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Juan Carlos Varela, President of Panama, on the country's commitment to transparency.

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Banks remain the cornerstone of Panama's service-based economy, exhibiting strong growth.

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The year 2016 is a monumental one as works on the Panama Canal expansion come to an end.

PANAMA
2016

the business year



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Live the experience, **PANAMA CITY!**

The city is the main cultural and economic center of the country, has large financial activity and an international banking center, and has been one of the most competitive cities in Latin America.




Panama in indigenous language means "ABUNDANCE OF FISH AND BUTTERFLIES". It is a thriving city that over the years continues to strengthen its economy, one of the six most powerful in Latin America. It is the largest and most populous city in the country, having approximately 430,299 inhabitants in the heart of the city.



City bathed by two seas, a bridge connecting the world, a trench of water in which the Panama Canal is located-one of the wonders of the world-modern, and promoter of the country's economy.





The city was founded on August 15, 1519, becoming the first permanent city on the Pacific Ocean of America. In 2019 the city celebrates 500 years of history and from the Municipality of Panama a series of cultural events are being prepared for the celebration. Its postulation as the Capital of Latin American Culture will exalt the value the city.



The development of the historic region of the city, rehabilitating public markets, and rising stalls of the San Felipe Neri Market and Fish Market will be renewed in order to draw local and foreign attention.



Culture and sport are promoted more in public spaces to highlight the cultural wealth that our country possesses. Music, painting, and dance converge and fuse permanently in our metropolis.



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the business year

PANAMA
2016

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The Ministry of Economy and Finance of Panama



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As the Panama Canal expansion project draws to a close, the economy entered 2016 with a spring in its step and is looking forward to growth figures that many of its Latin American neighbors can only dream of.

Year in Review

PANAMANIANIANS HAVE, for over 100 years, chaperoned global trade through the Panama Canal. Today, shipping and financial services account for around three-quarters of GDP. Not wanting the waterway to fall into obscurity, a massive expansion project got underway in 2007 to add a new lane and increase width and height to allow for the passage of larger ships, or New Panamax-class vessels. As the project draws to a close in 2016, the impact the works have had on the economy, especially the construction industry, becomes clear—GDP growth between 2010 and 2015 averaged 8.22%, and came in at 6.2% in 2014, dropping somewhat to 5.8% in 2015 as works began to conclude. The World Bank predicts growth of 5.9% in 2016, rising slightly on the back of the increased trade Panama is likely to see as its new locks swing into action. Inflation sat at a healthy 0.1% as of end-2015 (although the fact that the Panamanian economy is dollarized makes this slightly less impressive) and unemployment at 4.5%, better than many of its regional neighbors, such as Costa Rica (9.7% as of end-2014) or Colombia (8.9% as of March 2015). GDP (PPP) per capita stands at \$21,634 as of 2015, compared to \$18,370 in Mexico. But the wealth that being an international trade hub has brought has left some behind, with 23% of the population living below the poverty line as of 2015, according to The World Bank. This has reflected poorly in a number of areas, non so much as education, where major gaps in primary and secondary education exist, mostly in rural areas—50% of students drop out of secondary education according to a Newsroom Panama report from early 2016. This has negatively impacted the quality of students entering the job market. In this respect, a quick look at official rankings reveals how far Panama has to go, the country ranking 83rd out of 144 in terms of the quality of its education system in the World Economic Forum’s Global Competitiveness Report 2014/15.

A roundup of the year in Panama would also not be complete without mention of the Panama Papers, a glut of 11.5 million documents leaked in April 2016 revealing the offshore dealings of thousands of businesses and individuals, at best financially unethical and at worst shockingly corrupt. For Panama, which had celebrated its removal from the Financial Action Task Force (FATF)’s money laundering and terrorism financing watch list, known as the “grey list,” earlier in the year, the news came as a blow to its pride. The authorities in Panama, however, were

quick to point out that, while bearing its name, the Panama Papers were not mainly about Panama. In a statement prepared for *TBY*, President Juan Carlos Varela said that; “They are unfairly called the Panama Papers because this particular trove of documents came from a single law firm based in Panama; however, the problem of tax evasion is a global one,” adding that, “the world must tackle this problem collectively and with urgency, and Panama stands ready to lead the way.” Panama had become a hotbed for offshore activities as it only taxes income derived from within Panama, based on laws in New York and Delaware and originating in 1927.

Other developments over 2015 include a reform package to boost mining investment and exports, with the idea of growing the sector’s contribution to GDP from 2% in 2013 to 10% in 2017. The country has proven mineral reserves, mostly gold and copper, worth \$200 billion based on 2015’s depressed prices. If Panama can reach that 10% figure, it would make the sector even more significant than the tourism sector, which was worth 8.1% of GDP in 2015, up from 5.6% on 2014. In 2014, the country drew 2.3 million visitors, with just under half coming from Latin America, a quarter from North America, and just over 10% from other Central American destinations. Growth in this area can also be partially credited to Tocumen International Airport, to which Air France now flies direct, yielding a 75% increase in French tourists over 2014. An expansion to Tocumen International Airport is expected to be completed in 2016, boosting capacity up to 18 million people with the help of a new, third runway.

