

DOING BUSINESS IN

PANAMA

A Guide for Canadian Exporters and Investors



ABOUT THE GUIDE

Doing Business in Panama is designed to help Canadian companies learn about Panama's marketplace and how they can do business there. If you've never operated abroad but believe your company could do well in foreign markets, this guide can help you decide how – or even whether – Panama would be a good place to seek your first export sale. Or, if you're already doing business abroad and see Panama as a place to find new opportunities, the guide will help you get started in this rapidly developing country.

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1 UNDERSTANDING THE PANAMANIAN MARKET

Supported by the trade liberalization policies of successive governments, Panama's economy has been expanding rapidly since 2003. The country maintained its growth even during the downturn of 2008–2009, although at a slower rate, and the pace is likely to speed up as the global recovery continues.¹

There are numerous reasons for the country's economic vigour. It's a democracy, with one of the most stable and modern governments in Latin America. The Panama Canal has made it a key trade and logistics hub for the Americas, and it has consequently become a major banking and services center. The government is enthusiastic about developing hemispheric free trade agreements (FTAs), and Panama and Canada signed an FTA in May 2010, which Panama has ratified. It is expected that Canadian ratification will come soon, although the exact timing had not been set as of May 2011.



¹ Recent growth rates have been a respectable 9.2% in 2008, 2.9% in 2009 and 7.5% in 2010.

1.1 Panama's economic environment

If your company is seeking a welcoming host for a business operation abroad, Panama is worth a close look. Its open economy makes establishing a business presence relatively easy, while the banking system is modern and provides a full range of services. The economy is strongly service-oriented, with 77.6 per cent of GDP concentrated in the services sector in 2009.

There are no restrictions on capital outflows, the corporate tax rate is competitive and there are few if any trade barriers that are likely to affect your company. The country also has a low fiscal deficit, together with good debt service ratios and low inflation, and there is little foreign exchange risk because the economy is based on the U.S. dollar.²

Much of Panama's development is being driven by the 2010–2014 [Government Strategic Plan](#), which forecasts expenditures of more than US\$13 billion across a wide range of sectors. The document (available in Spanish only) outlines most of the government's social and economic strategies, financial plans and public investment intentions. The major areas of activity are:

- › social programs worth US\$3.8 billion, including the Metro de Panama project, low-income housing, new schools and hospitals, water and sewage systems, and national Internet access;
- › infrastructure investments of US\$5.8 billion for facilities such as irrigation systems, cold chain development, roads and airports; and
- › general programs worth US\$4 billion, including educational and professional development, environmental projects and agricultural stimulus packages.

No description of Panama would be complete without a reference to the enormous expansion project now being undertaken for the Panama Canal. With an expected cost of at least US\$5.25 billion and a completion date of 2014, it is one of the largest and most ambitious projects in the region, and will help Panama expand its role as a global logistics platform by doubling the Canal's capacity. The expansion will also make the Canal usable by "Post-Panamax" ships, which are too large for the existing waterways. This is a vital development, because half the vessels now being ordered for containerized shipping by major shipping lines fall into the Post-Panamax category.

The Canal expansion becomes even more of a behemoth when one realizes that it is not part of the Government Strategic Plan, but an independently managed and funded project.

² To be precise, Panama's currency is the balboa (B), but one balboa is exactly equivalent to one U.S. dollar. The coinages of both countries have the same denominations and are fully interchangeable.

1.2 The Canada–Panama trade relationship

With a relatively prosperous population of 3.5 million and a growing middle class, Panama is a small but potentially valuable market for Canadian businesses. In 2010, bilateral trade between the two countries totalled \$213.7 million, with \$129.5 million of this total being Canadian exports to Panama.³ Of Panama's \$84.2 million in exports to Canada, the vast majority (84 per cent) was accounted for by gold. On the investment side, Canadian foreign direct investment (FDI) into Panama was worth \$121 million in 2010.

Canadian exports to Panama include machinery, vehicles, electrical and electronic equipment, pharmaceutical equipment and agricultural products such as lentils and frozen potatoes. On the services side, the most active sectors are financial services, engineering and professional services, and information and communication technology (ICT) services. FDI is concentrated in banking and financial services, and in the construction and mining sectors.

1.2.1 The Canada-Panama Free Trade Agreement

The most important Canada-Panama trade development of recent years (if not ever) is the [Canada-Panama Free Trade Agreement](#) that was signed in early 2010. When both countries have ratified this FTA and it is in full effect, it will have numerous important benefits:

- It will remove tariff barriers that limit Canadian participation in Panama's expanding markets. This will help make Canadian goods more competitive in sectors such as seafood and agri-food products, construction materials and equipments, forest products, flight simulation and training equipment, industrial and electrical machinery, paper products, and vehicles and vehicle parts.

This is especially important for Canadian agricultural goods, where Panamanian tariffs range from 13.4 per cent to as much as 260 per cent on some products. Non-agricultural sectors, where tariffs start at 6.2 per cent and rise as high as 81 per cent, will also benefit. Most of these tariffs will vanish as soon as the FTA is ratified, with the remainder being phased out over the next five to 15 years.

- In the area of non-tariff barriers to trade, the FTA will provide for the non-discriminatory treatment of imported goods, the use of suitable regulatory practices and international standards, and the establishment of mechanisms to deal with specific technical barriers such as sanitary and phytosanitary (SPS) requirements.⁴
- Canadian manufacturers will have the same preferential market access as exporters from countries that have already signed FTAs with Panama, such as Chile, Taiwan and Singapore.
- It will provide a secure and predictable environment for investors, new links within various supply and production chains, and fresh opportunities to find new markets, partnerships and customers.

³ All currency figures are in Canadian dollars unless otherwise indicated.

⁴ Governments establish SPS measures to ensure that food is safe to consume, as well as to protect plant, animal and human life from dangers such as disease and contamination. They can also, however, be used to restrict foreign access to a domestic market, a purpose they were not intended to serve.

1.2.2 The FTA and Canadian service providers

As mentioned earlier, Panama's economy is strongly oriented to the services sector, which means that it is an especially promising market if your company is a service firm.

Just as it does for goods exporters, the FTA includes rules that will help your service business thrive in Panama:

- › The FTA's service provisions promote regulatory stability and equitable treatment for a broad range of service sectors. This will be good for Canadian exporters, particularly small and medium-sized enterprises, since a stable business environment is much preferable to an unstable or unpredictable one.
- › The FTA will help Canadian service exporters gain greater market access and better treatment than they now enjoy in Panama under the current WTO General Agreement on Trade in Services. This will apply especially to financial services, information and communications services, environmental services and energy services.
- › Canadian services exporters will benefit from greater regulatory transparency in areas such as the temporary entry of business persons into Panama.
- › The agreement provides for ways in which professional licensing and qualification requirements can be mutually recognized by both countries, so that Canadian professionals can work in Panama without restrictions (and vice versa).

EDC in Panama

- › Over the last few years, on a yearly basis, EDC has supported more than \$100 million of business in Panama while serving more than 100 Canadian exporters active in the country.
- › In 2009, EDC provided a \$25-\$50 million loan to Petroterminales de Panama to purchase marine services from Svitzer Canada Ltd. for work on an oil storage facility and a cross-Panama oil pipeline.
- › In September 2010, EDC established its regional office for Central America and the Caribbean in Panama City, Panama. For contact information, please refer to Appendix B.



