

Doing Business in Panama

Expert knowledge means success

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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

Introduction

Panama's history has been conditioned by its use as a trade route between the Atlantic and the Pacific. It became independent from Spain in 1821 as part of Colombia but broke away from Colombia in 1903 under US protection as part of the deal enabling the US to build the canal.

The original treaty giving the US jurisdiction in perpetuity over the area on either side of the canal - the Canal Zone- was eventually replaced by the Carter/Torrijos Treaties signed in 1977. These treaties recognised Panamanian sovereignty over the Canal Zone and provided for the progressive transfer to Panama of all the Zone land and installations, including the extensive US military base areas, culminating in the transfer of ownership and control of the canal itself at the end of 1999. The Treaties have been implemented in full and on schedule, making Panama for the first time one territory under one flag.

Panama occupies a strategic location forming a land bridge connecting North and South America; it controls the Panama Canal that links the North Atlantic Ocean via the Caribbean Sea with the North Pacific Ocean. Panama City is the capital city and is located on the Pacific coast, at the mouth of the Panama Canal. It has a population of nearly one million (official figures) and is by far the largest city in the country. It is also the financial, commercial and administrative centre. The second city is Colon on the Caribbean coast, at the other end of the Canal. The Colon Free Zone (CFZ), the world's second largest free zone is located here.

The six Central American countries-Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama- together form a region with a population of 36 million and a total GDP of US\$72 billion and substantially more if you include products supplied via the USA (mainly through Miami). As a region, Central America is the fifth-largest market for British exports to Latin America, ahead of Chile and Colombia. The economic potential of the region will be further enhanced by the Free Trade Agreement with

the USA (CAFTA), signed into US law by President Bush on 2 August 2005. Panama also signed a Free Trade Agreement with Taiwan in 2003 (which took effect from January 2004) and together with its neighbours, Panama signed a Political Dialogue and Cooperation Agreement with the EU on 15 December 2003.

During the past decade the region has enjoyed increasing stability and economic growth, despite natural disasters which caused severe damage to infrastructure.

There are two currencies in circulation in Panama: the Balboa (PAB) and the US dollar (USD). The US dollar tends to be used for all but the smallest business transactions. There are no exchange control laws: international firms may fully repatriate all monies earned in Panama.

Colon Free Zone (CFZ)

The Colon Free Zone, established in 1948, is located in the city of Colon, near the Atlantic entrance to the Panama Canal. With a total area of 988 acres, it is the second largest duty-free zone in the world after Hong Kong. Major CFZ customers include: Xerox, Sony, Samsung, Land Rover and others.

The CFZ is a much bigger market than the country of Panama. Re-export figures for 2004 are US\$5,428.8 million and import US\$4,857 million. These were mostly consumer goods, electronic products, clothing and other similar products. Hong Kong is the Zone's biggest supplier, while Colombia and Ecuador are the major final destinations for Zone re-exports.

The area is an autonomous and segregated commercial centre where 1,350 companies from all over the world are engaged in wholesale trade, assembly, repackaging or storage of goods. About 75 percent of Panama's trading activities are performed in the CFZ. Customs, processing, transport and financial services have led to consistent growth of the re-export business. The performance of the CFZ has lately been affected by the economic turbulence in Asia and Latin America; the volume of trade is very sensitive to changing economic conditions and consumer demand.

Panama is still a major cocaine transshipment point and a primary money-laundering centre for narcotics revenue particularly in the Colon Free Zone. The monitoring of



financial transactions is improving although official corruption remains a major problem.

The web portal of CFZ, the world's second largest Duty Free Trade Zone, is located at: <http://colonfreezone.com/>

Doing Business with Panama

UK Trade and Investment lists the following reasons for UK businesses to do business with Panama:

- The currency is the US dollar, eliminating any local exchange rate risk; and there are no foreign exchange controls.
- 100% foreign ownership is allowed.
- Special tax and other incentives for investments in tourism and reforestation, and in export processing zones.
- No restrictions on the transfer and repatriation of capital and profits.
- Underlying economic stability, with a record over recent years of low inflation, steady and sustained economic growth, and sound financial management. Dollarisation and the diversified, service-based nature of the economy help to insulate Panama against global and regional shocks.
- Political stability and democracy have also been steadily consolidated since the overthrow of the military ruler, General Noriega, in 1989.
- The country is strategically located on the major world shipping route provided by the Panama Canal, and it has good air connections and modern telecommunications services.
- Panama City is an established international banking and financial centre.

Business Incentives

The Panamanian government actively supports foreign investment. However Panamanians must have majority ownership in public utility projects.

To be eligible for an incentive program, a company must first register at the National Industry Official Registry. Incentives include:

- a five-year tax holiday to any company operating in the CFZ, exporting at least 80 per cent of their output with Panamanians making up at least 30 per cent of the workforce; and
- a full tax exemption from import duties

on raw materials, parts, and machinery for companies that produce manufactured goods for export.

