifico Special Economic Area Agency is Established – Decreto Ejecutivo No. 77 del 1 de junio de 206, Por medio del cual se establece un Sistema integrado de trámites en la Agencia del Área Económica Especial Panamá-Pacífico.

Law No.3, February 3rd, 2015, Which Modifies and Adds Articles to Law No. 41 of 2004, that creates the Panama Pacífico Agency – Ley No.3 del 10 de febrero de 2015, Que modifica y adiciona disposiciones a la Ley 41 del 2004, que crea la Agencia Panamá- Pacífico.

Law No. 66, December 13th, 2018, Which Modifies and Adds Articles to Law No. 41 of 2004, Which creates a Special Regime for the establishment and operation of the Panama-Pacifico Special Economic Area, and Issues Another Provision – Ley No. 66 del 13 de diciembre de 2018, Que modifica y adiciona artículos a la Ley 41 del 2004, Que crea un régimen especial para el establecimiento y operación del Área Económica Especial Panamá-Pacífico, y dicta otras disposiciones.

43 City of Knowledge

The City of Knowledge is a scientific, technological, and entrepreneurial park located alongside the Panama Canal. It is in what used to be the United States Army South Headquarters, Fort Clayton. It has become an excellent model of how to transform a military installation into a center dedicated to science, technology, and education, which pursues the creation of synergies among international universities, research institutes and organizations.

This area has an International Technology Park, which seeks innovative companies that produce or process high-tech goods. It also functions as a host for data storage companies, which in turn has allowed Panama to become a world-class data storage service provider. The City of Knowledge operates pursuant to the Decree-Law No. 6 of 1998, as a contract between the State and the City of Knowledge Foundation. To be able to operate in this area, the authorization of the Board of Trustees of the Foundation is required.

The allowed activities must relate to the following areas:

- Science
- Technology
- Human Development
- Culture

The City of Knowledge has these additional facilities:

- Convention Center
- Training and Business Center
- Office Space Centre
- Video Conference Rooms
- Digital Classrooms
- Hosting Villas
- Kiwanis Sports City
- Schools and kindergartens
- Restaurants, bakeries, and clinics

Establishing in the City of Knowledge provides the following benefits:

- Tax and immigration incentives by affiliating to the City of Knowledge Foundation project.
- Telecommunications, IT and educational technology services, including an intelligent high-tech center with the required capacity for teleconferences, distance learning, fast internet connections, and other services.
- Infrastructure and buildings in well maintained condition, easily adaptable to various uses.
- Availability of in-house technical, administrative, and consulting services.
- Constant electricity flow with redundant power supply from the Panama Canal thermal plant, located 300m (328 yards) away in the Miraflores locks.
- Complementary accommodations and catering services.
- Sports and recreational facilities.
- Access to the major higher learning and scientific research centers in the country.
- Access to the Panama Canal Basin, a living laboratory for scientific research and technological innovation on advanced tropical ecosystems management.
- Central location - next to the Panama Canal, 15 minutes from downtown Panama City, 10 minutes from Amador resort and 45 minutes from Colón City.

LABOR INCENTIVES

International personnel can be hired, as seen fit by each entity to fulfill their needs, and special visas are granted to foreign employees, their spouses, and dependent children, of affiliated entities. For more information, please check the "Immigration" and "Investor Permits & Visas" sections of this magazine.

As of January 2022, some of the companies and international organizations operating in the City of Knowledge are:

- ESRI Panamá, S.A.
- NRC – Norwegian Refugee Council
- GBM de Panamá, S.A.
- ISOC Panama
- SGS
- UN and its entities such as: UNHCR, UNDRR, UNICEF, FAO, UNDP, UNOPS, among others.
- ICC Panama
- Florida State University
- Organization of Ibero-American States (OEI, by its Spanish acronym)
- International Federation of Red Cross and Red Crescent Societies.
- COPA Airlines
- PMI Panama
- WWF – World Wildlife Fund
- GSK – Glaxo Smith Kline
- AIESEC
- OAS – Organization of American States
- AIRFRANCE / KLM
- Save the Children

FISCAL INCENTIVES

Which have a duration of 25 renewable years, include:

For companies affiliated to the City of Knowledge:

- Import Tax Exemption on goods necessary for project development.
- Value Added Tax (ITBMS, by its Spanish acronym) Exemption on the acquisition of goods necessary for the project development.
- For specific activities related to high technology:
  - Income Tax Exemption and other direct and national taxes.
  - Capital Tax Exemption (Operation Notice Tax).