1.3 Resources for Canadian exporters and investors

1.3.1 Panama-specific resources

- › The [Panama-Canada Chamber of Commerce](#) supports the development of business links between the two countries.
- › The [Panamanian Chamber of Commerce](#) offers extensive information (in Spanish) about the country's business environment.
- › [Business Panama](#) gives the latest business news about the country, plus resources on real estate, investment and travel facts.
- › The [Central American Business Network](#) (primarily in Spanish) covers Panama as well as its immediate neighbours.
- › Deloitte's quarterly Spanish publication, [Barometro de Empresas](#), is a comprehensive analysis that measures perceptions and expectations of the local business community.
- › In 2010, the Panamanian Vice-Ministry of Foreign Trade created the Investment and Export Promotion Agency ([PROINVEX](#)) to promote foreign investment in Panama.

1.3.2 General resources

- › [Canada Business](#) is a collaborative network of federal and provincial government services that helps Canadian entrepreneurs and exporters build their companies.
- › [Canada's International Market Access Report](#) is an online resource that describes the federal government's priorities for improving Canadian access to foreign markets.
- › [Export Development Canada](#) (EDC) is a Crown corporation that provides financial services and global market expertise to Canadian companies intending to sell their products and services abroad.
- › [Foreign Affairs and International Trade Canada](#) (DFAIT) provides information about foreign affairs, foreign policy, the Canadian economy, international trade, travel assistance and passport services.
- › The [Canadian Trade Commissioner Service](#) (TCS), part of DFAIT, provides services to Canadian businesses in Canada and abroad, including market research studies and country-specific reports. The Virtual Trade Commissioner, also available through the TCS, is a personalized, web-based resource that will give you market information and leads specific to your business interests. You can register for the Virtual Trade Commissioner when you visit the TCS web site. For Trade Commissioner Service contacts in Panama, please refer to Appendix B.
- › [CanadExport](#) is a free, online DFAIT publication. It provides news about trade opportunities, export programs, trade fairs, business missions and more.
- › [Industry Canada](#) is an excellent source of information, offering market reports as well as the [Trade Data Online](#) research tool.



Checking your buyer through EDC

With EDC's [EXPORT Check](#), you can quickly obtain vital information on many Panamanian companies. For a modest fee, an EDC Opinion Report will provide key credit and financial information about the firm and an opinion as to whether it is insurable. A D&B Business Information Report, also available for a fee, will furnish detailed corporate information including company history, credit and financial information, and any legal issues involving the firm.

1.4 Tips for doing business in Panama

Because Panama's economy is so open, you can enter it in several ways. Many Canadian businesses use agents or distributors, while others go into partnership with local firms or establish a subsidiary in the form of a Panamanian corporation. Licensing and franchising provide other avenues of market entry.

As in any foreign market, however, you should carry out careful due diligence before committing to a sales agreement or other business relationship with a Panamanian buyer or partner. Investigate the company's creditworthiness, its financial record, the quality of its management, its business history and its reputation in the local and international marketplace. Local legal or consulting firms can help you do this, and you may also be able to obtain assistance from the local Canadian Trade Commissioner Service office and from EDC.

Here are some additional pointers that you may find useful when doing business in Panama:

- › December, January and February are the traditional holiday months in Panama, so try to avoid arranging business meetings during that time.
- › Business offices are open 8 a.m. to 5 or 6 p.m. Monday to Friday, with a two-hour lunch break at noon, and 9 a.m. to noon on Saturdays. Government office hours vary with the department, but 8:30 a.m. to 4:30 p.m., Monday to Friday, is common.
- › Personal relationships provide the foundation for business relationships, so you should get to know your Panamanian counterparts before turning to business.
- › English is widely spoken in Panama's business circles, but all your product literature should be available in Spanish. Have one side of your business card printed in Spanish and present it during the initial introductions.
- › The usual business greeting is a handshake. Panama's business culture is quite formal, so dress and speak accordingly.
- › Don't address your colleagues by their first names unless invited to do so, and use their professional titles if they have them.
- › Be on time for appointments yourself, but don't be surprised or insulted if the other party is late. Note that traffic in Panama City is very heavy, so allow yourself extra time to reach your destination.
- › Don't give gifts to business colleagues, as this is not customary in Panamanian business circles.



2 OPPORTUNITIES FOR CANADIAN EXPORTERS

Panama offers a broad range of opportunities for Canadian goods exporters. Because of the large-scale projects being carried out under the Government Strategic Plan (described in section 1.1) and the Canal expansion, infrastructure development is the biggest single market within the country's economy.

That said, there are plenty of possibilities in other sectors. Among the top Canadian products exported to Panama in 2010, for example, were aircraft and aircraft parts, meat, vegetables, machinery, shipping and paper products. Appendix A provides a statistical overview of the trends in Canadian exports to Panama from 2002 to 2010.

Some of the projects described in the following sections have already been awarded to prime contractors, but many are still in the tendering stage. Together, they demonstrate the rapid development that is taking place all over the country.

Many government procurement tenders are issued with very short notices for the submission of bids. To keep up to date with current tendering opportunities, you should regularly review the [PanamaCompra](#) web site, which is where the government publishes all its invitations to tender. More detailed information about government procurement is provided in section 2.13.



2.1 Agri-food

The demand for high-quality food products is rising in Panama, due partly to the influx of visitors and foreign retirees moving to the country. Chain supermarkets are becoming more popular, usually offering the lowest prices and providing a large variety of products. While it is a very price-oriented market, Panamanians are still particular about service quality, cleanliness and product presentation. The major market is in the metropolitan area made up of Panama City, Chorrera and Colón, with the second-largest in the western province of Chiriquí.

The food distribution network is quite straightforward. Direct importers sell their goods in bulk or at retail, while local agents or distributors usually handle sales of industrial commodity products. Local firms occasionally buy directly from brokers or producers. Note that phytosanitary permits are required for imported agricultural products, which must comply with the standards set out by the Food Safety Authority of Panama ([AUPSA](#)).

The Canada-Panama FTA, when ratified and in full effect, will eliminate 90 per cent of all tariffs on Canada's main agricultural exports to the country. Among the products that will become tariff-free are frozen potato products, pulses, malt, high-quality beef, certain pork products, and fish and seafood.

The major Panamanian opportunities for Canadian agri-food exporters include the following:

- › Snack foods, processed and prepared foods, and frozen desserts and are very popular. This is turning into an especially strong market, and EDC has predicted that the demand for processed food products will enjoy a rapid rate of growth.
- › There are markets for gourmet products, baked goods, organic foods, seafood, fruit, meats and packaged vegetables and pulses.
- › There is a good appetite for beverages such as juices and tea.
- › The growth of the tourist trade and the expanding foreign retiree population present opportunities in high-value consumer segments. These include supplying large supermarket chains, food distributors, smaller retail stores and local suppliers for cruise liners transiting the Canal.

2.2 Health care

Panama has the highest per-capita income in Central America and a fairly well-developed health care sector. Providing health care services in Panama can be relatively easy for Canadian firms, since there are no barriers to foreign companies and there are no import restrictions on services. Hospital administration and design, health services management and public health consulting present the main opportunities in the services subsector.

There are no restrictions on imports or purchases of medical equipment, although such devices must be certified by the Ministry of Health and Caja del Seguro Social (Social Security). These two organizations are the major users of imported health care services, medical equipment and consulting services.

The health care infrastructure is being substantially expanded, as outlined in Section 2.6.

2.3 Infrastructure: The Panama Canal

The Panama Canal Expansion project is expected to cost at least \$5.25 billion. With a projected completion date of 2014, it will double the waterway's capacity and open it to vessels that are too large for the existing facilities. The project has so far experienced no major delays and will likely be completed on schedule.