Income, export sales, and production tax exemptions also are offered.

Other financial incentives

There are special tax and other incentives for manufacturers in Export Processing Zones (EPZ). Government support for investment and related business activities is available for the Colon Free Zone (CFZ), the banking sector, tourism activities and the EPZs.

Companies in the CFZ pay no taxes. Banks pay no tax on interest or other income earned nor taxes on savings or time deposits. EPZs offer tax-free benefits and special immigration privileges, license and custom duties exemptions to manufacturers located here. Tourism incentives provide for tax exemptions on vehicles and designated goods/products and infrastructure. The mining sector also enjoys similar incentives. For further information, contact UK Trade and Investment.

Employment

Unemployment is around 4.2% (2010 est.) Staff are easily recruited in Panama and there are several recruitment agencies in Panama City. Unskilled and semi-skilled labour is readily available; skilled labour is in shorter supply. Potential candidates for middle to upper management need fair to good English language skills.

There are minimum wages applicable in the metropolitan areas according to industry.

Export Opportunities

UK Trade and Investment has identified the following market sectors of particular potential to UK investors and exporters.

- Eco-tourism
- Agriculture
- Information technology
- Telecoms
- Construction and infrastructure projects
- Chemicals and pharmaceuticals
- Electricity generation, transmission and distribution
- Manufacturing
- Ports and maritime

UK-Panama Trade

Most UK exports to Panama are destined for other countries in the region. According to UK Trade and Investment¹, British trade in Panama's economy in 2008 was among the fastest growing in Latin America and it is still a hot destination for foreign investment. Overall, Central America is the fifth-largest market for UK exports to Latin America.

The UK's principal exports to Panama are:

- Beverages (notably Scotch whisky) – 44%;
- Medicinal and pharmaceutical products – 29%;
- Road Vehicles;
- Dyeing, tanning and colouring materials; and
- Specialised industrial machinery

Imports from Panama into the UK have increased steadily over the last few years.

Details of current imports from and exports to Panama can be found at:

www.economywatch.com/world_economy/panama/export-import.html

Industries

The development of the former US Canal Zone areas (over 200,000 acres), which was turned over to Panama by the end of 1999 in accordance with the 1977 Canal Treaties has opened up a wide range of investment opportunities and associated supply contracts. The Colon Free Zone, worldwide second only to Hong Kong in overall business activity, offers good potential as a supply route for consumer goods to the Caribbean and Latin American markets. Other areas with potential for substantial growth and business opportunities are energy, healthcare services, mining exploration, telecommunications, agribusiness, tourism and road and canal construction.

UK Trade and Investment has identified the following as the main export opportunities.

Panama Pacific Special Economic Area

The Panama Pacific Special Economic Area (AAEPP) consists of the area formerly occupied by the Howard US Military airbase that the Panama Government plans to re-convert into a special Economic Area. This

designated zone will aim to generate sustainable employment and strengthen and diversify the country's economy through the consolidation of Panama as an International Service and Multimodal Logistic Centre. The size and strategic location of the property, combined with existing onsite and offsite infrastructure will contribute to transform the AAEPP into one of the most successful business hubs in the Americas. On the Environmental sector, a millionaire project to clean the Panama Bay is also underway and should also offer important opportunities for the UK.

Panama privatised its power generation and local distribution facilities in 1998. Power forecasts predict 6% annual growth for the next 5 years. New power plant generation will be needed in order to satisfy energy demand. UK companies could benefit from future expansion in energy production, either through hydro-thermal or alternative sources.

Tourism

The tourism industry in Panama has substantial growth potential and the Government ranks tourism as a priority sector. Foreign investment in the tourist industry has been the stimulant for sector growth, demonstrating strong confidence in the potential for these activities.

Panama offers incentives such as 20-year exemptions from import duties, fees for construction materials and equipment, income, real estate and other taxes.

Panama has potential for the expansion of Eco-tourism and Eco-tourism adventures. Other tourism related opportunities include: know-how in development of tourism and infrastructure, supply of hotel kitchen equipment, tableware, decoration (carpets, furniture) and leisure items.

Port and Maritime Developments

Huge opportunities exist for UK companies in the construction, engineering and consultancy sectors connected to expansion plans for the Panama Canal and the local ports. Barclays and HSBC (the largest foreign-owned bank in Panama) have been selected with other international banks to provide the near US\$6 billion required to finance the planned Panama Canal expansion.

Over one billion US Dollars have been invested in port infrastructure over the past 5

years. Today, three large modern port terminals on the Atlantic side and one on the Pacific (all managed by world operators) are the main existing transshipment facilities. In total capacity terms, Panama is placed at the top of the busiest ports in Latin America.