As the Panama Canal expansion comes online, the challenge is to maintain momentum. But with construction firms positive that work won’t dry up following the grand opening—projects include a \$800 million redevelopment of the city of Colón—it seems unlikely that too many Panamanians will be left twiddling their thumbs.

Moving forward, the benefits of canal expansion will pay dividends as cargo volume grows 3% a year, doubling 2005 tonnage by 2025 and ensuring the waterway can meet new demand for a generation. Set to take on the challenge of ensuring prosperity is President Varela, who assumed office in 2014 keen to paint a picture of a Panama that is attractive to investors. “After decades of dictatorship, Panama is a stable democracy committed to the rule of law and is home to the regional headquarters of more than 100 transnational companies,” he reinforced. ✘

GDP PER CAPITA

\$11,948

INFLATION

0.1%

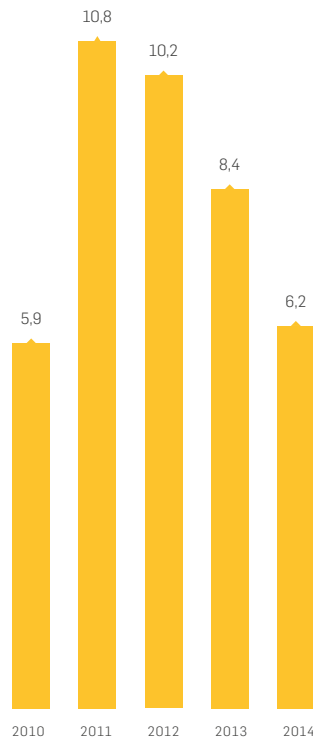
CURRENT ACCOUNT

-11.4% of GDP

SOURCE: WORLD BANK

GDP GROWTH (%)

SOURCE: WORLD BANK





TIMELINE

THE BUSINESS YEAR **IN PANAMA****SEP 2015**

AES is awarded a contract by Panama's Electric Transmission Company, SA to build the **country's first liquefied natural gas plant** and convert Panama into a natural gas hub for the region. The winning bid outlines that AES will build a plant with a 170,000 cubic meter liquefied natural gas storage tank and 350MW of generating capacity. The project is expected to begin in 2016 and commence operations in 2018, with the agreement locking in AES and Panama's Electric Transmission Company to a 10-year power purchase agreement.

OCT 2015

Panama commits to joining the automatic exchange of tax information at the Organization for Economic Cooperation and Development's 8th Global Forum on **Transparency and Exchange of Information for Tax Purposes** in Barbados. Pledging full compliance with the global initiative by 2018, the move comes as a signal of Panama's willingness to submit to the Common Reporting Standard developed with the G20.

NOV 2015

The Panama Canal Authority opens the prequalification and **public tender process for the new Port of Corozal container project** in anticipation of the increased container traffic set to come through following the opening of the Panama Canal Expansion. The project will occupy an area of 120ha and is expected to begin in 2016 and last until 2018. The new port project will be carried out in two phases and will eventually have the capacity to handle more than 5 million TEUs per year.

Sep

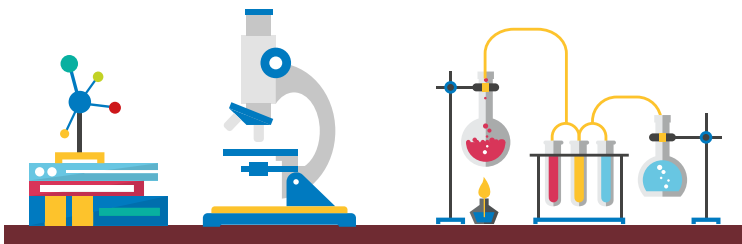
Oct

Nov

Dec

Jan

Feb

**DEC 2015**

Together with the Panamanian Chamber of Information Technology, Innovation, and Telecommunications (CAPATEC), the National Secretariat of Science, Technology, and Innovation (SENACYT) launches its **National Strategic Plan for Science, Technology, and Innovation 2015-2019**. The plan draws on global research tying scientific advancement to poverty alleviation and improved living standards. As an integral guideline for the new policy framework, SENACYT sets the target of increasing R&D expenditures as a percentage of GDP from 0.1% in 2015 to above the 0.7% regional average by 2019.

JAN 2016

Panama assumes new seat on **UN Human Rights Council** for the first time in the country's history. Receiving the most votes among the eight countries from the region with 157 out of the 192 participating nations voting for Panama, it will represent Latin American and the Caribbean for a three-year term. Panama joins Georgia, Mongolia, Burundi, and Togo as newcomers to the 47-member UN Human Rights Council and will sit as vice president of the group.