Bids have also been unsealed for a study on building a new high-clearance bridge across the Canal near its Atlantic terminus in Limon Bay, or alternately a vehicle tunnel underneath it. When completed, the bridge or tunnel will remove the traffic bottlenecks that cause long delays at Gatun and have stymied commercial development there and in Colon.

The consortium organizing and carrying out the expansion is the Consortium Grupo Unidos por el Canal, composed of Sacyr Vallehermoso S.A., Impregilo S.p.A., Jan De Nul N.V. and Constructora Urbana S.A. Among the engineering, procurement and construction firms working on the project are Hill International, Cemex SAB, Cementos Argos S.A., Fomento de Construcciones y Contratas S.A., Empresas ICA, Constructora MECO and Dredging International N.V.

The Canal and its expansion are managed by the [Panama Canal Authority](#) (ACP), and bid tenders and other information about the project are available from the [Expansion Program](#) section of the ACP web site. A capital expenditures plan (in Spanish only) is also published every year. Note that the ACP fiscal year end is September 30.



Panama's infrastructure development

EDC has published a detailed White Paper on infrastructure opportunities in Panama. To obtain your copy, please go to EDC's [Publications](#) page and download Panama's Infrastructure Sector: Opportunities for Canadian Companies.

2.4 Infrastructure: Transportation

The government's Strategic Plan includes extensive works for roads, airports, seaports and public transit. The following projects are among the major undertakings:

- › A new international airport for Panama's central provinces will be built in Rio Hato, about an hour and a half from Panama City. The tender is for US\$70 million.
- › The Enrique Malek International Airport in Chiriquí is to be expanded at an estimated cost of US\$30.1 million.
- › The Tocumen Airport Administration has initiated a building project estimated at US\$400 million. It is to be built on 300 hectares of newly acquired land near the airport and includes the construction of a hotel, a conference center and a hospital.
- › The Enrique A. Jiménez airport, in the province of Colón, will be developed to become an international cargo and passenger terminal, with a first-stage investment of US\$58.3 million.
- › The government expects to tender for the construction and administration of two mega-ports on the Pacific coast. One of the terminals will be located north of Panama Ports, and the other at Rodman.

- › An air and sea base is to be built at San Vicente. A tender worth US\$2.6 million is being issued for the design, architectural plans and technical specifications for the first phase of the project, as well as for equipping the facility's operational buildings.
- › Tenders have been announced for construction related to the La Villa–Las Tablas Highway, the Divisa–Chitré highway, the Panama–Colon highway, the Arraijan–La Chorrera highway and the David–Boquete highway.
- › In Veraguas province, US\$116 million has been allocated for the repair, design and construction of roads and bridges. The work includes cleaning and resurfacing, construction of paved ditches, bridge building and maintenance, and drainage installation.
- › Approximately US\$250 million is to be spent on resurfacing roads in cities throughout the country.
- › Design and construction of roads and bridges in the region of Ngobe Bugle, in western Panama, will be undertaken at a cost of US\$63 million.
- › The government intends to build a metro system in Panama City, which will cost up to US\$2 billion and will take about three years to complete. The contract was secured by Construtora Norberto Odebrecht.

2.5 Infrastructure: Energy

Panama has one the highest energy consumption rates in the Central American region and energy demand is expected to continue increasing by 5 to 7 per cent annually. The country has no hydrocarbon resources and must import fuels for its thermal plants, which supply 45 per cent of its power. The remaining 55 per cent comes from hydroelectricity. The government intends to increase its incentives for the development of clean energy production from renewable sources.

Panama is investing in 22 new energy generation projects from 2011 to 2013. Expenditures include US\$1.73 billion in hydroelectric projects (such as the Pando and Monte Lirio facilities, costing US\$292 million), US\$1 billion in two wind farms and US\$1.2 billion in thermal generation plants. An electric interconnection between Panama and Colombia, with an estimated cost of US\$415 million, is also being planned.

As for specific opportunities, there is a good potential for hydroelectric development, and the government is promoting mini-hydroelectric projects as a means of reducing its appetite for imported oil.

2.6 Infrastructure: Health care

The Ministry of Health intends to invest US\$358 million to design, build, equip and finance five hospitals. These are:

- › the Hospital General Metetí, in Darien (US\$36.5 million)
- › the Hospital General de Especialidades Anita Moreno, in Los Santos (US\$59.5 million)
- › the Hospital Luis Chicho Fábrega, in Veraguas (US\$120.9 million)
- › the Hospital Manuel Amador Guerrero, in Colón (US\$110.5 million)
- › the Hospital General Bugaba, in Chiriquí (US\$30.6 million)

In addition, there is a contract valued at US\$36 million for overseeing and controlling the construction and equipping of the new hospitals, including technical monitoring and quality control.

A further US\$58.4 million has been allocated to the design, construction and supply of 10 new primary health centers, to be located in the provinces of Bocas del Toro, Colón, Darién, Los Santos, Veraguas, Herrera, Los Santos and Chiriquí.

A new children's hospital is being planned, with an estimated cost of US\$100 million, as well as a new "Hospital City" at US\$450 million. The Ministry of Health is also putting out to tender the supply, installation and maintenance of three mobile hospitals to serve the regions of Metetí, Darién Province; Mariato, Veraguas; and Tole, Chiriquí.

2.7 Infrastructure: Environment

IDAAN, the country's water and sewerage authority, is carrying out a cleanup program for the Panama Bay area. The second phase of the project, with a cost of US\$320 million, is currently underway and includes construction of a wastewater treatment plant and an intercepting tunnel along the shoreline. IDAAN also plans to spend US\$30 million to build a water treatment plant, with a processing capacity of 114 million litres per day, in the city of Colón.

The Metro Water and Sanitation Improvement Project, worth US\$40 million, is intended to improve the quality, coverage and efficiency of the water supply and sanitation services in the lower-income neighbourhoods of the Panama metropolitan region.

2.8 Infrastructure: Agricultural development

Panama's Ministry for Farming Development will invest US\$1.5 billion in irrigation projects during the next five years. Among these are two projects planned for 2011, one in Veraguas and the other in Santa María.

The country's cold chain will be upgraded at an approximate cost of US\$50 million. This is intended to increase the competitiveness of Panama's farmers and promote rural development. Eight markets for integrating the cold chain will be built in Panama, La Chorrera, David, Santiago, Las Tablas, Chitré, Penomené and Colón.

2.9 Infrastructure: Commercial and residential

A new convention center will be built in Barraza at a cost of US\$150 million. Intended to replace the older facility at Atlapa, it will be located on a landfill designed by the Panama Canal Authority.

The Government City Project will include the construction of 15 buildings and will require an investment of US\$360 million. A government financial tower is also being planned, with an estimated total investment of US\$250 million. Authorities expect construction to begin in 2011 and to be completed in 2013.

Panama City intends to invite bids for building underground parking lots, each with a capacity of 500 vehicles and costing US\$4 million to US\$5 million.

The Residencial Manuel Castillo complex, with a price tag of US\$25 million, will be located on a 6-hectare site near the city of Colón. It includes a residential area with apartment buildings, lots for commercial space, a nursery, a health center, a police station and recreational spaces.