The UK is in a position to offer experience and goods and services for the expansion of maritime infrastructure. In addition, ports expansion has created new opportunities for companies involved in the logistics and cargo industries, plus a requirement for services in the areas of telecommunications, engineering, ship repair and maintenance, banking, insurance and training. A new refurbished railway, coupled with large container ports springing up at each end of the Canal is proof of the tremendous existing business, as well as the potential for generating much more and with the involvement of new players.

Panama Canal

Since its opening in 1914, the Panama Canal has become a key link in world-wide transport. Each year more than 13,000 ships transit the canal carrying a significant proportion of the world's goods and commodities – from grains to coal, crude oil to iron ore, fruit products and vehicles. A total of 14% of US sea-borne trade transits through the Canal, with approximately 60% canal traffic originating and ending at US ports. Its strategic position still represents one of the most economical, efficient and competitive ways of cargo transportation.

Even though the Canal handles 5% of world shipping, the number of Post-Panamax ships (vessels so large in size they are not currently able to cross the Canal) has increased substantially. Therefore, the Authority of the Panama Canal (ACP) is considering a massive expansion project, including the building of a third set of locks.

The expanded Canal would accommodate not only bigger ships but also more of them. As it is, traffic is expected to top out at 42 ships a day in the next decade. Furthermore the expansion would enhance the canal as a major transit route for Asian cargo destined for southern and eastern U.S. ports.

Activities with great potential are construction of the new locks systems, heavy machinery replacement, modern telecommunications, security and protection equipment, water supply and power, vessel

traffic management systems and sustainable development programmes.

Thousands of hectares remain available for development in the areas next to the Canal waterway. Some of the projects already underway include manufacturing, warehousing, real estate and tourist centres.

Banking and Finance

Panama is the most developed country in the region in terms of Financial Services. Panama's banking sector is one of the most dynamic areas of the economy. A new banking law enacted in March 1998, modernised the banking system and increased government supervision. Under the new law, the system meets Basle Accord standards. Banks are licensed and regulated by the Banking Superintendence. Counter-measures to neutralise illegal activities in the sector will require goods and services from countries with experience in this sphere, such as the UK. Specialised financial software too is also required for counter-measure operations. Foreign and Panamanian banks, just over 80 in total, compete on equal terms.

Telecommunications

Panama is becoming a hub for communications in the Latin American Region. With a few exceptions, the market became fully opened recently. The main operator is Cable & Wireless from the UK. Privatisation has increased competition and offer interesting market opportunities for UK companies. The main fibre optic cables connecting the Americas interest at the Canal has attracted providers of data warehousing services, which serve information technology companies and users worldwide. Main opportunities include internet access, internet kiosks, value added mobile services, public network infrastructure equipment, VPN/Intranet, network security and call centre equipment.

Power

Panama privatised its power generation and local distribution facilities in 1998. Power forecasts predict 6% annual growth for the next 5 years. New power plant generation will be needed in order to satisfy energy demand. A large percentage of Panamanians still do not have access to electricity, and the expansion of the maritime industry is expected to boost demand. UK companies could benefit from future expansion in energy production, either through hydro-thermal or alternative sources.

Panama has proven wind, water and solar resources that have not yet been exploited. The current government is promoting alternative energy projects as part of its plan to reduce dependence on expensive imported diesel fuel. There is a large potential for hydroelectric power and a law has been proposed to promote mini-hydroelectric projects as a way to reduce oil imports required by thermal plants.

Environment and Water

The Cleaning of the Panama Bay Project is an IDAAN-Ministry of Health joint project. The project is estimated to be worth US\$300 million and should also offer important opportunities for the UK. It entails intensive use of modern technology in wastewater treatment. The initial phase comprises the construction of a new sewage network for Panama City. Major funding will come from IDB. For British exporters of goods and services in environmental pollution analysis and control, as well as waste disposal, there are a number of interesting opportunities to secure contracts in the sector.

Further opportunities in the environmental sector lie in the construction of new potable water plants and development of sewage collection and treatment facilities in metropolitan areas.

Aid Agencies

UK Trade & Investment's Development Business Team liaise, on your behalf, with all the main international aid-funding agencies including the World Bank Group, the European Commission, the United Nations agencies and the various Regional Development Banks.

Economy

Panama's economy, unlike that of its Central American neighbours, is based on a well-developed services sector, including the Canal, shipping, tourism, mining, banking and the Colon Free Zone, and accounting altogether for some 80% of GDP. The government is trying to make productive use of the canal's facilities with export processing zones and many investment incentives.

With a dollarised currency (the US dollar is legal tender) the economy has also historically been one of the most stable in Latin America. Over the last five years it has

enjoyed steady, sustained growth combined with low inflation making it attractive to foreign investors.

