

PANAMA

INVESTORS' GUIDE



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America - Central - pol'tica economica
America - Central - cond'ciones economicas
Panama - pol'tica economica
Panama - cond'ciones economicas

Panama Offers:

- The U.S. Dollar as legal tender
- A privileged and strategic location
- Foreigners and Panamanians are viewed as equals under the Constitution
- No taxes on interest earned on time and savings deposits
- Colon Free Zone, the first and largest in the Western Hemisphere, and one of the most successful in the world
- An integrated port system, which serves both the Atlantic and Pacific oceans
- Duty free access to the U.S. market under the C.B.I.
- No restrictions on corporate mergers or acquisitions
- Incentives for industrial, agro-industrial and tourism investments
- A pleasant, relatively inexpensive place to live, with excellent health services, educational and recreational facilities

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PANAMA



INVESTMENT CENTER OF AMERICA

BUSINESS CLIMATE



Due to the confidence in our economy, the Government has accomplished negotiations with international financial institutions based on a modern economic program, improving our competitiveness in world markets. Investments have shown continuous increase, generated by the private sector's capital.





Panama offers a comfortable standard of living to foreign investors, comparable to developing countries



Since 1904, the United States Dollar is used as legal tender.



Panamanian law and business customs provide:

- Equal treatment for foreigners and local citizens
- No restrictions on acquisition of local companies by foreign firms
- Full range of commercial entities: simple, limited, partnerships, corporations, cooperative companies, and sole proprietorships
- Attractive financial and tax incentives

FINANCIAL CENTER



A positive attitude towards free enterprise, together with the fact that the U.S. Dollar is legal tender in the Republic of Panama, has led to unprecedented foreign investments.

Panama is a modern cosmopolitan country which is always updated through written and televised world wide news, with information on the most recent events, fashion, etc.

Due to special banking laws, a dynamic international banking center presently operates in Panama with over 125 banks from more than 30 countries.

Advantages of Panama's International Banking Center:

- Free circulation of the U.S. Dollar
- Non-taxable benefits
- Total anonymity for corporations
- Strict bank secrecy
- Numbered accounts: Absolute Confidentiality

THE INSURANCE AND REINSURANCE SECTORS

Over 30 insurance and 23 reinsurance companies, most of which are foreign owned, operate here. There is an international reinsurance center located in Panama City.

The STOCK EXCHANGE has 62 shareholders, including Banco Nacional de Panama, other local and international banks and insurance companies. The purpose of the Stock Exchange is to create a continuous market for negotiating national and international securities, foreign currencies, products and derivatives.

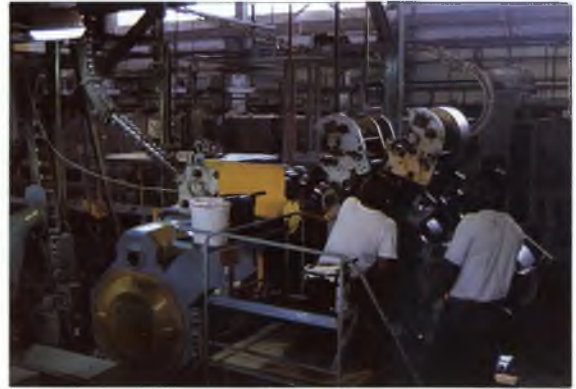
Panama counts with the U.S. Dollar as legal tender and it is the best country in the region with appropriate conditions to become a major Stock Exchange Center. There are no restrictions on foreign investments and the free flow of capital.



CHOOSE YOURS FROM MORE THAN 125 BANKS...



WORKFORCE



There is an abundance of unskilled and semi-skilled labor available at one-sixth the cost of U.S. counter parts. Existing industries report good productivity from Panamanian workers.

Panama has a large number of young workforce graduated from U.S. universities, well prepared for management positions.

The official language is Spanish, but in Panama City and Colon, a high percentage of the population also speaks English. The labor force is highly trainable.

LOOKING FOR TRAINING...

To provide foreign investors with employees who have a strong technological background, the Government has taken steps to ensure that the workforce has the technical expertise at the highest level.