Panama's private sector is involved in extensive infrastructure development and renewal. Some major projects include the following:

- ▶ The [Panama Pacifico](#) project will invest US\$705 million to transform the former Howard Military Base into a mixed-use community with 1 million square meters of commercial space and 20,000 residential units. The developer is the U.K.'s London & Regional Properties.
- ▶ The [Santa Maria Golf & Country Club](#), with a price tag of US\$1 billion, will include 5,000 residential units. Development is by local investors.
- ▶ Several Hyatt and Riu hotels will be built by the end of 2012, at a total cost of around US\$100 million.
- ▶ [Ocean Reef Islands](#), a luxury waterfront residential development, will be constructed at a cost of US\$140 million. Development is by local investors.

2.10 Mining

The economic promise of Panama's mining sector is enormous. Currently, according to a 2010 report by the Ministry of Economy and Finance, there are four potential gold extraction sites at Molejón in Colón, Cerra Quemo in Los Santos, and Santa Rosa and Remance in Veraguas. There are also copper deposits that could support the extraction of millions of pounds of the metal.

Canada is very active in Panama's mining sector. SNC-Lavalin Group leads a three-company consortium that will provide engineering services and engineering and construction management for Canada's Inmet Mining Corp. and its US\$4 to 5 billion Cobre copper mining project. The contract award covers the open-pit mine, crushers and concentrators, processing and tailings management, power supply, marine facilities and a new port. Construction is likely to begin in 2012.

2.11 Safety and security equipment

The boom in construction has stimulated a growing need for safety and security equipment, and the 300 condo/apartment projects that are now underway or in development will need CCTV surveillance, access control and fire protection systems. In addition, facilities in the commercial and industrial sectors will require a wide variety of fire protection systems, workplace safety and personal protection products, and intrusion, robbery and burglary systems.

2.12 Telecommunications

This industry was privatized in 1998 and Panama now has one of Latin America's most modern and vigorous telecommunications sectors. There are over 500,000 fixed telephone lines in the country and more than 2 million cellular lines, giving Panama one of the highest teledensity rates in the region. Mobile services and broadband sectors are showing the fastest growth.

Cable & Wireless Panamá is the strongest player in delivering ADSL access, but faces competition from cable modem services and WiMAX services. The mobile market acquired two new participants in 2008 and 2009, Digicel Panamá and América Móvil's Claro. They joined two incumbents, Cable & Wireless Panamá and Telefónica's Movistar.

In another key sector, the government's "Internet for All" project will lead to a rapid growth of Internet penetration – in fact, Panama is one of the first countries in the world to offer free, nationwide wireless broadband access, which will eventually reach 80 per cent of the population. In the initial phase, access points will be set up in 500 locations across eleven of the country's cities, using a combination of Wi-Fi and WiMAX technologies. The second phase of the project will cover the cities of Changuinola, Aguadulce, Meteti, Ocu and Los Santos.

2.13 Government procurement

In 2006, the government introduced legislation to streamline and modernize its procurement and contracting system. As part of this initiative, it established the [PanamaCompra](#) program, which requires online publication of all government invitations to tender.

These invitations specify the documents that must accompany a company's bid, as well as project specifications, delivery dates, reference prices, payment terms, instructions for submitting the bid and required time limits. Electronic submission of bids is allowed, although this may not be feasible for large projects requiring extensive documentation.

The Canada-Panama FTA includes a chapter on government procurement. Once the agreement is ratified by both countries, you may find that selling to the government of Panama is an attractive option. The projected benefits of this chapter of the FTA include the following:

- Canadian suppliers will have better market access to government contracts for certain goods and construction services, including contracts for the Panama Canal Authority.
- Canadian suppliers will be treated in the same manner as domestic suppliers in the areas covered by the chapter on government procurement.
- Offsets such as domestic content requirements will be prohibited, so that Canadian suppliers will be able to supply materials and services more easily to prime contractors and sub-contractors.
- Panama will be required to publish Notices of Intended Procurement, Contract Award Notices and similar announcements. This will make it easier for Canadian suppliers to identify government procurement opportunities.

3 OPPORTUNITIES FOR CANADIAN INVESTORS

Panama's government is business-friendly and strongly encourages foreign investment in most sectors of the economy. Public investment, both by government-owned companies and by the government itself, is a major factor in the country's economic expansion.



3.1 Panama's investment climate

According to an EDC market analysis of late 2010,

Panama is very attractive to investors given its fully dollarized economy with no exchange risk; its absence of barriers to repatriation of funds; its low inflation; and its stable and sophisticated banking sector.

Solid economic growth, enhanced tax collection and spending restraint have helped improve the government's fiscal position over the past few years. Fiscal improvements have helped reduce Panama's public debt (domestic and external) from 70% of GDP in 2004 to an estimated 47% last year. In addition, good debt management has allowed the government to extend the average maturity of its obligations and reduce interest rates. Over the medium to long term, Panama's economy will continue to benefit from its position as a major international hub.¹

In addition, Panama faces no threats of civil unrest or external aggression. Protests and strikes intended to sway political decisions and demonstrate public dissatisfaction are not uncommon, but they pose no danger to the country's overall security or political stability.

3.1.1 The regulatory environment

Foreign companies are subject to the same regulations as domestic firms and the legal system does not make any distinctions based on a company's nationality. There are no restrictions on mergers or acquisitions and there are no laws preventing overseas businesses from acquiring most kinds of local companies. The two major exceptions to this are the retail sector and the media sector, where businesses must be owned by Panamanian nationals. Some professions, such as law, accounting and medicine, are reserved to Panamanians as well, although this may change when the FTA comes into effect.

There are no performance requirements for foreign companies operating in Panama, such as minimum local equity interest or mandatory technology transfer, nor are there any regulations requiring such businesses to invest in local companies or to purchase goods or services from Panamanian suppliers.

Panama does not restrict transfer of funds abroad and there are no restrictions on capital outflows. Panama uses the U.S. dollar as its legal tender, so there are no convertibility or exchange-risk issues, and Canadian companies accustomed to transactions in U.S. currency will be quite at home.

Note that you don't need to be legally resident in Panama – or even physically in the country – to establish a corporation or obtain a Panamanian operating license for your Canadian business.

3.1.2 The Investment Stability Law

Panama's foreign-investment rules are very liberal and the Investment Stability Law (Law No. 54 of July 22, 1998) added specific assurances for investors. This law allows foreign investors to register investments of more than \$2 million, in certain qualifying businesses, with the National Investment Registry of the Ministry of Industry and International Trade ([MICI](#)). If you're a registered investor, you can obtain a guarantee that your investments will not be adversely affected, for a period of 10 years, by changes in the laws related to employment relations, taxation or customs duties.

¹ EDC Market Spotlight: Panama, September 2010.

3.2 Investors and the Canada-Panama FTA

Canada and Panama have had a Foreign Investment Protection Agreement (FIPA) since 1998. When both countries have ratified the FTA, the FTA Chapter on Investment will replace the existing FIPA. This may have several benefits if you have investments in Panama, or if you're considering making one.

The FTA Chapter on Investment will:

- › protect you from discrimination, while providing for fair and equitable treatment and full protection and security in accordance with international law;
- › ensure the free transfer of capital related to your investments;
- › protect you against expropriation without adequate and effective compensation;
- › provide you with access to international arbitration to resolve disputes; and
- › promote two-way investment flows through stronger commitments by both countries.

3.3 Free trade zones and investment incentives

There are two major free trade zones (FTZs) in Panama: the Panama Pacifico Special Economic Zone and the older Colon Free Zone. In addition, the Ciudad del Saber ("City of Knowledge") technology park provides various benefits for companies that establish facilities there.