Current information on Panama's economy is available at:

http://en.wikipedia.org/wiki/Economy_of_Panama

Population

Panama's current population is 3.5 million (source: World Bank, estimate 2010), with a growth rate of 1.53%. It is mostly of mixed descent, but there are sizeable communities of indigenous Carib Indians, Afro-Caribbeans and Asians. The capital, Panama City, at the Pacific end of the canal, has a population approaching 1 million. The other main cities are Colon, at the Caribbean end of the canal, the site of one of the world's largest duty free zones; and David, the capital of the western farming province of Chiriqui.

Geography

Panama is located in Central America between Colombia to the east and Costa Rica to the west. It borders both the Caribbean Sea and the North Pacific Ocean. The interior terrain is mostly steep, rugged mountains and upland plains, the highest point being Volcan de Chiriqui at 3,475 m. The coastal areas are largely plains and rolling hills.



Administrative divisions

The Republic of Panama is divided into 9 provinces:

Bocas del Toro, Chiriqui, Coclé, Colon, Darien, Herrera, Los Santos, Panama, and Veraguas.

Climate

Panama's climate is tropical with little seasonal variation in temperatures, which range from 21C at night to 32C during the day all year round. The wet season is between May to December, with October and November being the wettest months. The months of January-April are drier.

Government Structure

Panama is a representative democracy with a directly elected President (and two Vice-Presidents) serving one five-year term of office, and a legislative Assembly elected at the same time. The current President is Ricardo Alberto Martinelli Berrocal who was elected the 49th President of Panama in 2009.

Establishing a Business in Panama

Panama has a simple market structure. Direct importers act as wholesalers and, in some cases, as retailers also. For consumer goods retail operations are separated from wholesale operations. In the industrial sector, goods are sold through local agents or distributors.

Many local firms order directly from foreign manufactures. Major importers are also regional distributors thorough the Colon Free Zone (CFZ). Importers and distributors of the CFZ have sister companies or affiliate shops in Panama City.

Panama has modern and flexible corporate laws. In order to engage in commercial or industrial activities, local corporations, partnerships or individuals must obtain proper authorisation from the Ministry of Commerce. It is strongly advised to comply with all legal formalities through competent solicitors.

There are no particular preferences for business structures. Depending on the type of product or service companies may decide to have branch offices, subsidiaries, corporations or local agents.

A foreign company or investor proposing to establish a business in Panama may choose

from a number of different business organisations:

- Limited Corporation
- Foreign Corporation
- Limited Partnership
- Civil Partnership
- General Partnership
- Individual Limited Proprietorship
- Commandite
- Trusts

Limited Corporation (Sociedad Anonima)

A corporation limited by shares is the most common corporate form in Panama and is the typical choice for an offshore operation. A corporation is formed by two subscribers who execute the Articles of Incorporation before a notary and then record them at the Public Registry Office, paying a capital tax on the initially committed capital – typically US\$10,000. There is no minimum value for the initial capital.

A minimum of one shareholder is required. Shares can be of various classes, can have par value or not, may be registered or bearer. No-par-value and bearer shares must be fully-paid when issued. For bearer shares: the registered agent must keep the bearer share certificate in safe custody and must notify the Registrar about such shares.

There must be at least three directors and a resident Panamian agent (a lawyer), all of who must be named in the Articles; changes to directors must also be filed.

There is an annual registration fee, currently US\$300 (2006).

Foreign Corporation

A foreign company can be registered in Panama by depositing the required legal documentation at the Public Registry Office. A capital tax is payable on the initially committed capital and an annual registration fee, as for Panamanian corporations.

A foreign company can transfer directors' control - its 'seat' - to Panama. It will then be subject to Panamian laws regarding public policy, while remaining under the laws of its country of origin in other respects. For example, the company could be sued in the courts of Panama but does not have the right to sue.

To establish a branch in Panama, foreign companies must submit the Articles of Incorporation, latest Balance sheet, estimated Panamanian expenditure and appropriate license to the Panama Mercantile Registry.

Limited Partnership (Sociedad de responsabilidad limitada)

Limited partnerships may have between two and twenty partners of any nationality and domicile. The initial collective committed capital must be between US\$2,000 and US\$500,000. The names of the partners must be registered in the Public Registry Office along with details of the amount of capital committed by each of them. The liability of each partner for the debts of the partnership is limited to the amount subscribed to but unpaid. An independent administrator for the partnership may also be registered.

Civil Partnership (Sociedad Civil)

In a Civil Partnership the liability of the partners is unlimited. This type of partnership is often selected by professionals such as lawyers and accountants.

General Partnership

In a General Partnership, the partners have unlimited liability.

Individual Limited Proprietorship (Empresa individual de responsabilidad limitada)

An Individual Limited Proprietorship is set up in the same way as a Limited Partnership but with only one member. The business liability of the proprietor is limited to the amount of the assets he/she has transferred to the business.