LAW DISCUSSED

Decree-Law No. 6, February 10th, 1998, Whereby the Contract between the State and the City of Knowledge Foundation, for the Establishment and Development of the City of Knowledge, is Approved – Decreto Ley No. 6 del 10 de febrero de 1998, Por el cual se aprueba el contrato entre el Estado y la Fundación Ciudad del Saber para el establecimiento y desarrollo de la Ciudad del Saber.

Barú Special Economic Area

The Barú Special Economic Area was established pursuant Law No. 29 of 2010 and its modifications, in the District of Barú, Chiriquí Province. It was enacted to encourage and ensure the free movement of goods, services, and the flow of capital, to attract and promote investment and generate employment, with emphasis agro-business industry and the refining of petroleum. It is applicable to any natural or legal person that is established in the District of Baru, and in accordance with the requirements, conditions, and obligations aforementioned Law.

District of Barú as part of Chiriquí Province. Lower corner map shows the location of the Chiriquí Province within Panama.

FISCAL INCENTIVES THIS AREA PROMOTES

- Import and Re-export Tax Exemption on any finished products, materials, construction materials, equipment, furniture, accessories, appliances, or services that will be used in the operation of the company, and any other products related to the agro-industrial activity.
- Export and Re-export Tax Exemption of any merchandise, product, equipment, goods or services.
- Exemption from all taxes on all kind of products introduced into the area (excluding the vegetable oils and fats).
- Exemption from any movement or storage tax, levy, rate, fee or duty regarding fuel or other hydrocarbons and their byproducts.
- Operation Notice Tax Exemption.
- Stamp Tax Exemption.
- Value Added Tax (ITBMS, by its Spanish acronym) Exemption.
- Real Estate Tax and Real Estate Transfer Tax Exemption on land and commercial/industrial improvements.
- Exemption from any tax, levy, rate, fee, duty or other charges applied to foreign creditor payments including interests, commissions, royalties and other financial charges generated by the financing or refinancing granted to companies in the Barú Special Economic Area, and by the financial lease of the equipment necessary for the development of activities, businesses and operations that take place within this Special Economic Area;
- Dividend Tax Rate at 5%.

IMMIGRATION INCENTIVES

Investors who have invested at least US$500,000.00 in the Special Economic Area will have the right to apply for an Investor Resident Visa, which is valid for five years and allows multiple exits and re-entries to the country.

For more information, please check the “Immigration” and “Investor Permits & Visas” sections of this magazine.

LAW DISCUSSED

Law No. 29, June 8th, 2010, Which Creates a Special Regime for the establishment and Operation of the Barú Special Economic Area – Ley No. 29 del 8 de junio de 2010, Que crea un regimen especial para el establecimiento y operación del Área Económica Especial de Barú-

45 Tourist and Multimodal Logistics Support Zone in Barú

In the Barú region of Chiriquí, overlooking the Pacific Ocean and next to the Costa Rican border, the Barú Free Zone (BFZ) was created pursuant to Law No. 19 of 2001 and its modifications. BFZ is a free enterprise designed zone focused on manufacturing activities, assembly, processing of finished or semi-finished products, logistical services, higher education, scientific research, high technology, environmental services, health services and general services.

Law No. 19 of 2001 also established in the Barú Zone an Export Processing Zone, governed by the Free Trade Zones Law, and a Petroleum Free Zone, governed by the Oil Free zones legislation. Both latter laws are discussed in more detail in the following sections of this publication.