3.3.1 Panama Pacifico Special Economic Zone

Panama Pacifico offers a range of tax, labour and legal incentives. It has an onsite government office that can help you establish a business within the zone and can also arrange work visas and investor visas. Some of the financial benefits for businesses setting up in the Panama Pacifico zone include:

- › exemption from import duties, if the goods will not be sold within Panama;
- › income tax exemptions for various business activities;
- › various exemptions from other taxes, including sales taxes, dividend taxes, stamp taxes, license and real estate property taxes, withholding taxes on interest income and capital gains taxes on company stock transfer;
- › tax exemptions on payments made to foreign creditors and on royalties paid to foreigners; and
- › municipal tax stability guaranteed for 10 years from date of registration.

There are special provisions for labour as well, including:

- › a fixed surcharge of 25 per cent for overtime;
- › a negotiable weekly rest day;
- › Sunday and holiday business opening;
- › negotiable employee vacations;
- › labour contracts that can be terminated because of market or demand changes; and
- › a non-Panamanian workforce of up to 15 per cent.

3.3.2 Colon Free Zone

The [Colon Free Zone](#) (CFZ), located at the Atlantic end of the Panama Canal, handles the logistics and re-export of goods to Latin America and the Caribbean. To establish an operation there, you simply apply to the [Administración de la Zona Libre de Colón](#) and provide commercial and bank references, a Panamanian Government tax clearance and your articles of incorporation. You don't need a commercial license and there is no minimum capital. However, you do have to employ at least five Panamanian nationals and you must administer the standard payroll deductions for both Panamanian and foreign workers.

You can acquire CFZ business premises in several ways:

- › You can rent them from a private owner.
- › You can obtain a 20-year lease on a plot of land and build your own facilities.
- › You can use an existing company as a representative. There are several firms in the CFZ that offer this arrangement, and they will relieve you of activities such as arranging transport, receiving goods, documenting transactions, packaging, re-exporting and invoicing.
- › You can use the public warehouse system to store your goods and, if you wish, to provide additional services such as packing, labelling and re-exporting. This arrangement provides you with warehousing and storage facilities while reducing your overhead. You pay for the services rendered through dues levied by the CFZ administration according to the value of the merchandise you have in the system.

Income tax rates for companies in the CFZ are identical to those for companies in Panama itself, and sales by CFZ-resident businesses to companies in Panama are treated as normal imports and taxed accordingly. The real benefit of setting up in the CFZ lies in its many financial incentives:

- › There are no sales or production taxes.
- › There are various tax exemptions on income derived from abroad.
- › There are no taxes or duties on imports to the CFZ from foreign countries, or on re-exports from the CFZ to foreign countries.
- › Dividends to offshore stockholders are untaxed.
- › There is no capital gains tax on the sale of Free Zone assets that have been held at least two years.
- › There are no capital investment taxes, and no municipal or other local taxes.
- › Further discounts on taxable income are available depending on how many Panamanian nationals you employ.

3.3.3 Ciudad del Saber

The Ciudad del Saber (City of Knowledge”) is a international complex for education, research, and innovation, developed to promote cooperation among universities, scientific research centers, businesses and international organizations. Centrally located near the Canal and Panama City, it has various benefits for high-technology firms that focus on innovation and sustainability. These include:

- › tax and immigration benefits through affiliation to the City of Knowledge Foundation project;
- › telecommunications, IT and educational technology services;
- › well-maintained and adaptable infrastructure and buildings;
- › technical, administrative and consulting services;
- › access to Panama’s major higher learning and scientific research centers; and
- › access to the Panama Canal Basin, a living laboratory for scientific research and technological innovation on advanced tropical ecosystem management.

3.4 Labour

There is a shortage of skilled labour in Panama, so it can be hard to find technically skilled people who are also fluent in English. This situation is aggravated by the requirement that no more than 10 per cent of a company’s workforce can be non-Panamanian.

However, if the company requires technical or specialized staff that is not readily available in Panama, it may hire foreign workers as long as these do not exceed 15 per cent of the company’s employees. Also, under certain conditions, the Ministry of Labour can authorize a higher percentage of technical and specialized non-Panamanian workers. Such foreign employees must obtain one-year work permits from the Bureau of Immigration.

The minimum wage ranges from about \$200 to about \$400 per month, varying by sector and geographic region. The maximum normal work week is 48 hours for daytime work, 42 hours for night work and 45 hours for mixed day and night work. Labour laws are strict, which can make it difficult to lay off or fire workers.²

Panamanian employees are guaranteed a wide range of benefits by law, including:

- › an annual paid vacation of 30 days for every 11 months of continuous employment;
- › extra compensation that is aggregated at one day’s salary for every 11 days worked, and paid in three instalments in April, August and December;
- › termination compensation, equivalent to a week’s salary for each year worked;
- › an unjustified-cause termination payment, the value of which is based on labour code indemnification tables; and
- › paid maternity leave of 14 weeks.

² Some sectors, such as the Panama Canal Authority and the Colón Free Zone, are covered by their own labour regulations.

4 ESTABLISHING YOUR PRESENCE IN PANAMA

Foreign companies can establish a Panamanian presence in several ways, and both foreign and domestic firms must meet the same requirements in order to operate in the country. Panama's framework of corporate law is straightforward and flexible, so it is relatively easy to create a suitable type of enterprise. You should, however, work closely with Panamanian legal counsel when setting up any business presence in the country.

Licences are required and must be obtained from the Ministry of Industry and International Trade ([MICI](#)). Construction firms and manufacturers will require an industrial licence, while service companies must have a Class A commercial licence. Class B commercial licences are for retail businesses and are granted only to Panamanian nationals or to companies owned solely by them.





Panama as a regional gateway

Establishing a presence in Panama can make it easier to pursue opportunities in other Latin American countries and the Caribbean. Since the country is such a powerful business and financial hub, seeing it in this “regional gateway” context can be very useful. This is all the more so given Panama’s logistical advantages, such as the excellent regional connectivity through the Tocumen airport and the Panama Canal. Conveniently, direct air service between Toronto and Panama City was inaugurated in mid-2011.

4.1 Establishing a business entity

The following business types are the most common.

4.1.1 Sociedad anónima

A sociedad anónima (S.A.) is the equivalent of a Canadian corporation. It can be set up by two or more people of any nationality, neither of whom needs to be resident in Panama. Ownership of a Panamanian corporation may reside in a single individual or in another corporation.

To set up an S.A., you have to execute articles of incorporation that describe the organization of your Panamanian business and then file them with the Public Registry. Your company must have some authorized capital, in the form of a sum of money of any currency, divided into shares. However, there is no minimum required capital, nor is there a minimum number of shareholders. As for company officers, you will need at least a president, a secretary and a treasurer.

You don’t have to open a physical office for your corporation in Panama itself, but you do have to retain a resident agent in Panama, who must be a lawyer or a legal firm. The agent will file your corporate documents with the Public Registry and will also pay your annual franchise tax, which is US\$250 in the year of incorporation and US\$300 thereafter.

4.1.2 Sociedad de responsabilidad limitada

A sociedad de responsabilidad limitada (S. de R.L.) is the Panamanian version of a limited liability company (LLC). As with an S.A., two or more people can set one up, and they don’t have to be Panamanian or be resident in Panama. The capital requirements of the company are very similar to those of an S.A. The economic liability of each partner for the obligations of the company is limited to the amount of their participation. As with an S.A., you set up an S. de R.L. by executing an incorporation agreement and filing it at the Public Registry.

4.1.3 Partnerships

There are several types of partnerships, including general partnerships, limited partnerships, joint-stock partnerships and limited-liability partnerships. They are distinguished mainly by the allocation of liability and the organization of their capital.