Commandite (Sociedad en commandita)

Commandite companies are seldom used. At least one partner must have unlimited liability, while the liability of the limited partners is limited to the amount of capital subscribed. Shares can be transferable.

Foundation

A foundation has no members or shareholders and is typically used for the protection of assets. It is established by the founder depositing a notarised private foundation charter at the Public Registry; or by executing the charter before a Public Notary along with a minimum capital investment of US\$10,000. The Charter must

specify the names of the Foundation Council, the property of the Foundation, its domicile and the name of its Panamanian agent.

No accounts are necessary and an audit is not required. Foundations are subject to the same capital taxes and annual registration fees as Corporations. Panamanian law specifically excludes the operation of foreign 'forced heirship' rules or judgements against foundation assets.

A capital tax is payable on the initially committed capital and an annual registration fee, as for Panamanian corporations.

Trusts (Fideicomiso)

A Panamanian lawyer must act as an agent for a trust, which must be written in either Spanish or English. There are no fees, capital requirements or registration requirements. The National Banking Commission of Panama regulates the transactions of entities acting as trustees.

The settlor, trustees and beneficiaries need not be Panamanian nationals or resident in Panama. Trusts may be settled in respect of existing or future property; additional property may be included after the settlement either by the settlor or a third party. Trusts can be stated to be revocable but otherwise are irrevocable.

Trusts are not protected by specific provisions against foreign inheritance laws, judgements or creditors. If a trust earns a taxable income in Panama, then tax is levied directly on the trust and not on the trustee. Since 2000, trusts have joined banks in being legally bound to report financial transactions over US\$10,000 and other suspicious activities.

Commercial Licenses

It is mandatory to obtain a Commercial License. Licenses can be of several types:

- If involved in wholesale operations, commercial and mortgage banks, financial companies, international financial brokers, insurance and/or reinsurance companies, international transportation companies, utilities, mutual funds, and high technology services a class 'A' license is required.
- If involved in retail businesses, representation agencies, service companies, restaurants, bars, real estate agents, petrol stations, local transportation, general distribution operation, etc., a class 'B' license is required. This license is only granted to

Panamanians or corporations solely owned by Panamanians.

- Industrial licenses are required for manufacturing and/or extractive industries as well as construction companies.

There are exemptions of licenses for certain businesses. These are granted to individuals or legal entities exclusively engaged in agriculture, bee and/or poultry farming, manufacturing of handicrafts and similar activities. An annual tax is levied based on the net worth of the company as stated in their income tax return.

Taxation

The following is intended to provide a brief outline of tax issues. You should always take professional advice on these matters to determine the correct position according to your own personal circumstances.

Offshore Operations

Panama taxation is on a 'territorial' basis, therefore a business entity which has its activities or assets 'offshore' is not liable for Panama taxation. There are more than 120,000 corporate entities in Panama, of which the majority are 'offshore'. Companies in the Colon Free Zone, or in Export Processing Zones, are treated in the same way as companies with external operations.

Taxation in Panama, which is governed by the Fiscal Code, is on a territorial basis; this is to say, that taxes apply only to income or gains derived through business carried on in Panama itself. The existence of a sales or administration office in Panama, or the re-invoicing of external transactions at a profit, does not of itself give rise to taxation if the underlying transactions take place outside Panama. Dividends paid out of such earnings are free of taxation.

In February, 2005, Panama's unicameral legislature approved a major fiscal reform package in order to raise revenues from new business taxes, and reduce the country's level of debt. The legislature voted 46 to 28 in favour of the measures, which included a 1.4% tax on companies' gross revenues, and a 1% levy on firms operating in the Colon Free Trade Zone – the largest free port in the Americas.

From July, 2005, all firms which prior to 2005 were exempt from value added tax in Panama are affected by a new interpretation of the country's Tax Code by the tax authorities. In a little publicised move, Panama's Revenue Office circulated a series of opinions which stated that the recent tax reform has abolished all VAT exemptions and special treatment given prior to February 2005.

The new interpretation centred on paragraph 26, article 1057-V of Panama's Tax Code which, although the wording is the same as the original draft passed in 1976, the Revenue Office has taken to be a new law after it was reproduced in the major reform approved in February 2005. Therefore, according to the Revenue, it is effectively a new law, which can be interpreted differently to the 'old' legislation.

Consequently, output VAT could now be charged on clients previously exempted. Similarly, input VAT may also affect previously exempted taxpayers.

In addition to the taxes described below, employers pay social security contributions of 12% in respect of employees.

For detailed information on taxes, visit: www.lowtax.net/lowtax/html/jpadctx.html

Exporting

The Integrated Tariff of the United Kingdom contains helpful information on Importing or Exporting. It includes references to the relevant laws and regulations.