From new megaprojects to political action, developments in Panama filled the headlines of media outlets around the world.

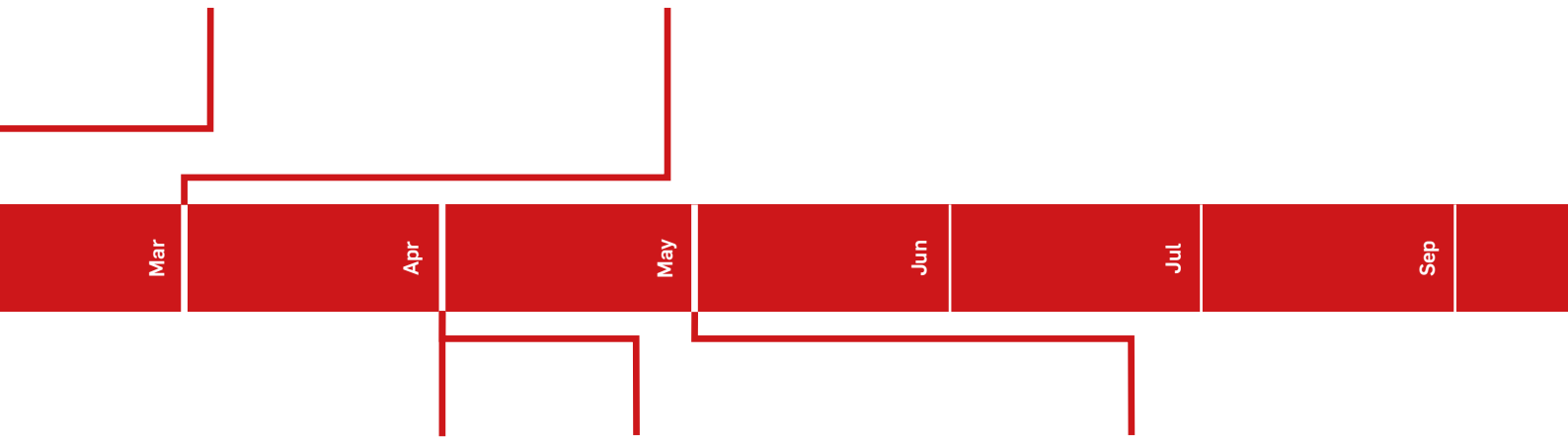
FEB 2016

Dramatic regulatory reforms lead to Panama being **removed from the Financial Action Task Force's "grey list"** of countries with inadequate money laundering or terrorist financing prevention frameworks. Panama was placed on the list in June 2014 in response to an IMF report that identified shortcomings in the country's banking framework, deeming the country susceptible to crimes related to fraud, drug trafficking, and money laundering. The Financial Action Task Force commended Panama for its part in establishing new financial controls.



MAR 2016

Panama's Tocumen Airport lives up to its reputation as the **"Hub of the Americas"** as Lufthansa sends off its inaugural direct flight from Frankfurt to Panama. The flight will operate five times weekly and is one of the world's longest direct flights. Turkish Airlines follows shortly after, launching its inaugural flight from Istanbul to Panama. Emirates Airlines direct Dubai-Panama flight, marketed as the world's longest flight at 17.5 hours, is postponed for a second time due to delays in securing codeshare agreements in the region.



APR 2016

11.5 million documents, dubbed the "Panama Papers," are leaked from Panamanian law firm Mossack Fonseca. The documents released following the security break reveal how offshore companies were used by wealthy individuals and public officials, including 12 current and former world leaders among 143 other politicians, for the purposes of tax evasion and money laundering. Despite the name, **the documents do not implicate the country in any wrongdoing.** President Varela announced the creation of a new judiciary tribunal and an independent commission to investigate the case and apply the findings to increase transparency.

APR 2016

Panama celebrates the inauguration of UEP Penonomé II, the second phase of the Laudato Si wind farm megaproject. The initial operation of the \$430 million wind farm, which is expected to supply clean electricity to more than 125,000 homes, marks **an important milestone in Panama's shift toward renewable energy** and reduces the country's reliance on seasonally volatile hydroelectricity.

MAY 2016

Initial trials are conducted at the \$140 million UN-backed Barro Blanco hydroelectric dam. The project comes amid **government efforts to diversify Panama's energy matrix** and increasingly pursue new sources of renewable energy to satisfy the country's growing energy demand. Though concerns are raised that the project poses a risk to local communities, participants in the project highlight job creation and the resulting formation of a reservoir lake and surrounding national park as additional benefits of the new dam.



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Juan Carlos Varela, President of Panama, on the Panama Papers and the country's commitment to transparency.

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TBY talks to Michelle Bachelet, President of Chile, on the strength of bilateral ties between Panama and Chile.

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TBY talks to Mike Eman, Prime Minister of Aruba, on the collaboration between Panama and Aruba and bilateral trade.