The Technological University of Panama provides a five year program that leads to a degree emphasizing several engineering specialties. Also intensive three year program of technicians in which "hands-on" experience is emphasized, in electronics, computer programming, systems analysis and other new technological area.



The Instituto Nacional de Formación Profesional (INAFORP) provides six month courses for electricians, electronic technicians, auto mechanics and other basic trades.

TRANSPORTATION

GROUND TRANSPORTATION

Panama is served by more than 9,650 kilometers of roads and highways.

The Trans-Isthmian Highway connects the cities of Panama and Colon in a 1:15 hour drive as well as the ports of Balboa in the Pacific and Cristobal in the Atlantic.

The Inter-American Highway runs along the Pacific coast connecting Panama City with the Costa Rican border, and towards Colombia to the East, where there are approximately 80.5 kilometers through jungle and swampy roads not yet completed.

Every main city and town is easily reached by Panama's highway and road system.

AIRPORT

The Tocumen International Airport is located approximately fifteen miles from Panama City. It is one of the most modern in Latin America and operates both passenger and freight facilities to all major countries in the world.





PANAMA CANAL

The PANAMA CANAL is 80 kilometers long and is considered one of the Wonders of the World. Its system of three sets of locks raise and lower vessels 26 meters from sea level to reach the Pacific or the Atlantic oceans.



MARITIME PORTS

CRISTOBAL, on the Caribbean coast, east of Colon, handles all types of cargo, with unlimited tonnage capacity. It can accommodate up to 1,500 containers and counts with over 2,500 meters of berthing facilities, plus 4 berths for tankers.

BAHIA LAS MINAS, 11.3 kilometers east of Cristobal, has 700 meters of berthing facilities and a draft of 7 meters to handle roll-on and roll-off cargo as well as 140 meters of berthing capacity for tankers serving the oil refinery.



BALBOA on the Pacific coast, west of Panama City, counts with warehouses for all type of cargo and containers, as well as unlimited tonnage capacity. It has a draft of 12.19 meters of deep water at low tides. Has equipment for grain cargo, emergency repair, major over haul and dry dock facilities.



VACAMONTE on the Pacific, 27 kilometers west of Panama City, serves the shrimp fleet and has special docking facilities for unloading tuna, and cold storage installations to handle 3,000 ton loads.

INFRASTRUCTURE

TELEPHONE

Panama has direct dialing to every country in the world, with a fast, high density telephone communication system. A new digital switching system has been installed for faster voice and data communication. Touch-tone telephone equipment with speed-calling, call forwarding, conference call, and call waiting features are available.

Recently a fiber optic system joined Panama locally and internationally in order to comply with the world technological changes.