Although the UK version is called the "Integrated Tariff of the United Kingdom", the same format is used throughout the EC. For further information, visit www.hmrc.gov.uk

Goods imported into Panama must be cleared by a customs broker, licensed by the Panamanian Government. Goods exempt from this regulation are those that are free from duties, those consigned to the Government, those imported by foreign diplomats, those sold to the Canal Authorities, those sold to vessels transiting through the Canal and those for re-export.

The following documentation must be presented for legalisation to the Consulate in London and then forwarded as appropriate:

- the Bill of Lading;
- the Commercial Invoice; and
- the Consular Invoice.

UK Trade and Investment

The UK Trade and Investment Export Finance team encourages the availability of competitive export finance to all UK companies seeking to export goods or services or invest overseas. For further information visit www.uktradeinvest.gov.uk

Export Licences

You should check with Her Majesty's Customs and Excise to see if a licence is required for any goods you wish to export to Panama. There are a number of licensing requirements, relevant to exports. These include:

- Common Agricultural Policy (CAP) Licences,
- The Department of Business, Innovation & Skills (BIS²) Licences,
- Department for Environment, Food & Rural Affairs (DEFRA) Licences,
- Department of Culture, Media and Sports (DCMS) Licences

An export licence is mandatory if you are exporting certain products. If a licence is required and is not presented at the time of export, the consignment will not be able to leave. The BIS's Export Control Organisation is the first point of contact for information on export controls. They provide advice on many issues, including how to establish whether or not specific goods need an export licence, the different types of export licences, how to complete export licence application forms and how long they take to process. They are also the point of contact for Export Control Organisation publications and licence application forms. For further information visit

www.bis.gov.uk/europeandtrade/strategic-export-control/index.html

The Defence Export Services Organisation (DESO) can provide information concerning the export of defence related equipment. For further information, visit www.deso.mod.uk

For information concerning export controls on antiques and works of art, please visit the Department for Culture, Media and Sport website. For further information, visit www.culture.gov.uk

There are certain products which cannot be imported into Panama:

- counterfeit coins or currency;
- equipment or instruments for manufacturing coins;
- liquors, wines, beers and medicines with labels that falsely describe contents;
- certain firearms;
- foreign lottery or raffle tickets;
- opium in the form of gum or for smoking;
- obscene brochures, books, newspapers, magazines, or postcards containing negative portrayals of the country's culture, civilisation or dignity; and
- certain plants, seeds, or animals as determined by the Ministry of Agriculture.

Licences are required for some imports that may compete with domestic products; there are also import quotas on approximately 250 types of goods. These are gradually being replaced with tariffs.

Export Credits Guarantee Department (ECGD)

ECGD can provide insurance or arrange medium/long-term finance packages in a wide range of markets worldwide for UK exporters of capital goods and projects. They can also provide contacts for private sector insurance for UK exporters of consumables.

For more information visit the ECGD website at www.ecgd.gov.uk or contact their helpline: Tel: +44 (0)20 7512 7887.

Export Financing

A number of local banks provide trade and export financing. Additionally, the Latin American Export Bank provides trade and export financing through the local banking system. Because Panama is an international banking centre, there are a number of financing options for Panamanian exporters and importers.

Technical Help for Exporters

Technical Help for Exporters (THE) is a service provided by the British Standards Institution (BSI) to provide information and advice on compliance with overseas statutory and other technical requirements. THE produces a wide range of publications and provides a special updating service of information in some product fields. THE can supply detailed information on foreign regulations; identify, supply and assist in the

interpretation of foreign standards and approval procedures; research and consult on technical requirements for a specific product; and provide translations of foreign standards, items of legislation and codes of practice. Fees vary according to the amount of work involved.

For further information visit the British Standards Institution (BSI) website at: www.bsi-global.com/Technical+Information/

Packaging regulations

Labels should contain the name and address of the manufacturer, expiry date, list of ingredients, lot number and product form (powder, liquid, etc). Labels should be in Spanish for medicines, household products and foods requiring special instructions; otherwise English labels are accepted. The alcohol percentage must be declared on labels for wines and spirits.

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Import licenses

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- Common Agricultural Policy (CAP) Licences,
- The Department of Business, Innovation & Skills (BIS) Licences,
- Department for Environment, Food & Rural Affairs (DEFRA) Licences,
- European Commission Licences,
- Forestry Commission Licences and
- Radio Communications Agency (RDA) Licences.

If a licence is needed and is not presented at the time of importation, the goods will not be allowed to enter the country.

Customs Duties

Duties are assessed on the cost, insurance and freight (CIF) value on an ad valorem basis. In some cases historical price information is used as reference. In addition to the duty, all imports into Panama are subject to a 5% value added tax (ITBM) levied on the CIF value. Certain items are exempted from the tax, including pharmaceuticals, food and school supplies.