Diplomacy

REVIEW

Panama is taking the lead in regional diplomacy. Fresh from its historic hosting of the Summit of the Americas in 2015, the country has since brought all sides together to implement Colombia's peace process.

AMERICAS CENTRAL

On April 9, 2015, President of the United States Barack Obama touched down in Panama City for the 7th Summit of the Americas. The summit brought together all the countries of the American continents including, for the first time, the US and Cuba. The summit focused on the Colombian peace process, on security and closer regional collaboration, and on further developing the trade benefits of the Trans-Pacific Partnership (TPP). The gathering provided further proof, lest it were needed, of Panama's importance as a diplomatic center, as a bastion of stability and democracy in the region, and as a valued trading partner for the region and the wider world.

Panama's strategic location, the dominance of its canal on the economy and politics, and the strong influence of the US have combined to ensure foreign policy has long been at the forefront of the country's political and diplomatic concerns. Ever



Image: Ufuk ZIVANA

Panama's strategic location, the dominance of its canal on the economy and politics, and the strong influence of the US have combined to ensure foreign policy has long been at the forefront of the country's political and diplomatic concerns.

mindful of American influence to its north, the country has worked hard to safeguard its interests through regional cooperation. This priority on regional diplomacy stems from the ratification of the Panama Canal treaties in 1978, when Panama's overriding concern was to retain full control over the canal and its traffic. To ensure this, Panama sought wide regional cooperation among its neighboring countries. This effort, sustained over the course of almost 40 years, has given Panama an international prominence and regional influence that far outweighs the country's immediate size.

In 2012, the US and Panama signed the historic US-Panama Trade Promotion Agreement (TPA). The TPA is a comprehensive free trade agreement that provides elimination of tariffs and removes barriers to US services, including financial services. It included important disciplines relating to customs administration and trade facilitation, technical

barriers to trade, government procurement, investment, telecommunications, electronics commerce, intellectual property rights, and labor and environmental protection. The deal was seen as indicative of the over-arching importance of US-Panama relations to the region.

GOVERNMENT

Panama is a democratic republic with a presidential system. Legislative power rests with the National Assembly, which is made up of 71 seats. Since July 2014 the President, and leader of the ruling Panamenista Party, has been Juan Carlos Varela. As President, Varela heads the Executive Branch of parliament, which includes a vice president and government ministers. Each government runs for a set five-year term, and the Presidency cannot be renewed, each president being limited to one term. The judiciary is independent from parliament and is not beholden to the National Assembly, which passes new legislation onto the statute. Since July 2014 the vice president has been Isabel Saint Marlo.

The cabinet council is made up of 12 members of state, and is granted important powers including decreeing a state of emergency and suspending constitutional guarantees, overseeing national finances such as the national debt, and nominating members of the Supreme Court. The president and council are supported by the General Council of State, which serves a purely advisory role. This body includes the FDP commander, solicitor general, attorney general, president of the Legislative Assembly, directors general of various autonomous and semiautonomous state agencies, and president of the provincial councils.

In 1983, the constitution was amended to create the Legislative Assembly, a unicameral body comprised of 67 members. Members are elected for five-year terms that run concurrently with those of the president and vice presidents. The assembly has the power to create, modify, or repeal laws, declare war, ratify treaties, decree amnesty, manage the national currency, raise taxes, ratify government contracts, and sign off on the national budget. The assembly also has the authority to impeach members of the executive or judicial branches. However in both law and prac-

On April 9, 2015 Barack Obama, President of the United States, touched down in Panama City for the 7th Summit of the Americas. The summit brought together all the countries of the American continents including, for the first time, the US and Cuba. The summit focused on the Colombian peace process, on security and closer regional collaboration, and on further developing the trade benefits of the Trans-Pacific Partnership (TPP).

tice, its authority is stymied by party politics, executive intervention, and tax regulations to name just a few. In 1994 a constitutional amendment finally abolished the military altogether—laying to rest the ghost of military dictatorship which dominated Panama’s life and politics for decades until the 1980s and a gradual move to civilian leadership.

Panama is governed according to its fourth constitution, which was implemented in 1972, and which was most recently revised in 2004. Each year, November 28 is celebrated in recognition of Panama’s independence from Spain in 1821; and November 3 is the anniversary of Panama’s separation from Colombian rule in 1903.

INTERNATIONAL RELATIONS

Panama has been a member of the World Trade Organization (WTO) since September 1997, and is a member of numerous international organizations. Panama has membership of the Organization of American States (OAS), the Union of South American Nations (USAN), the World Customs Organization, the International Monetary Fund, and the International Chambers of Commerce, among many others. Panama is also a member of the UN General Assembly, and has also served three terms in the UN Security Council.

The year 2015 saw Valera formally strengthen regional ties, particularly with Cuba, Brazil, and the Bahamas. Valera held bilateral meetings with the heads of the three countries during the Community of Latin American and Caribbean States (CELAC) annual international conference in Costa Rica.