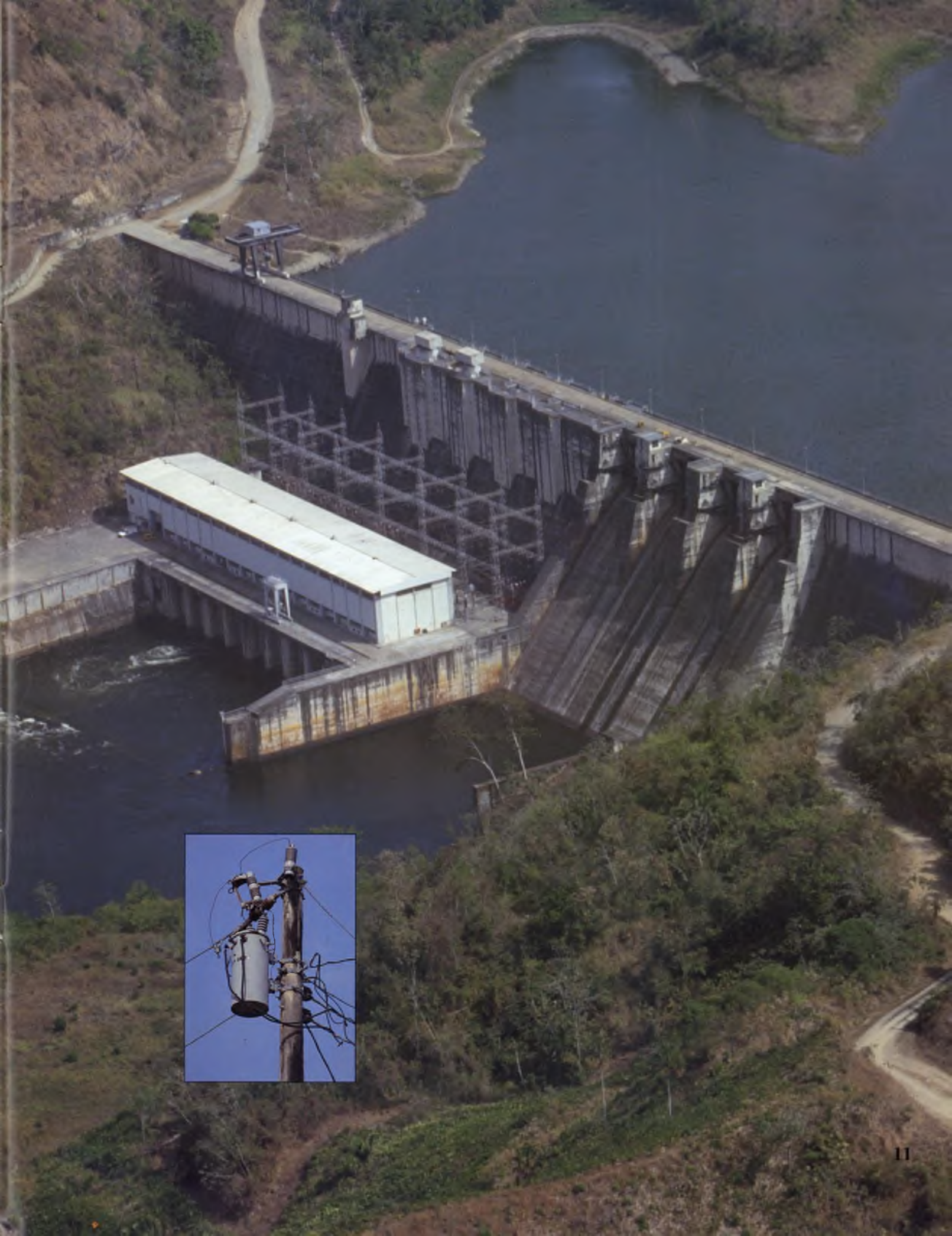


WATER

Panama has high quality drinking water. Ninety percent of the water used in Panama City and Colon comes from Lake Alajuela, which has an adequate capacity to supply the area's needs until the 21st Century.



BAYANO HYDROELECTRIC: Located in the Province of Panama.



GEARED FOR PRODUCTION

PETROTERMINALES DE PANAMA consists of a terminal for receipt on the Pacific, built to accommodate supertankers of up to 265,000 DWT with a storage capacity of 2.5 million barrels; a pipe/tube with a length of 313 kilometers connected to a second terminal on the Atlantic, repeating the storage capacity of the Pacific and two buoys to load the tankers.

There are two pumping stations to move the oil through the pipeway, one located at Puerto Armuelles on the Pacific, consisting of four 5000 HP electric motor centrifugal pumps; the second pumping station has similar characteristics and is located near kilometer 82 at Caldera.



Covered galleries for public use, ensure permanent circulation of customers, specially during the rainy season.

Large investments made by private enterprises, to increase and improve the largest and most active commercial import and re-export center of the continent.

Modern infrastructure, gives you comfort in the handling of your merchandise with optimum results.



ATLAPA

One of the most beautiful, modern and complete convention centers in the world, where Panama combines its artistic and cultural heritage with 20th century technology.

Due to its large capacity, the international trade fair EXPOCOMER and many others take place yearly. Other events such as concerts, shows, and plays with famous artists are also presented.

THE COLON FREE ZONE



The Colon Free Zone is the most important duty-free zone in the Western Hemisphere, surpassed only by the Hong Kong Free Port in the Eastern Hemisphere. It is preferred by buyers, according to a survey made among clients of the area. The most influential factors are:

The great diversity of merchandise: One can find from the smallest item to the most sophisticated devices of the era. Goods originating from the Orient, Europe, The Americas, The Middle East and all over the world.