The government of Panama has made significant progress in eliminating quantitative restrictions and trade barriers. The import tariff ceiling has been set to 15%. Some exceptions exist, for example agricultural products and a few other products such as motor cars. Further information can be found at www.hmrc.gov.uk.

Exchange controls

There are no restrictions on the import or export of any currency as long as it is declared at the entry port.

Anti dumping and countervailing

Food products or other items for human consumption may be subject to the Certificate of Free Sale (CFS) documentation requirement. The CFS prevents the dumping of inferior goods on the Panamanian market.

Drawback and bounties

Goods imported into the CFZ are exempt from taxes and duties normally payable for imports and exports. Other goods can be imported temporarily for up to one year; a deposit equivalent to the level of duty is paid by the importer and refunded on re-export.

Terms of Payment

International UK banks can provide advice on payment, credit management, and short term credit insurance and factoring. Various methods of payment are used, including Letters of Credit (L/C), sight drafts and open trading accounts.

Advertising and Marketing

Most distributors use television and newspaper advertising to promote products and services. These mediums are of high quality and competitive. Billboards are

commonly used. Trade shows and exhibitions are also effective. Outside Panama City radio advertising is the most effective method of promotion.

UK Trade & Investment offers British companies a range of subsidised commercial publicity services designed to assist and enhance their export strategies. British exporters are advised to consult their advertising agents before embarking on an advertising campaign.

Sales Promotion

Income distribution in Panama is highly uneven, with a small consumer goods-oriented class who have a high level of disposable income. This group follows Western Europe consumption patterns, and is concerned with brand name, high quality products that are packaged and marketed well. The majority of the population do not have high levels of disposable income and so are more concerned with price and the availability of credit.

Local representation

In order to undertake commercial activities within the Republic, visiting sales people must have a representative, distributor or commission agent with a commercial licence authorising them to operate as such. Any orders must be placed through one of these local representatives.

Although there are sufficient agents to represent British exporters it is almost impossible to obtain the services of exclusive buying agents because of the competitive condition of the market, and it is difficult even to find commission agents who are willing to accept an agency involving much preliminary work. Agents can generally be relied upon to give advice as to the terms to be allowed to particular customers.

In some instances, the more important agents are prepared to accept financial responsibility for consignments, so as to relieve small customers of heavy consular and shipping expenses. Exporters should arrange for their agents to assume a certain responsibility for any customer from whom they accept orders; additional security may be obtained if agents make a deposit with the exporter to cover defaults in payment by themselves or their customers.

There is no specific code in Panama regulating agents and distributors. The parties involved are regulated only by the private agreement made, and in cases of termination or dispute, this private contract will override any other document.

Business Hours

The normal business hours are 08.00 to 12.00 and 14.00 to 17.00 Monday to Friday. Some offices open on Saturdays from 08.00 to 12.00. Government offices are open from 09.00 to 17.00 Monday to Friday.

Banks are open 08.00 to 13.00 Monday to Friday and 08.30 to 12.00 on Saturdays.

The British Embassy is open from 08.00 to 12.00 Monday to Friday.

Shops are open from 08.00 to 18.00 Monday to Friday and from 09:00 to 18.00 on Saturdays.

Business Etiquette

Foreign corporations operating in Panama are important in shaping the style and manner of doing business, and consequently customs are similar to those of Western Europe or the USA, especially in Panama City. Punctuality is expected for business appointments and for social occasions. Business cards are usually exchanged, showing academic and professional qualifications.

Professional titles are used as follows: anyone with a University degree: Licenciado, engineers: Ingeniero; doctors, lawyers and those with doctorates: Doctor and architects: Arquitecto. Where an acquaintance has no professional title, a man should be addressed as *senor or don* followed by the family name; a woman as *senora or dona* followed by the family name.

Light-weight clothing is advised. A suit should be worn for business engagements. An umbrella is essential in the wet season.

For information on business etiquette, visit www.uktradeinvest.gov.uk

Transport and Travel

The British International Freight Association offers up to one day's free consultancy to advise companies on such matters as modes of transport, distribution methods, costing, documentation and payment terms. Further information can be found at: www.bifa.org

Air Transport

The national airline is COPA Airways and the International Airport is Panama City Tocumen International Airport is located 27 km north-west of Panama City. British Airways operates a daily service to Miami from both London Gatwick and London Heathrow, from where COPA and American Airlines operate daily services to Panama City. A longer route involves flying from Heathrow via New York and then San Jose, Costa Rica. From Costa Rica, overland access is available via the Pan-American Highway. Aeroperlas and Mapiex operate domestic flights between Panama City and all other major towns.

Train

A rail service operates between Panama City and Colon, running along the length of the Canal.

