PANAMA

- **Population:** 3,000,000
- **Time zone:** GMT–5
- **Currency:** US$
- **Political status:** Republic
- **Airport:** Tocumen International Airport

Legislative update

Law No. 6 of 2005 (Official Gazette 15,232)
- Amended various articles of the Fiscal Code including company and foundation annual fee, exemption of real estate taxes, tax on transfer of tangible personal goods and rendering of services (ITBMS), goods subject to selective consumption tax, real estate transfer tax (ITBI), gross income, Panama-sourced income, deductions for donations to non-profit educational or charitable institutions, income tax

Law No. 18 of 2006 (Official Gazette 25,570)
- Amended some articles of the Fiscal Code to introduce additional rules/criteria for the calculation of income tax and capital gain tax

Law No. 20 of 2006 (Official Gazette 25,549)
- Repealed Law No.44 of 1999, which established the boundaries of the water sources of the Panama Canal

Law No. 22 of 2006 (Official Gazette 25,576)
- Regulates public contracts and includes other dispositions

Law No. 28 of 2006 (Official Gazette 25,590)
- Submitted the proposal for the construction of a third set of locks of the Panama Canal to the Executive and requested that the Electoral Tribunal coordinate a national referendum for the consideration of the general public

Contacts

Address	Tel	Fax	Contact
Superintendency of Banks Samuel Lewis Avenue, HSBC Tower – Floors 1,2,8,9,17,18, PO Box 0832-2397 WTC, Panama, Republic of Panama	+507 206 7800/7900	+507 206 7991	Lic. Delia Cárdenas, Superintendent of Banks
	E-mail	**Website**	
	–	www.superbancos.gob.pa	

Address	Tel	Fax	Contact
Ministry of Commerce and Industry, Edison Plaza, Sector El Paical Floors 2 and 3, PO Box: 9658 Zone 4, Panama, Republic of Panama	+507 360 0600/0700	+507 360 0663	Dr Alejandro Ferrer, Minister
	E-mail	**Website**	
	–	www.mici.gob.pa	

Address	Tel	Fax	Contact
Attorney General Office, Peru Avenue and 53 Street, Calidonia. Panama, Republic of Panama	+507 207 3002/3003	+507 207 3007	Ana Matilde Gómez Ruilova, Attorney General
	E-mail	**Website**	
	–	www.ministeriopublico.gob.pa	

PANAMA

New investment opportunities in Panama

by Enrique Sibauste

Report Summary

- Role of Panama Canal in international shipping
- Proposal for expansion of Panama Canal
- ACP financing
- Major investment and employment

The Panama Canal

Role in international shipping

The Panama Canal is a major ship canal that traverses the isthmus of Panama in Central America, connecting the Atlantic and Pacific Oceans. It has been enormously successful, and is a key conduit for international shipping. Each year more than 14,000 ships pass through it, carrying more than 203 million tonnes of cargo. By 2002 about 800,000 ships had passed through the canal. A typical passage by a cargo ship takes around nine hours.

The maximum size of vessel that can use the canal is known as Panamax and an increasing number of modern ships exceed this limit, and are known as post-Panamax vessels.

The Panama Canal Authority (ACP) is the agency of the government of Panama in charge of the operation and management of the Panama Canal and has exclusive charge of its operation, administration, management, preservation, maintenance, and modernisation.

Competitors of the Panama Canal are the US intermodal system, the Suez Canal, and the maritime routes through the Cape of Good Hope and Cape Horn.

For cargo originated in Northeast Asia, the Panama Canal route and the transpacific route connected to the intermodal systems are most efficient. However, as the intermodal system is facing growing costs and congestion, and the Panama Canal is not capable of handling growing demands, shippers may choose the Suez route, even though its navigation times are longer.

Proposal for expansion

Since 1930 all studies about the widening of the Canal have agreed that the most effective way to enhance capacity is to build a third set of locks of bigger dimensions that those built in 1914. The third set of locks project is an integral plan with the following components:

- construction of two lock facilities – one on the Atlantic side and one on the Pacific side – each with three steps, which include three water reutilization basins;
- excavation of new access channels to the new locks and widening of existing navigations channels;
- deepening of the navigation channels and elevation of Gatun Lake's maximum operating level.

A public referendum confirmed the willingness of Panamanians to embrace the project for construction of the third set of locks and it is expected that the local economy will receive a massive influx of capital until 2025. The investment will in turn assist in development of the local economy and the creation of new employment in all related services.

ACP financing

ACP finances are managed independent of the government to obtain financing terms under the best possible conditions and make use of alternative financing sources.

The financing will not have the sovereign guarantee of the State and therefore will not be consolidated with the sovereign debt. It is expected that the Canal contributions to the Treasury will increase and be greater than those made during fiscal years 2005 and 2006.

Major investment and employment

It is expected that expansion of the Canal will provide substantial benefits. The Canal is the primary force of a conglomerate of services and interrelated activities that generate a variety of contributions to the national economy. The entire economic system includes port, railroad and shipping agency activities.

In particular, the activities of the Colon Duty Free Zone, tourist operators, land and intermodal transportation services, shipyard, airport and merchant marine activities, legal, financial and insurance services together with the telecommunication sector and the City of Knowledge are expected to derive substantial benefit.

The Canal expansion will benefit not only from direct income generated by the expansion, but will stimulate the rest of the conglomerate investments, which is expected to increase to $1100 million per year (according to the Economic Impact of the Canal on the National Ambit, study performed by IntraCorp, March 2006). In addition, the project is expected to create 35,000–40,000 new jobs during the construction of the third set of locks.

Private projects are underway by private investors on the thousand of acres available for development in areas next to the Canal waterway. These were areas used for US military facilities and many remain vacant, available for use by prospective investors. Some existing projects include:

- call centres for handling customer services and telephone operations;
- warehousing, manufacturing and distribution of merchandise to and from the Americas;
- development of housing real estate for foreign retirees and local housing buyers;
- tourist centres for fishing, ecotourism, birdwatching, and other activities. ■

About the Author

Enrique Sibauste is an Associate at Arias, Fabrega & Fabrega, London

E-mail: esibauste@arifa.com