LAW DISCUSSED

Law No. 19, May 4th, 2001, Which Creates a Fiscal and Special Customs Regime of a Tourist and Multimodal Logistics Support Free Zone in Barú – Ley No. 19, de 4 de mayo de 2001, Que crea un Régimen Fiscal y Aduanero Especial de Zona Franca Turística y de Apoyo Logístico Multimodal en Barú.

FISCAL INCENTIVES THIS AREA PROMOTES

- Exemptions granted by Law 32 of 2011, would be applicable to companies incorporated within the Barú Free Zone.
- Income Tax Exemption on all national or international operations, and applicable to companies offering logistical services, high technological services, scientific research, higher education, general utilities, health care and environmental services.
- Custom Duties and VAT Exemption on the introduction of merchandise and other goods within the special zone.

Free Trade Zones

Free Trade Zones (FTZ), except the ones previously discussed, are governed pursuant Law No. 32 of 2011 and its modifications. These zones are exempt from all direct and indirect taxes, fees, levies, and charges. All Free Trade Zones must have a minimum of 2 hectares (with exceptions approved by the FTZ Commission). Investors can either establish their own FTZ, thus becoming licensed FTZ Operator or Promoters, or they can establish their business in a pre-existing FTZ. All the required documentation must be delivered to the Ministry of Commerce and Industries (MICI, by its Spanish acronym).

FISCAL INCENTIVES AVAILABLE FOR ALL FREE ZONES

- Dividend Tax rate of 5%, regardless of the source of the funds, and a complementary tax of 2% in cases where there is no distribution of income.
- An Annual Tax of 1% of the business' capital, with a minimum payment of US$100 and a maximum payment of US$50,000. From 2016, the Operation Notice Tax would be levied at the reduced 0.5% rate, with a minimum payment of $100.00 and a maximum payment of US$50,000.
- Custom Duty and Tax Exemption on all raw materials, semi-finished products, purchases and imports of equipment and construction materials, machinery, spare parts, tools, accessories, consumables, packing materials and any property or service required for the business´ operations.
- Income Tax Exemption on the lease and sublease for free zone promoters.
- Income Tax Exemption on all foreign operations of service companies, logistics and high technology businesses, scientific research center, higher education centers, general and environmental services enterprises, and specialized centers for the provision of health.

It is important to emphasize, that income tax is not levied on certain services and products provided and/or sold overseas (external operations); however, it is levied on all services or products provided and/or sold within Panama (internal operations). Among the services that are exempted are: storage and warehouse, high technology, scientific research, higher education, health, and environmental services that produce their effects abroad.

Regarding the immigration regime, free zones have the following advantages:

- Foreigners who have invested at least US$250,000 in a free trade zone or in one of the Companies established within it are entitled to apply for a Permanent Residence Permit.

- Company Personnel in trustworthy, executive, technical and expert positions, working in free trade zones, are entitled to apply for a Temporary Residence Permit, valid for the duration of their employment contract.

- Teachers, Students and Researchers in Higher Education and Scientific Research Centers can apply for Special Temporary Permits.

- All permits will be extended, under equal condition, to the spouse and dependent children of the main applicant.

For more information, please check the "Immigration" and "Investor Permits & Visas" sections of this magazine.

Companies established in free trade zones have a special labor regime, allowing them to negotiate special vacation and resting days with employees based on seasonal industry demands.

As of May 2021, according to MICI's National Directorate of Free Zones there are 20 Free Zones registered in Panama. Ten are currently active, with 122 registered companies; these mainly operate in the Corozal Free Zone / Marpesca, S.A. (36), the Albrook Processing Zone (24), and Panapark (21). Most of the companies established in Free Zones are dedicated to foreign trade services activities.