Roads

The Pan-American Highway runs across the length of Panama, from the Costa Rican border, through the Pacific coastal lowlands, and through Panama City. The Trans-Isthman Highway connects Panama City to Colon. Vehicles travel on the right.

Water Transport

Panama aims to become the main container transshipment centre of Latin America. It has two main ports: Balboa and Cristobal at either end of the canal which have recently been modernised. Colon Port Terminals opened on the north coast in 1997. Manzanillo International Terminal, one of the largest container ports in Latin America, is on the Atlantic side.

Travel Advice

If you are planning to visit Panama you are advised to consult the Foreign and Commonwealth Office (FCO) who issue regularly updated travel advice. Tel: +44 (0)207 238 4503 / 4504. Their website is at: www.fco.gov.uk

The FCO strongly recommends that you obtain comprehensive travel and medical insurance before travelling. You should check any exclusions and that your policy covers you for the activities you want to undertake. You should seek medical advice before travelling and ensure that all appropriate vaccinations are up to date. Cholera vaccination certificates are required for those travelling from an infected area. Yellow fever vaccination certificates may be required for visits to certain regions. For further information on health, check the Department of Health's website at www.dh.gov.uk

Panama City has some good private hospital and clinics but medical facilities outside the capital are limited.

Malaria exists in some parts of Panama, including in some outlying areas of Panama City. You should seek medical advice about the malaria risk in Panama before travelling. Cases of dengue fever are increasing particularly, but not only, in rural areas.

Passports/Visas

A passport that is valid for at least three months is required by all visitors. A visa is not required by British passport holders for visits of up to 30 days. If the 30 day limit is exceeded it is necessary to apply for an extension, valid for a further 30 days, from the Direccion Nacional de Migracion y Naturalizacion, on Avenida 2 Sur in Panama City. An extension costs around £10. For longer business visits a business visa can be applied for from the Panamanian Embassy in London.

Country Data

Feature	Country Data
Local time	Panama is 5 hours behind GMT.
Population	3.5 million (source: World Bank, estimate 2010)
Capital City	Panama
Language /Religion	Spanish is the official language although 14% speak English as a primary language. Many Panamanians are bilingual. The principal religions are Roman Catholic 85%, Protestant 15%.
Area	The land area is almost 75,990 sq km.
Public and Statutory holidays	Holiday dates in Panama are available at: www.timeanddate.com/holidays/panama/
International dialling code from UK	00 507
Local currency	Balboa (PAB); US dollar (USD)
Weights and measures	The metric system and the US system are both in use in Panama. Speed limits and distances are normally shown in kilometres, but petrol is sold by the (US) gallon.

Useful Contacts

American Chamber of Commerce and Industry

P.O. Box 0843-00152 PANAMA,
Rep of Panama
Tel: +507 301-3881

British International Freight Association

The primary body representing the UK international freight services industry.
Tel: +44 (0)20 8844 2266
Website: www.bifa.org

CIA Factbook

A fact book compiled by the CIA with country statistics.

Website: www.cia.gov/cia/publications/factbook

The Chamber of Commerce of Colon

P.O. Box 322, Colon, Republic of Panama
Tel: +507 441-7223 / 441-7182

E-mail: camcolon@pananet.com

Website:

www.pananet.com/cccolon/chamber.htm

Consulate of Panama in London

Consul General

Panama House, 40 Hertford Street

London W1J 7SH, UK

Tel: 020 7409 2255

E-mail: info@panaconsul.co.uk

Website: www.panaconsul.co.uk

Council for Investment and Development

PO Box 2431 WTC, Republic of Panama

Tel: +507 223 6788/9130

E-mail: info@businesspanama.com

Website: www.businesspanama.com

The Foreign and Commonwealth Office

The FCO issues current travel advice.

Tel: +44 (0)207 238 4503 / 4504.

Website:

www.fco.gov.uk/travel/countryadvice.asp

Panama-British Business Association (PBBA)

P.O. Box 0816-07946

Panama City, Panama

Tel: +507 269 0866

SITPRO

Sitpro provide information on export documentation and procedures.

Tel: +44 (0)20 7467 7280

E-mail: info@sitpro.org.uk

Website: www.sitpro.org.uk

UK Trade and Investment

The UK Government website with information to help you do business internationally.

Tel: +44 (0)207 215 8000

Website: www.uktradeinvest.gov.uk

Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

Some of the information in this publication has been based on information provided by UK Trade and Investment and Crown Copyright therein is acknowledged.

References:

¹ Source:

www.ukti.gov.uk/export/countries/americas/centralamerica/panama.html

² The UK Department for Business, Innovation & Skills (BIS) was formerly known as the Department for Business, Enterprise and Regulatory Reform (BERR) and before that was called the Department for Trade & Industry (DTI).

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