Great quantity of merchandise stocked available for immediate delivery, orders are filled promptly.

The Colon Free Zone, a world center of wholesale purchasing and the most important such center in The Americas, offers multiple benefits and advantages to its clients. If you intend to operate in this commercial complex, you must know that *any person or business entity can operate in the Colon Free Zone; a commercial license is not required, and there is no minimum investment required.*

THE LARGEST FREE ZONE IN THE WESTERN HEMISPHERE...

Located on the Atlantic, Colon is the second most important city in the Republic of Panama. For the past 40 years it has been the host city for the Free Zone which is the first and the most successful one in the Western Hemisphere.

The Colon Free Zone is 5 kilometers from the port of Cristobal, and 90 kilometers from Tocumen International Airport and the Port of Balboa in the Pacific side.

The Colon Free Zone can be easily reached by air, highway, water or rail. The France Field airport sees constant traffic from Panama City, express buses and private cars travel the Trans-Isthmian Highway, the railroad makes a round - trip daily run from Balboa to Cristobal and viceversa.



INDUSTRIAL INCENTIVES



Our strategic geographical location provides the exporter with easy access to all markets of the world.





Panama offers a favorable business climate for foreign investors. In an aggressive effort to attract investments, the government has established policies which reduce initial and subsequent operating costs.

Investors of industrial enterprises who do business in Panama may qualify for a number of tax exemptions.

- Exemption from import taxes and duties on machinery, equipment, spare parts, raw and semi-processed materials.
- Exemption from income tax on earnings.
- Exemption from export taxes.
- Exemption from sales taxes.
- Exemption from taxes on capital assets, except property taxes.
- Exemption from income tax on net reinvested profits.
- Three year carry over of losses as deductions from taxable income.
- Exemption from income tax on revenues from domestic sales.
- Exemption tax on dividends.



To promote exports of non-traditional products elaborated or produced totally or partially in Panama, C.A.T.'s (Tax Credit Certificates) are granted.



INVESTMENT OPPORTUNITIES



International consultants have identified the following sectors which offer the best possibilities of investment:

- Fresh and processed fruits such as strawberry, mango, pineapple, melon, tamarind, watermelon, soursap, guava (pulp, dried, sugared, pureed or in pieces).
- Juices and fruit concentrates (pineapple, passion fruit, lemon and orange oils).
- Fish and sea products, such as shrimp, fish, lobster, shark skin, etc. (fresh and frozen).





To enjoy these benefits, the firm must be engaged in the transformation of raw materials, assembly of semi-elaborated products, and in the manufacturing of goods, including agriculture, livestock, forestry and products of marine origin.



TRADE INCENTIVES YOU CAN COUNT ON...

CARIBBEAN BASIN INITIATIVE (CBI)

Panama is a beneficiary country of the CBI. The main provision of the CBI eliminates duties for an indefinite period on all products, with certain exclusions, entering the United States.

U.S. TARIFF SCHEDULE ITEMS 806.3 AND 807

Tariff Item 806.3: Applies to metal articles manufactured in the United States, exported from the U.S.A. for further processing and then imported back into the U.S. for still further processing. Import duty is levied only on the operations of value added during processing outside the U.S.

Tariff Item 807: Applies to non-metal U.S. fabricated components that are exported for assembly or further processing. Import duty is levied only on the value added operations during processing outside the U.S.

GENERALIZED SYSTEM OF PREFERENCES (GSP)

The Republic of Panama is included as a beneficiary of the preferential schemes granted by twenty two industrialized countries and some East European countries.



FREE TRADE AND PREFERENTIAL TREATMENT AGREEMENTS

Panama has Commercial Preferential Bilateral Agreements with Costa Rica, Guatemala, El Salvador, Nicaragua and Honduras (Central American Common Market), as well as with the Dominican Republic. The agreement with Mexico is unilateral, in favor to Panama.

Panama also has Trade Agreements, of non Preferential Treatment, with countries of Eastern Europe, such as: Germany, Rumania, Hungary, Czechoslovakia and Russia.

Such bilateral agreements provide for preferential treatment of certain articles, by granting the exporting country total exemption of the import duty.