N°	Free Zones	Companies
1	Zona Franca Marpesca/Corozal	36
2	Zona Franca de Albrook	24
3	Zona Franca Panapark	21
4	Zona Franca PANEXPORT	18
5	Zona Franca de Las Américas	6
6	Zona Franca de Chilibre	6
7	Zona Franca Estatal de Davis	4
8	Zona Franca Colón Maritime Investor	4
9	Zona Franca del Istmo	2
10	Zona Franca Eurofusión	1

Source: Ministry of Commerce and Industry of Panama

LAW DISCUSSED

Law No. 32, April 5th, 2011. Which Establishes a Special, Integral and Simplified Regime for the establishment and Operation of Free Trade Zone, and Issues Other Provisions - Ley No. 32 del 5 de abril de 2011, Que establece un régimen especial, integral y simplificado para el establecimiento y operación de zonas francas y dicta otras disposiciones.

47 Petroleum/Fuel Free Zones

Panama's original Petroleum Free Zones legislation was passed back in 1992. However, the global oil industry has changed dramatically in the last 30 years and important national factors have also changed, forcing the restructuring of the industry, and thus requiring a revised legislation.

By enacting the Cabinet Decree No. 36 of 2003 and its modifications, Panama adopted a new National Policy on Hydrocarbons. This policy was designed to address those industry changes, develop the ground rules for a national petroleum policy and drive the development of the Petroleum Free Zones into the next stage.

The new law amended the previous one, while at the same time, embraced many prior provisions, creating the legal framework necessary to advance the market liberalization of all petroleum derived products and to offer new investment opportunities for local and foreign companies, who could now take advantage of the country's strategic geographical position. Cabinet Decree No. 36 of 2003 has in turn been amended or supplemented by many laws. These can be viewed in the web page of the National Secretariat of Energy: https://www.energia.gob.pa/archivos/> (click on the 'Marco Legal' tab, and then the 'Hidrocarburos' folder). While a full analysis is beyond the scope of this summary, some general guidelines are detailed below.

Within any Petroleum/Fuel Free Zone, individuals or Corporations, national or foreign, may perform the following operations under a special tax-free regime, including:

a) Introducing, storing, manufacturing, bottling, refining, purifying, mixing, marketing, transporting, transferring, pumping, processing, transforming, selling or in any other way disposing in the domestic market, exporting, re-exporting, providing and, in general, operating and managing crude or semi-processed oil, or any of its by-products.
b) Building, installing and operating petroleum refineries and other transformation or processing means of crude semi-processed oil, storage tanks, oil pipelines, gas pipelines and poly-pipelines, pumping installations and pipes; introducing machinery, equipment, spare parts, containers, bottles, vehicles, furniture, equipment for fire or spill prevention; constructing buildings for offices, warehouses, workshops for the use of the contractors in order to operate in the Petroleum Free Zones, for any of the activities mentioned in subsection (a) hereinbefore;
c) Leasing, acquiring or in any other manner using lands, easements, rights of way and other real or personal rights regarding bona mobilia located in the areas designated as Petroleum Free Zones-
d) Establishing water services, electrical power, gas, energy, heat, refrigeration, or any other kind of services, upon previous coordination with and approval from the respective public entities-
e) Building ports, piers, dry docks, shipping and unloading places for ship and airplanes, railroad stations for loading and unloading on land, or granting contracts for the construction and exploitation of such works.
f) In general, all kinds of operations or activities proper or incidental to the establishment and operation of Petroleum Free Zones for the introduction, storage, pumping, transference, distribution, marketing and crude refining of petroleum and its byproducts.

A Petroleum/Fuel Free Zone Contractor is granted the following benefits:

- Income tax exemption on profits derived from the sale or supply of crude oil, semi-processed oil or oil products which have entered the Petroleum Free Zone or leave such area for the activities stated in the Law (export and re-export).
- Import Duty Exemption on machinery, equipment, parts, and any other items, necessary for the execution of the activities.
- VAT Exemption of the import of machinery, equipment, parts, and any other items, necessary for the execution of the activities.
- Import Duties and VAT Exemption on the introduction of fuel and other petroleum derivatives within the Free Zone-
- Special carry-over provisions for income tax purposes.
- Special depreciation schedules for machinery and equipment.