The 7th Summit of the Americas also saw the rekindling, albeit slowly, of Panama’s relations with Cuba. Diplomatic relations were broken altogether between the two countries in 2004. Panama hopes to restore full relations and reopen its embassy in Havana, by 2018. ✘



Image: U.S. Department of State

tackling a global **CHALLENGE**

Juan Carlos Varela, President of Panama, on the Panama Papers and the country's commitment to transparency.

Despite their name, the Panama Papers are not mainly about Panama. They are not even primarily concerned with Panamanian companies. The more than 11 million documents, illegally hacked and relating to previously undisclosed “offshore” corporations, are roiling the world with revelations of the vulnerability for rampant abuse of legal financial structures by the wealthy.

They are unfairly called the Panama Papers because this particular trove of documents came from a single law firm based in Panama; however, the problem of tax evasion is a global one.

Panama does not deserve to be singled out on an issue that plagues many countries. But we are willing to accept the responsibility for fixing it, in part because greater transparency is ultimately a continuation of reforms we have recently undertaken. The world must tackle this problem collectively and with urgency, and Panama stands ready to lead the way.

The scope of the information is breathtaking, with the files including information on more than 14,000 banks, law firms, corporate incorporators, and other middlemen from more than 100 countries, which is just a small part of a worldwide industry that harbors trillions of dollars. That some can rig the system to hide their wealth is not merely unjust, it also harms global development by siphoning off revenues that could be directed to education, healthcare, and infrastructure.

Contrary to media reports, Panama does not make special allowances for “offshore” structures. The association of Panama with

offshore activities comes from the fact that we tax only income derived from within Panama, not from without, which remains taxable pursuant to the laws of relevant jurisdictions. These rules, based on laws in New York and Delaware, originated in 1927 and are common today. While these laws have been buttressed by additional regulations, they can still be manipulated for illicit purposes.

Under previous governments, Panama was no doubt a target of money launderers. Today, Panama is committed to adopting all transparency reforms needed to satisfy the international community. In the 21 months of my administration, Panama has taken steps to increase transparency and strengthen our financial legal systems. We developed a robust treaty network that allows for the exchange of information. “Know your client” regulations were substantially enhanced and extended not only for financial and corporate providers, but also for key nonfinancial industries vulnerable to abuse. And as of January 2016, we require identity certification of shareholders of all Panamanian companies.

I have announced a commitment to the automatic exchange of financial and corporate information, and we have proposed steps that we believe are consistent with the goals of the international community, including the Organization for Economic Cooperation and Development (OECD) through its Common Reporting Standards proposal. These reforms have been recognized and validated by the international community, including the Financial Action Task Force on Money Laundering,

BIO

Juan Carlos Varela graduated from Georgia Tech University with a degree in Industrial Engineering. He was elected Vice President of the Republic of Panama in July 2009. On March 17, 2013, Varela became the presidential candidate for the Panameñista Party, and on August 25 of the same year was proclaimed candidate for the Alliance of the People First (Alianza El Pueblo Primero), made up of the Panameñista and Popular Party, with the support of independent sectors of the country. On May 4, 2014, Varela was elected President of the Republic of Panama for the 2014-2019 Constitutional period.

which cited Panama's "significant progress" in combating money laundering when it removed us this year from its gray list. Removal from that list occurred in record time.

Our financial transparency ranking with the nongovernmental organization Tax Justice Network has steadily improved since 2013, and we now rank well ahead of Japan, Germany, and the US. We have also progressed positively in a peer review by the OECD's Global Forum for Transparency and Exchange of Information for Tax Purposes. These reforms in Panama, along with other international efforts, have been paying dividends.

Still, more work is needed. I have announced that Panama's Ministry of Foreign Affairs will create an independent committee of international experts to evaluate our policies, determine best practices, and propose measures that will be shared with other countries to strengthen global financial and legal transparency. We expect their findings within six months. Panama will continue to cooperate with other jurisdictions to prosecute offenses outlawed in our Criminal Code, and we will continue to exchange financial and legal information to comply with the many treaties we

Our financial transparency ranking with the nongovernmental organization Tax Justice Network has steadily improved since 2013, and we now rank well ahead of Japan, Germany, and the US. We have also progressed positively in a peer review by the OECD's Global Forum for Transparency and Exchange of Information for Tax Purposes. These reforms in Panama, along with other international efforts, have been paying dividends.

have ratified. We also reiterate our willingness to engage in dialogue with the OECD and its Global Forum with respect to reaching financial transparency agreements that can further the economic development of our countries.

After decades of dictatorship, Panama is a stable democracy committed to the rule of law and is home to the regional headquarters of more than 100 transnational companies. To fulfill our democratic evolution, we must have a government committed to transparency, accountability, and the separation of powers. Our response to the current crisis will test our resolve and our potential. ✖



In recognition of its historic role in regional diplomatic affairs and the initiatives of its current administration, Panama was appointed Vice President of the United Nations Human Rights Council.