TOURISM

Panama offers white sand beaches, endless rain forests, flower-covered highlands and mountains.



Panama is rich in its incredible wild animal life and flora which reflects the beauty and colorful harmony of its oceans, mountains, valleys and jungles.



INCENTIVES

- **Total exemption from import taxes on machinery, equipment, spare parts, and construction materials used in projects undertaken in an area designed as a, “special tourist zone”.**
- **Exemption from property taxes for the duration of the company’s contract.**
- **Thirteen-year exemption from income taxes on profits, beginning on the date of the contract.**
- **Authorization to carry-forward losses for the next 3 fiscal years.**
- **Total exemption for the duration of the contract from all taxes, contributions, duties or other levies on the use of docks or airports built or rebuilt by the corporation that was granted the incentives.**



LIFESTYLE

Panama is considered the “Center of the World”, due to the fact that it is the point between the Eastern and Western Hemispheres, as well as North and South America.



Panama, as a cosmopolitan country, offers a large number of restaurants ranging from fast-food chains to delicate European, Asiatic, Latin-American cuisines and others.

Nightlife in Panama is very exciting. There are casinos, discotheques, pubs and nightclubs.





There is a wide variety of temples from different religions in Panama, brought by immigrants from all continents.



All year-round sports. Excellent deep sea fishing, fresh water fishing, surfing, tennis, golf, skin and scuba diving, water and jet skiing, sailing, etc.



For those who prefer indoor amusement, Panama has a vast variety of channels from cable TV, local channels and satellite dish.

There are numerous modern shopping centers in Panama, with exclusive boutiques and main stores, where you can find all types of merchandise.





Panama counts with several Museums and the National Theater where many cultural acts are presented.



EDUCATION



A flexible educational system has allowed the establishment of international schools with different cultural emphasis, such as: French, American, Hebrew, Hindu, Japanese, Italian and Chinese.



Panama counts with the University of Panama (State institution), and The Panama Technological University.



The Santa Maria La Antigua University, (Catholic University)



The Panama Canal College and branches of Florida State University, Oklahoma University, Nova University, Universidad del Istmo and ULACIT.

YOU ARE NOT ALONE

PANAMA IS...



PAI LENG TUNG
General Manager
Isla Margarita Group
Colon,
Republic of Panama

In 1985, I left Taiwan and arrived in Panama searching for new investment opportunities. During the years that followed, I met many persons who were very helpful and provided me with information, which enabled me to appreciate the advantages of doing business in Panama.

After having evaluated several projects in many countries, I was convinced that Colon offered the conditions to establish an export processing zone. This project started developing in 1987, but it was not until the government approved the Export Processing Zone Law in 1990, that many conditions were created in order to guarantee this type of investment.

Since my arrival in Panama, I have been involved in several job-creation activities. This has given me the opportunity of knowing first hand the people of this country. The Isla Margarita Export Processing Zone will offer employment to more than 30,000 people, who will contribute with their effort and dedication to the country's growth and development.

Currently, three manufacturing plants are operating in the zone and construction work for the buildings that will host a total of 88 manufacturing plants were begun this year. At the same time, Isla Margarita Development Inc. is carrying out promotion programs in order to attract international investors.

During its process of organization and implementation, the Isla Margarita project has received the assistance of many government institutions, especially the Panama Trade Development Institute.

I am sure that this project has the support of all the people who aim to be part of the country's development and it will reach its goals.

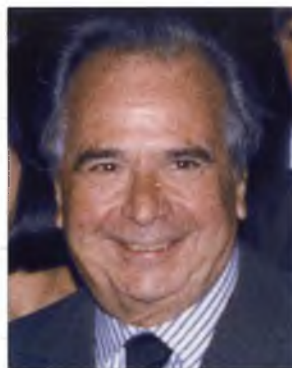


J. TIMOTHY TAYLOR
Director & Office Manager
Merrill Lynch International & Co.
Panama

Merrill Lynch corporate citizenship in Panama goes back more than 30 years. The visionary management anticipated the international financial center that nobody dreamed about in 1969.

Merrill Lynch Capital Markets has helped raise hundreds of millions of "euro-dollars" for the Republic of Panama through its global distribution system. Merrill Lynch - Panama services international clients from individuals to institutions with a vast array of financial products for every need.