Name	Location(s)	Main Products	Storage Capacity
Aeropuerto Internacional De Tocumen, S.A	Tocumen International Airport – Panama	Aviation fuel	35,000 cubic meters
Autoridad Marítima de Panamá - AMP	Cristóbal – Colón Balboa – Panamá	Marine fuels and marine diesel oil	3.45 million barrels
Petroterminal de Panamá, S.A. - PTP	Charco Azul – Chiriquí Chiriquí Grande – Bocas del Toro	Oil and crude oil derivatives	14.6 million barrels
Petroport, S.A.	Telfers Island – Colón	Liquefied natural gas and marine fuels	85,714 barrels
Payardi Terminal Company, S. De R.L.	Las Minas Bay – Colón	Oil derivatives	3.35 million barrels
Petroamérica Terminal, S.A. - PATSA	Vasco Núñez De Balboa – Arraiján, Rodman	Oil derivatives and marine fuels	246,155 cubic meters
Decal Panamá, S.A.	Taboguilla Island – Panamá	Marine fuels	356,500 cubic meters
Colon Oil and Services, S.A. – COASSA	Coco Solo Cristóbal – Colón	Marine fuels	120,409 cubic meters
Melones Oil Terminal, Inc.	Melones Island – Panamá	Oil derivatives	2.0 million barrels
Telfers Tank, Inc.	Telfers Island – Colón	Oil derivatives and marine fuels	1.18 million barrels
Costa Norte LNG Terminal S. De R.L.,	Telfers Island – Colón	Liquefied natural gas	180,000 cubic meters

Source: National Secretariat of Energy

Companies already doing business with the Fuel Free Zones include Exxon/Mobil, Shell, Alireza/Mobil, Chevron/Texaco, Gencor and others. The Expanded Panama Canal allows the passage of post-Panamax ships and larger oil tankers, which in turn gives new impetus for investment opportunities in the Petroleum/Fuel Free Zones.

LAW DISCUSSED

Cabinet Decree No. 36, September 22nd, 2003, Whereby a National Policy on Hydrocarbons is Established in the Republic of Panama and Other Provisions are Issued – Decreto de Gabinete No. 36 del 17 de septiembre de 2003, Por el cual se establece una política nacional de hidrocarburos en la República de Panamá y se toman otras medidas.

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I. USEFUL WEBSITES & CONTACTS

Panama

AMCHAM
http://panamcham.com/en

Colon Free Zone
http://www.zolicol.gob.pa/

Customs National Authority
https://www.ana.gob.pa/

National Secretariat of Science, Technology and Innovation (SENACYT)
http://www.senacyt.gob.pa/

Panama Canal Authority
http://micanaldepanama.com/

Ministry of Commerce and Industries
http://www.mici.gob.pa/

Authority for Investment Attraction and Export Promotion - ProPanama
https://www.propanama.gob.pa/en/

Ministry of Economy and Finance
http://www.mef.gob.pa/

Ministry of Environment
http://www.miambiente.gob.pa/

Ministry of Foreign Affairs
http://www.mire.gob.pa/

Office of the Comptroller General of the Republic of Panama
http://www.contraloria.gob.pa/

Panama Maritime Authority
http://www.amp.gob.pa/

Panama Tourism Authority
http://www.atp.gob.pa/

Secretariat of the Panama Metro
http://www.elmetrodepanama.com/

Social Security Fund
https://w3.css.gob.pa/

National Authority for Government Innovation
https://aig.gob.pa/

Ministry of the Presidency
https://www.presidencia.gob.pa/

Official Gazette
https://www.gacetaoficial.gob.pa/

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United States

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http://www.fas.usda.gov/

U.S. Small Business Administration
https://www.sba.gov/

U.S. Trade and Development Agency
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Export-Import Bank of the United States
http://www.exim.gov/

International Trade Administration
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U.S. Commercial Service
https://pa.usembassy.gov/business/

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