4.1.4 Joint ventures

Joint ventures (JVs) are temporary alliances set up to carry out a specific contract, without incorporating or forming a legal partnership. Usually they endure only until the project or contract is completed. For the protection of all parties, JV agreements should specify exactly how the venture is to be structured and operated, and precisely how any intellectual property rights are shared and controlled.

4.1.5 Branches

You can also operate in Panama by setting up a branch of your Canadian corporation. To do this, you have to register the following documents with the Public Registry:

- › the articles of incorporation;
- › a certificate of existence and good standing of the Canadian parent;
- › a list of directors and officers of the Canadian parent;
- › a balance sheet for the Canadian parent;
- › a statement by the parent's board of directors authorizing the establishment of the branch;
- › allocation of capital to the Panama branch; and
- › the appointment of a resident agent for the branch.

Using a branch may offer few advantages over using an S. A., however, since they operate in substantially the same way (there are some differences in how dividend taxes are handled). You should consult local legal counsel to find out what benefits, if any, a branch might give you.

4.1.6 Sales agents and distributors

For industrial goods, sales are normally handled by local agents or distributors, although some Panamanian companies order directly from the manufacturers. There are no regulations pertaining to supplier-agent relationships, which are governed only by the contracts between the businesses involved.

4.2 Licensing and transfer of technology

A licensing or technology transfer agreement means that a Panamanian company is allowed to use your technology or other intellectual property (IP) in return for payment or some other form of reimbursement. These agreements can include the use of copyrights, trademarks, patents or industrial designs; the provision of engineering and technical expertise; the rendering of advisory, consulting and supervisory services; and the licensing of software. Agreements of this type do not require you to establish a permanent Panamanian business entity.

When setting up one of these agreements, be very careful to protect your IP from unauthorized use either by your licensee or by third parties. For more information on IP protection, please refer to section 6.2.

4.3 Franchising

Depending on your company's business, franchising may offer an entry point into the Panamanian market. The franchising sector is becoming steadily more diverse and already is used for business operations such as cleaning services, security services, beauty services and mail and packaging services. There are few restrictions on franchise operations in Panama, and the use of the U.S. dollar as legal tender means that business transactions are quite straightforward and carry no exchange risk.

5 FINANCES AND TAXATION

Panama has become an international banking center, with more than 90 banks in the country. The financial sector is well-developed and efficient, encouraged by the government's view that capital should flow freely.



5.1 The financial system

Panama's financial sector is regulated by its 1998 Banking Law, with the regulatory authority being the [Superintendency of Banks of Panama](#). Amendments added to the 1998 law in 2008 brought the country's regulatory regime to a condition approaching international standards. Because Panama uses the U.S. dollar as its currency, it does not have a central bank and, consequently, has no institutions for setting an independent monetary policy.

Panama's banks include major institutions such as Scotiabank, HSBC and Citibank. They offer a broad range of financing instruments and are the most common source of credit for both domestic and foreign investors.

Panamanian and foreign investors are treated equally with respect to access to credit, and Panamanian interest rates closely follow international rates plus a country-risk premium. Consumer financing for needs such as mortgages, credit cards and personal loans is readily available.

5.2 Paying taxes

Corporations resident in Panama are taxed only on income or gains derived through business carried on in Panama itself. In other words, if your Panamanian subsidiary earns revenues from outside the country as well as inside it, the income from abroad is not subject to tax.

Note, however, that Canada and Panama have not negotiated a tax treaty concerning double taxation. Consult a tax professional to find out what this means for your business operations.

At the national level, the major taxes are the following:

- › Corporate income tax, levied at 27.5 per cent in 2010, will be reduced to 25 per cent beginning in 2011. Companies in some sectors, however, such as banking, power, cement manufacturing, telecommunications and insurance, have to pay taxes at a 30 per cent rate in 2010–2011, dropping to 27.5 per cent for 2012–2013, and to 25 per cent beginning in 2014.
- › There is an annual tax on a company's commercial operations permit. This is set at 2 per cent of the company's net worth, capped at US\$60,000. If your company operates in an FTZ, the tax rate is 1 per cent with a cap of US\$50,000.
- › Dividend taxes range from 10 to 20 per cent, depending on the source of the dividends and how they are distributed.
- › There is a Value Added Tax levied on imported goods, on the sale of Panamanian tangible property and on the provision of services in Panama. The normal rate is 7 per cent, with a few exceptions.
- › There are property taxes and capital gains taxes of various kinds.

5.3 Getting paid

Since Panama is an international banking center, there is a full range of options that your customers can use to pay you. Getting paid does not generally present problems, but you should nevertheless check potential buyers very carefully before you commit to a deal.

For each party to the transaction, the chosen payment method will have various advantages and disadvantages:

Cash in advance

For you, this is the fastest and most secure form of payment. The Panamanian company, however, must finance the purchase from its own resources. The buyer also has no guarantee that the goods will be delivered as promised. For the buyer, consequently, cash in advance is the least desirable method of payment, and you may lose the sale if you insist on it.

Confirmed letter of credit (L/C)

This is very secure for both you and your buyer, but confirmed L/Cs can be expensive. Insisting on L/Cs may cost you sales.

Unsecured open account

You, the seller, agree to ship the goods to your Panamanian buyer, who will pay for them within 30 to 90 days of either shipment or receipt. This is ideal for the Panamanian company, since it receives the goods before it has to pay for them. For the same reason, it is also the riskiest form of payment for you. A willingness to be paid on this basis can help secure a sale, but be *very* sure that the buyer's credit is good before you agree to these terms.

Open account with receivables insurance

This could also be called "secured open account." In this form of payment, a financial institution such as EDC provides you with accounts receivable insurance (ARI) so that you'll get your money even if your buyer fails to pay. At the same time, because the financial institution secures your payment, you can offer your customer all the benefits of open-account payment with minimal risk to your bottom line. This form of payment is an excellent option for both buyer and seller.

EDC specializes in ARI and can provide it in various forms to suit your needs. For more information, please refer to section 8.1.

Documentary collections

With documentary collections, your Canadian bank sends shipping documents to a correspondent Panamanian bank. When the goods arrive at Panamanian Customs, the Panamanian bank presents the documents to the buyer, who then pays before actually receiving the goods. This is known as *documents against payment* (D/P). It is very secure for you, and your customer doesn't have to pay until the goods arrive at Panamanian customs. In addition, your customer knows the goods have arrived in Panama, so there is no worry about non-delivery. This form of payment is also inexpensive compared to an L/C.

An alternative is *documents against acceptance* (D/A). In this arrangement, the buyer can pay within 30, 60 or 90 days of the documents being presented by the bank. This is good for the buyer, who is being provided with credit for up to 90 days at your expense. It is risky for you, however, because your buyer receives the goods before paying for them.

6 THE LEGAL PERSPECTIVE

For the most part, Panama's commercial law is comprehensive and well-established. However, you should not become involved in legal disputes if you can possibly avoid it, since the judicial system is not always as transparent or objective as it might be.



6.1 Dispute settlement

Panama accepts binding international arbitration of disputes with foreign investors. The country is a member of the International Center for the Settlement of Investment Disputes and a member of the World Bank's Multilateral Investment Guarantee Agency.

In addition, because the judicial system is fraught with delays, Panama has set up an alternative dispute settlement mechanism, the Conciliation and Arbitration Center (CAC), which can be a powerful instrument for foreign investors.

6.2 Intellectual property protection

It is important to realize that intellectual property (IP) protections registered in Canada, such as copyrights, trademarks and patents, do not extend to Panama. To protect your rights in the latter country, you must register and enforce them under Panamanian law. It's best to do this with the help of local legal counsel.