A TRULY JUST CAUSE

IN 2016, PANAMA HOLDS, for the first time, a seat on the United Nations Human Rights Council. Panama won one of the three designations allocated to the region at the United Nations General Assembly in October 2015 and assumed its new role alongside Ecuador and Venezuela on January 1, 2016.

At the United Nations General Assembly on October 28, 2015, Panama was voted, along with 17 other countries, to sit as a member of the Human Rights Council for a three-year term beginning in January 2016. It received the most votes of any country in Latin America and the Caribbean, with support from 157 out of the 192 participating nations. Panama accompanies Burundi, Georgia, Togo, and Mongolia in becoming a member of the Geneva-based United Nations Human Rights Council for the first time in the country's history and will occupy one of the eight seats allocated to the Latin American and Caribbean region, together with Ecuador, Venezuela, Cuba, El Salvador, Mexico, Paraguay, and Bolivia. Panama will serve as the vice president of the council and will be represented by Ramon Morales Quijano, whose long career in international diplomacy includes such other high-ranking positions as Permanent Representative to the United Nations in New York, Panamanian Ambassador to El Salvador, and Consul General appointments in both Egypt and Japan.

The United Nations Human Rights Council is a 47-member intergovernmental body created by the United Nations General Assembly in 2006. Its main aim is to promote the protection and assess violations of human rights around the world. Its members are elected by the General Assembly to serve three-year re-electable terms. The appointment, which will last until 2018, will allow Panama to raise concerns over issues that it deems important to the country and the region. Panama has previously stated its commitment to supporting the UN's efforts across a variety of areas such as immigration, rights for children and adolescents, acknowledgment of women's rights and gender equality, and humanitarian aid. Its priorities will be focused primarily on integrating its efforts in strengthening human rights as a mandate for its citizens and

improving the standard of living for the region and indeed throughout the rest of the world.

The decision was welcomed by the Panamanian government, and it comes in line with the government's strategy to increase the country's presence in international organizations. A number of other United Nations authorities, including the United Nations Office for Project Services (UNOPS), the United Nations Environment Programme (UNEP), the Food and Agriculture Organization of the United Nations (FAO), and The United Nations Children's Fund (UNICEF) have already established regional offices in Panama's City of Knowledge, the government-supported cluster of technology companies, academic organizations, and non-governmental organizations managed by the Fundación Ciudad del Saber. The significance of so many of these United Nations authorities establishing local offices on the grounds of what was formerly Fort Clayton, the headquarters of the United States Army Southern Command that played a significant role in facilitating the US invasion of Panama in December 1989, sends a strong message both to the international community and to the people of Panama regarding the real progress made in the direction of greater prosperity and protection of basic human rights. The United Nations recently signed a MoU with Panama to establish its Latin America Regional Human Rights office in the country, further strengthening the country's status as a hub for both global trade and international organizations. ✖





HUBS *in a pod*

TBY talks to **Michelle Bachelet**, President of Chile, on the strength of bilateral ties between Panama and Chile.

Panama and Chile have a history of strong bilateral relations. What makes Panama an importance economic, security, and political partner for Chile?

Panama is the main logistics hub in Latin America, making it, without a doubt, an important engine for global trade. In this context, Chile is the top Latin American user of the Panama Canal and third overall, turning Panama into a key player for the growth and development of Chile's foreign trade. Since the expansion of the Canal was announced, Chile has closely followed its development, as it represents the possibility to further increase our trade with the rest of the world, particularly regarding gas imports from the US and Trinidad & Tobago, which will be able to circulate through the new locks. In addition, Panama also aspires to become the hub for disaster relief aid throughout the region, an issue of great interest to Chile.

Chile is the first country in South America with which Panama signed an FTA. How did this reinforce trade and investment links and which goods are particularly important?

The economic and trade relations between Chile and Panama are governed by the FTA,

in force since March 7, 2008. The FTA establishes a regulatory framework that includes disciplines such as market access for goods (rules of origin, customs procedures, technical standards, and sanitary and phytosanitary standards), trade in services, investment, transparency, and dispute settlement. All these disciplines ensure the best conditions for trade in goods and services between Chile and Panama. Since the entry into force of the FTA, exports have grown at an average annual rate of 4.1%. During 2015, Chile exported to Panama a total of \$176 million and imports from Panama in 2015 were \$82 million, an increase of 9.3% in relation to 2014.

There is an increased presence of Chilean products in the Panamanian market, including salmon (five-fold increase), machinery and metal products and equipment (four-fold), and processed foods and wine, which have doubled their exports. Moreover, there are growth opportunities for trade in services, as 80% of Panama's economy is linked to this sector.