Mr. Timothy Taylor, a Notre Dame graduate, is Merrill Lynch's Panama Director with more than 15 years experience.



JOSE FELIX LLOPIS L.
Director for Latin America
Christian Dior's

Mr. Jose Felix Llopis Lamela considers the people of Panama as the most valuable resource that the country has. And this is something which he has felt since he established operations here since the beginning of the 60's.

As Christian Dior's Director for Latin America, Mr. Llopis has several widespread investments in The Colon Free Zone, as well as in real estate and in the countryside. In the community of La Pintada, Province of Coclé, he established "Panama Cigars Co.", an enterprise that manufactures the internationally known cigars that carry his name: Jose F. Llopis.

A COUNTRY OF OPPORTUNITIES



STEFAN MÜLLER
General Manager
Grupo Bavarian Motors
(BMW - Land Rover)

More than 20 years ago, my father, Arwed Müller, made the excellent choice of investing in Panama. He began operations with very modest premises, but with great faith in the future.

Today, Grupo Bavarian Motors - representing BMW and Land Rover vehicles, parts and accessories for the Republic of Panama - owns its 2,000 m² two-story air conditioned building, designed and constructed according to the specifications of BMW AG as a showcase for the area. The building stands on more than 4,000 m² of land located in an accessible and prestigious area of Panama City. An all Panamanian staff, except for myself, help run the company efficiently and keep customers satisfied with an excellent service. As a matter of fact, we ended 1991 as number one for BMW Sales in Latin America.

Panama offers many advantages. The use of the United States Dollar as legal tender lets us make firm future economic projections. Import taxes are low compared to the ones of other countries in the area. The Banking System is strong and convenient. The potential market includes both an affluent and large middle and high class people and the US military from the Army, Navy and Air Force, who defend the Canal, as well as civilian employees working in the Panama Canal Commission. In Panama, private enterprise thrives.



BYUNG SUNG MIN
Director & President
Daewoo International (Panama) S.A.

It was 1975 when Panama was selected as the ideal site for our regional headquarters. Our warehouse was set up in 1981 with just 10 employees. Today, we have 73 excellent people, well trained professionals, anxious to succeed with our company.

We have faith and confidence in the economic development in Panama, reason for our decision to expand operations in this country.

This has helped Daewoo to be continuously competitive in the worldwide trading activity.

We're extremely pleased with productivity levels and return on our investment here.



JORGE MATSUFUJI FUKUNAGA
Shrimp Farm and Restaurant Owner
President of the Aquaculture Association of Panama
President of the ShinMATSU Foundation

After visiting several countries in South and Central America 23 years ago, I chose Panama as my residence. This was due to its geographical position, the Panama Canal, the Colon Free Zone and the Banking Center, all of which are very attractive to foreign investors. This is in addition to its climatological advantages, such as the humid tropic (endless spring), as well as the human quality of its citizens.

I had the opportunity of making many friends from both the government and private sectors. This gave me the idea that Panama needed a new place, where people could enjoy the exotic food of Japan. I then made the decision to open the Matsuei Restaurant, where personalities, important businessmen and other people meet to enjoy Japanese and international cuisine.

In order to provide high quality products to our customers in the restaurant, I invested in a shrimp farm located at Boca de Parita, Province of Herrera.

Due to the importance of our natural resource conservation, I established the "ShinMATSU (New Pine) Foundation", a private non-profit institution created for the conservation of marine resources and environmental protection.

The ShinMATSU Foundation carries out programs, such as Shrimp Nurseries to increase the sea shrimp sources, by which more shrimps are returned to the sea than those extracted throughout the years; and to land-fill approximately 1,000 hectares of the Bay of Panama, which can create national and international investments, more tourism attraction and, as a result, the increase of national economy.



READY TO HELP YOU

THE PANAMA TRADE DEVELOPMENT INSTITUTE IS...

an organization formed to promote exports and investment projects in Panama. We can show you all the benefits and incentives which you can receive. One of our most important roles is to promote Export Processing Zones which are labor intensive projects.



WE WAIT FOR YOU



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