The protection of IP in Panama is better than it was a decade ago and the country now has commercial courts dedicated exclusively to hearing cases related to patents, trademarks and copyrights. There is also a national prosecutor assigned specifically to the handling of IP protection cases.

Panamanian-registered copyrights are protected under a 1994 law that provides copyright protection for the life of the author plus 50 years. The country's Industrial Property Law protects patents for 20 years from the date of filing, and includes protections for trade secrets. There is a fairly simple process for trademark registration, and trademarks can be renewed for 10-year periods.

Panama is a member of the World Intellectual Property Organization (WIPO), the Geneva Phonograms Convention, the Brussels Satellite Convention, the Universal Copyright Convention, the Bern 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.

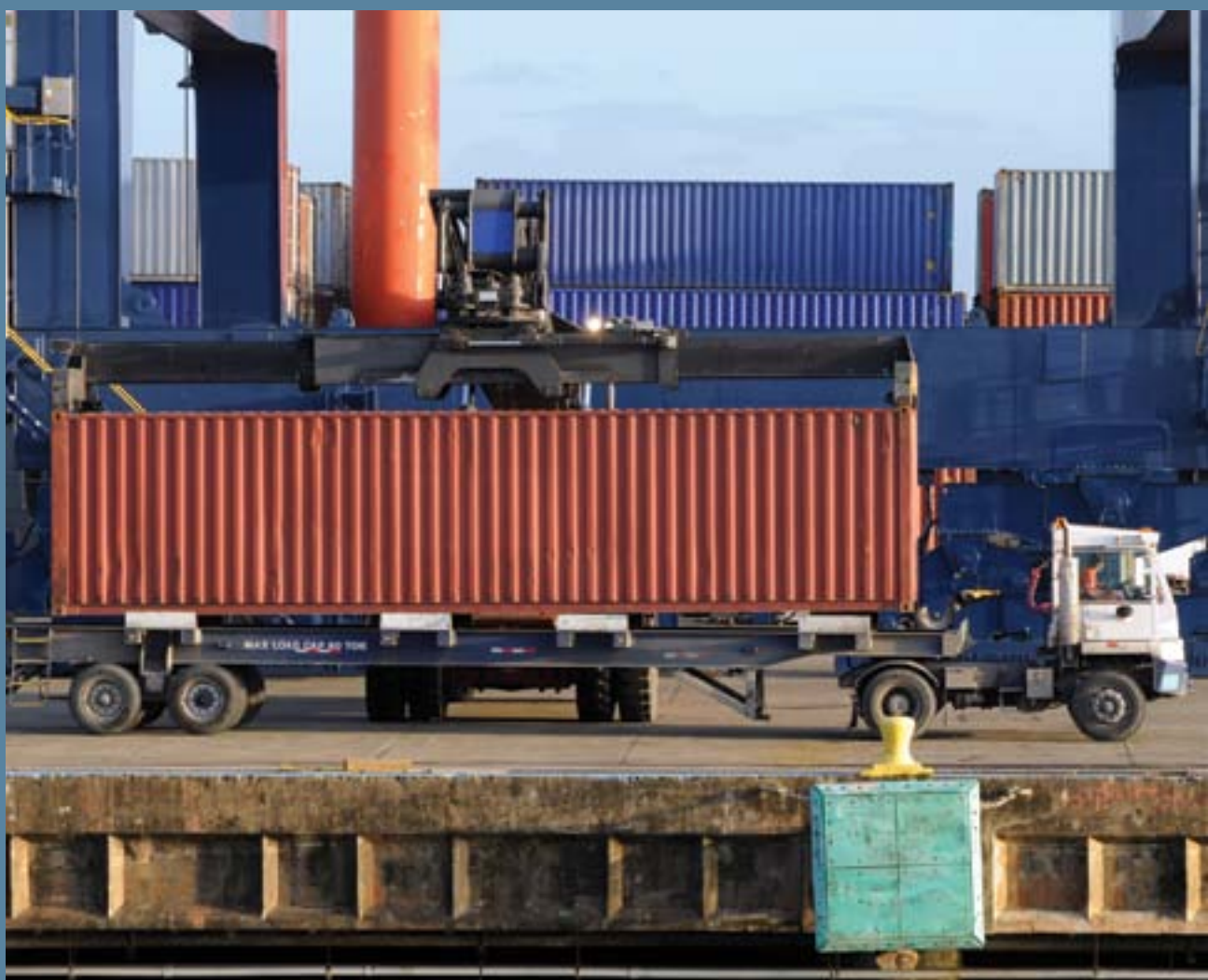
6.3 Corruption

You may never encounter corrupt behaviour while doing business in Panama, but you should be sensitive to its existence. Needless to say, your company should never become involved in it. Note that Canadians who become embroiled in corrupt activities, such as bribery of government officials, can be prosecuted in Canadian courts under Canada's *Corruption of Foreign Officials Act*. For more information about corruption levels in world markets, you can refer to the [Transparency International](https://www.transparencyinternational.com) web site.

7 DELIVERING TO PANAMA

At the time of writing, the [Canada-Panama Free Trade Agreement](#) had not yet been ratified by Canada. For details of how ratification will affect Canadian exports to Panama, especially with regard to tariff and non-tariff barriers, please refer to section 1.2.1 above, “The Canada-Panama Free Trade Agreement,” and section 1.2.2, “The FTA and Canadian service providers.”

Note that Panama requires no import licenses, and any company with a Panamanian commercial or industrial license can bring goods into the country. The exception is goods such as fertilizers and certain foods, which may require import permits. Check with your customs broker (see section 7.1 below) to find out if your exports fall into this category.



7.1 Clearing customs

Goods imported into Panama must be cleared through Customs by a customs broker licensed by the government. To make sure your goods enter the country smoothly, be sure you or your broker can provide the following documentation:

- › an import declaration prepared by your broker;
- › a commercial invoice, with an original plus four copies in either English or Spanish;
- › an air waybill;
- › a bill of lading, in triplicate;
- › your commercial license number;
- › a phytosanitary certificate if necessary; and
- › a Certificate of Origin if necessary.

If all your documents are accurate and in order, the entry process is fast and efficient. For more information, you can refer to the web site of the [Customs Office](#).

7.2 Standards, labelling and marking

Technical standards and regulations are published by the Ministry of Commerce and Industry in the [Gaceta Oficial](#). They present few or no barriers to imports from Canada.

Panama has no special requirements for labelling and marking, except for basic information such as the name and address of the manufacturer, the expiration date if applicable, a list of ingredients and lot number. Legally, labels should be in Spanish, although this is not always enforced except when the goods are for human consumption.

7.3 Temporary entry of goods

You can bring goods temporarily into Panama for 90 days, extendible to one year. To do so you'll have to provide a deposit equal to the import duty, or provide a bond to cover the import duty. This will rarely need to be done after the FTA is ratified and most duties have been dropped.

7.4 Using freight forwarders

Because international shipping is complicated and time-consuming, you may save trouble and expense if you use a freight forwarder. You can hire these agencies merely to negotiate a rate with a carrier, or have them do everything from arranging insurance to finding a reputable customs broker. Some forwarders specialize in shipments to certain countries, while others concentrate on particular types of goods. Check the Canadian [International Freight Forwarders Association](#) web site for more information.

8 SOLUTIONS FROM EDC

EDC is always pleased to consider support for new business in the Panamanian market. If you're considering a venture there, be sure to contact us and find out how our asset protection, bonding, financing and risk insurance can help you. Up-to-date information about these solutions is always available on the [EDC](#) web site.