Regarding investment, Panama is the 10th destination in the world for direct investment of Chilean capital. The accumulated direct invest-

ment in that country amounts to \$813 million, representing 0.8% of the total invested abroad, and it ranks as the largest recipient in the region of Central America, with over 20 Chilean companies. Chilean investment is mainly concentrated in services, focusing on finance, transportation, retail, computer services, and construction.

BIO

Michelle Bachelet has been the President of Chile since March 11, 2014. She is now serving her second term. She is the first woman to hold this position in the history of her country and the first President to be re-elected since 1932. In 1970 she began her studies at the Medical School at the University of Chile. She was also the first Under-Secretary-General and Executive Director of UN Women. She holds ministerial portfolios in the Chilean Government as Minister of Defense and Minister of Health.

How can the two countries increase their cooperation in other fields such as tourism and education?

The government of Chile assigns a special priority to strengthening our relations with Latin American countries. Since 2014, we have focused on promoting an ambitious agenda in Central American countries based on not only the administration of FTAs, but also on the three additional pillars of the modernization of these trade agreements, development cooperation, and investment promotion. In the area of development cooperation, Chile is carrying out some South-South, as well as triangular cooperation projects in the region. In February 2016, we presented a cooperation project entitled "Strengthening the institutions responsible for trade policies of the Central American countries" to the EU. This project aims to contribute to strengthening the Central American region as an economic group and help in their integration with international trade. We hope to continue incorporating similar initiatives in other areas such as education, security, and tourism, among others. In addition, we welcome the interest of Panama in the Pacific Alliance and hope that we will continue to strengthen relations in the area of regional integration through closer cooperation on areas such as education, tourism, transportation, and promoting SMEs. ✕

WELL *complemented*



In 2013, Panama and Aruba signed an MoU to boost cruise tourism. How do you assess its success, and what are some ways trade ties can be reinforced?

The locations of Aruba and Panama make our partnership a proverbial win-win, as both destinations benefit from stimulating cruise tourism in the Southern Caribbean. Panama and Aruba have had a strong informal collaboration for many years, but in 2013 the Aruba Tourism Authority and the Chamber of Tourism of Panama signed an MoU to formalize our efforts to stimulate cruise tourism, especially during the summer months. Our respective Ministers of Tourism have been working steadily since 2013 to develop concrete steps to secure additional cruise business for our countries. In addition, these joint efforts have been expanded to include the country of Curaçao. The goal is to approach specific key cruise line partners as well as to collectively embark on potential product development efforts. I am very confident that such efforts will lead to

TBY talks to *Mike Eman*, Prime Minister of Aruba, on the collaboration between Panama and Aruba, mutual goals, and bilateral trade.

success for all three countries in increasing cruise tourism. I believe it is important for countries in the region to no longer view one another simply as competitors, whether for tourists or foreign investment, but rather to seek out ways we can work together so we all may benefit. Our MoU with Panama regarding cruise tourism is one inventive and promising way to do that, but we should find others. I think we can also strengthen our trade ties with Panama in the maritime and logistics sectors.

What are the similarities between Panama and Aruba, and how can Panama learn from Aruba's experience in marketing itself to visitors?

In terms of joint marketing to increase cruise tourism, what is more important for Panama and Aruba are the differences in our tourism and how we can complement one another in terms of what we offer to cruise tourists. Panama, of course, is a much larger country with a vibrant and modern metropolitan setting in Panama City. Panama also has mountains and jungles, as well as the Panama Canal Zone, one of the industrial wonders of the world.

What makes Panama an important trade and investment partner for Aruba?

Panama is a tremendous multifaceted trading hub, not only for the region but

for the world. Aruba also has a strategic location in the Caribbean and is developing its potential with a new state-of-the-art Multi Cargo Sea Terminal that will open in 2016. There is great potential for Aruba and Panama to collaborate and to develop business opportunities in the maritime and logistics sector. And Aruba, as part of the Kingdom of the Netherlands, offers a unique opening to Europe right here in the Caribbean. In April 2015, after attending the Summit of the Americas in Panama, I led a Trade Mission Delegation of the Kingdom of the Netherlands that hosted a conference and participated in a trade show in Panama, both focused on the maritime industry. In addition, the Kingdom sponsored a matchmaking session where companies from the Kingdom could explore business opportunities with Panamanian companies. The Kingdom was represented in Panama by 30 companies from the maritime sector alone, which were seeking to do business with Panamanian and other companies. This strong showing of interest of the private sector in the Kingdom, makes clear that Panama is a very important trade and investment partner for Aruba and the Kingdom of the Netherlands.

Looking ahead, what are some of the ways in which the two countries can cooperate, and

what do you envisage for the future of bilateral relations between the two nations?