8.1 Asset protection

Your accounts receivable are among your most important assets. But what will happen to your company if those assets vanish because a customer can't or won't pay? That can be a special hazard if you're selling into a foreign market or to an unfamiliar overseas buyer.

You can protect yourself from such losses with EDC's insurance solutions, no matter whether you need coverage for a single deal or multiple projects. EDC's Accounts Receivable Insurance (ARI), for example, can cover your full book of business for up to 90 per cent of your losses against risks such as refusal to pay, refusal to accept the goods, bankruptcy, insolvency or contract cancellation.

Even better, once you have EDC insurance in place, your financial institution may be willing to provide you with extra working capital because it knows your loans will be covered even if you aren't paid.

8.2 Bonding and guarantees

A foreign buyer will often ask you for a bond, which is a guarantee that you will meet the terms of the contract. These bonds are issued by a bank or a surety company on your behalf.

Bonding in Panama with EDC

EDC has a reinsurance agreement with a surety company in Panama, which may make it easier for you to obtain the bonding you need to close a deal. For more information, please contact EDC directly.

Obtaining a bond can have a major impact on your working capital, since your issuer – normally your bank – will want 100% collateral for each dollar of bonding it issues. You can provide this either as cash or from security pledged from your line of credit. In both cases, however, issuing the collateral eats into the cash or credit you can use in your business operations.

Bonds, moreover, are payable on the demand of your buyer. If a buyer decides that you have not met the contract conditions, he can “call the bond” – that is, demand that the financial institution pay out the value of the bond. When this happens, your bank does not judge the validity of the buyer's claim or whether you are actually at fault – it simply pays out the bond and takes your collateral in restitution.

If you have not, in fact, violated the contract terms, this is known as a “wrongful call,” but it may be very difficult to get your cash back even when you prove you were not at fault. EDC can provide you with a variety of solutions for these problems, not only to help you obtain bonding, but also to protect you against wrongful calls.

Bonding support isn't all EDC offers. We can also provide guarantees to help you:

- › finance your work in progress or your foreign-domiciled inventory;
- › finance ongoing, export-related, working capital needs;
- › finance equipment purchases and cover other expenses related to exports;
- › finance your federal Scientific Research & Experimental Development Tax Credits and Provincial Interactive Digital Media Tax Credits; and
- › make business investments outside Canada.

8.3 Foreign buyer financing

Many business people mistakenly believe that they control only the first half of a business transaction – making the sale – and must then wait for the buyer to arrange financing for the purchase. But with EDC solutions, you can help your customers by referring them to EDC for financing, whether structured as a loan, a guarantee or a line of credit. We can also work with another financial institution to provide a complete financing package to your buyer.

Since payments are typically made directly to you as per the terms of your commercial contract, this solution also frees up your cash flow. We assume the risk of the loan repayment, while you get the working capital you need to move on to your next business deal.

8.4 Political Risk Insurance

EDC's Political Risk Insurance (PRI) can help you protect your assets and investments from political uncertainty. For your cash, inventory, equipment or other assets, our PRI can insure up to 90 per cent of your losses from government action or civil unrest. For investments such as equity, shareholder loans or guarantees, we can insure up to 90 per cent of your losses resulting from unpredictable political events. Not only that, having PRI may make it easier to obtain loans or working capital from your financial institution.

9 APPENDIX A – HISTORICAL TRENDS IN CANADIAN EXPORTS TO PANAMA, 2002–2010

The bi-yearly figures in this table are for domestic exports and exclude non-Canadian goods imported into Canada for re-export to Panama. The figures were generated from Industry Canada's Trade Data Online database and are in Canadian dollars. The goods are categorized by HS2 Chapter.

HS2 Chapter	2002	2004	2006	2008	2010
Aircraft and spacecraft	26,517	3,004,035	8,256,105	10,128,086	43,044,991
Meat and edible meat offal	6,233,042	5,883,700	4,247,153	4,040,141	9,456,717
Edible vegetables and certain roots and tubers	1,063,268	2,036,913	2,644,444	8,351,225	7,073,571
Nuclear reactors, boilers, machinery and mechanical appliances	5,706,925	4,968,633	6,865,772	12,416,329	6,716,149
Ships, boats and floating structures	132,009	124,730	487,863	1,024,831	6,540,765
Paper, paperboard and articles made from these materials	2,767,939	7,955,795	3,310,277	4,111,750	6,525,810
Pharmaceutical products	7,792,460	7,119,496	16,904,319	9,484,375	4,608,068
Electrical or electronic machinery and equipment	3,093,135	3,918,956	3,280,109	7,791,720	3,234,635
Pearls, precious stones or metals, coins and jewellery	2,422	6	0	5,542,084	3,134,579
Articles of iron or steel	453,001	1,428,330	1,152,546	2,026,651	2,305,427
Motor vehicles, trailers, bicycles, motorcycles	295,787	2,895,243	4,201,479	11,160,083	1,687,573
Preparations of vegetables, fruit, nuts or other parts of plants	531,180	3,131,192	3,299,623	4,283,668	1,628,018
Miscellaneous edible preparations	390,771	313,308	1,174,458	1,269,973	1,570,981
Plastics and articles thereof	708,527	1,405,678	2,313,961	2,191,034	1,477,595
Fats, oils, their cleavage products and waxes	0	3,954,189	1,492,049	5,117,375	1,471,325
Fertilizers	0	31	217	1,875,230	1,465,868
Optical, medical, photographic, scientific and technical instrumentation	817,486	989,944	1,312,109	1,163,832	1,369,804
Fish, crustaceans, molluscs and other aquatic invertebrates	0	519,931	882,665	1,137,409	1,274,762
Furniture and stuffed furnishings	644,803	1,067,442	1,588,949	2,136,797	1,185,793
Live trees and other plants	831,981	578,751	956,135	1,157,346	1,169,527
Organic chemicals	359,547	504,157	420,990	1,190,131	1,080,988
Essential oils and resinoids, perfumes, cosmetics and toilet preparations	695	108,957	1,297,057	529,636	806,844
Rubber and articles thereof	41,580	162,827	182,243	642,137	753,297
Tools, implements, cutlery	182,413	300,494	195,470	379,902	740,396
Glass and glassware	4,160	467,080	876,570	276,554	502,771
Subtotal	32,079,648	52,839,818	67,342,563	99,428,299	110,826,254
Others	3,159,876	11,407,913	5,662,419	10,824,804	5,644,024
Total (all products)	35,239,524	64,247,731	73,004,982	110,253,103	116,470,278

9 APPENDIX B – KEY CONTACTS

EDC Contacts in Canada and Panama

Please refer to our [Contact Us](#) web page.

Other Key Contacts

Canadian Trade Commissioner Service in Panama

Embassy of Canada
Torres de las Americas
Tower A, 11th Floor
Panama City, Panama
Tel.: 011-507-294-2500
Fax: 011-507-294-2514
Email: panam.commerce@international.gc.ca

Embassy of Panama in Canada

130 Albert Street, Suite 300
Ottawa, ON K1P 5G4
Tel.: 613-236-7177
Fax: 613-236-5775
Email: info@embassyofpanama.ca

Panama-Canada Chamber of Commerce

PanCanada
Banco General Building
Plaza 2000, 10th Floor
50th Street
Panama City, Panama
Tel.: 011-507-223-6788
Fax: 011-507-263-2460
E-mail: info@pancanada.org

WANT TO KNOW MORE?

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www.edc.ca

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