I believe the future of bilateral relations between Aruba and Panama is a bright one with tremendous potential as our countries cooperate on promoting cruise tourism and seeking business partnerships in the maritime and logistics sectors. ✕

BIO

Mike Eman is a 1992 graduate of the University of the Netherlands Antilles, where he pursued further studies and in 1996 graduated in Netherlands Antilles civil notary law. He entered politics as a candidate in 2001, and was elected to the position of leader of the AVP party in 2003. In 2009, he was elected as the island's fifth Prime Minister, and was re-elected with a historic majority in Parliament in 2013. Since entering office, Prime Minister Eman has pursued an agenda designed to promote sustainable and shared prosperity in Aruba; a balance between the vital dimensions of quality of life and sustained economic growth.



TBY talks to **Luis Guillermo Solís Rivera**, President of Costa Rica, on regional integration and working with Panama.

STRATEGIC *partners*

BIO

Luis Guillermo Solís Rivera studied history at the University of Costa Rica and completed his master's in Latin American studies at Tulane University. For 30 years, he has held academic positions, both at the University of Costa Rica and the National University. He was an official at the Ministry of Foreign Affairs between 1986 and 1990 and worked closely in the formulation and negotiation of the peace process for Central America. He worked for the Latin American Faculty of Social Sciences, the Ibero-American Secretariat, and the Foundation of External Services for Peace and Democracy (Fundapem). From 1994 to 1998, he was Ambassador of Costa Rica for Central American Affairs and Director of Foreign Policy.

What makes Panama an important diplomatic, economic, and security partner for Costa Rica?

Costa Rica and Panama maintain a strong and deep relationship of friendship and policy alignment. They are countries with solid institutions, which have abolished the military, put in place open economic models, and prioritized investment in society and sustainable human development. In this sense, Panama is a strategic partner for Costa Rica.

Planning is underway for the construction of a new bridge over the Sixaola River. How will the project promote regional integration, and how will it impact trade?

The construction of the new bridge over the Sixaola River will facilitate the development of binational and international tourism in the Caribbean region, partic-

ularly in the provinces of Limón and Bocas del Toro. The bridge will help establish a multi-destination tourism hub in that area, which Costa Rica and Panama will be able to promote jointly in international markets. In addition, it will allow for the strengthening of commercial relations between both countries through the establishment of modern infrastructure that will support commercial transportation between the Port of Colón in Panama and the new APM terminal in Puerto Limón, Costa Rica.

How can Costa Rica and Panama leverage each other to promote tourism?

Tourism between both countries is very important, and in this regard Costa Rica and Panama could consider taking practical and concrete measures. Among these possible measures would be the

Targeting infrastructure development

Promoting increased binational tourism

simplification of migration processes at land border crossings, the development of new installations and facilities at the main overland entry and exit points, and increasing the frequency of tourist buses crossing between the two countries. ✖



leading by EXAMPLE

Luis Almagro, Secretary General of the Organization of American States (OAS), on the role of Panama in facilitating regional diplomacy, taking advantage of institutional support, and supporting development programs in the country.

Panama's membership in the OAS has resulted in many significant contributions to the country's development in several areas including political, economic, and social, from the observation of nine electoral processes since 1972 to the support given by the OAS to the advancement of trade negotiations with other countries of the region. In 1977, the OAS was the host of one of the most significant events in the country's history when the governments of Panama and the US signed the treaties for the progressive transfer of sovereignty of the Panama Canal to the people of Panama, an event still remembered as an example of goodwill and cooperation between the two countries. It was no coincidence that the Organization of American States was selected as home and headquarters for the signing of those treaties. In recent decades, Panama has participated actively in the efforts promoted by the OAS. It has twice hosted the OAS General Assembly on two opportunities, in 1996 and 2007, and also played host to other high-level hemispheric meetings of the

OAS that have shown the country's leadership in the region and positioned it as a valuable promoter of issues of the highest concern for the region.

Panamanians have actively participated in the scholarship programs offered by the OAS and in other training programs that range from port security to international law. Being a member of the OAS represents a unique value to a country like Panama in the context of globalization, where it is part of a community of nations that act together on issues of common interest and cooperate among themselves, regardless of their size or economic growth rates. Panama has also benefited from the participation of key stakeholders in their innovation and entrepreneurship ecosystem in the Americas Competitiveness Exchange (ACE) on innovation and entrepreneurship and the Group of Experts of Subnational Competitiveness (GTECS) with the support of the OAS. In 2013, Panama hosted the VII Americas Competitiveness Forum (ACF), working closely with the OAS Tech-

nical Secretariat to share public policy experiences on infrastructure and innovation. Since then, projects like the expansion of the Panama Canal and the new metro of Panama, as well as programs aimed at promoting innovation, talent, and connectivity in Panama such as Infoplazas to facilitate Internet access, Pista to develop academics and young scientists, and the innovation and logistics center and the urban redevelopment of Curundú, are all part of the experiences shared by Panama through the Inter-American Competitiveness Network (RIAC). In Panama, the General Secretariat of the Organization of American States has also worked closely with AMPYME, the country's SME support institution, in order to organize training programs for the use of information and communication technologies as a means of improving the business management of micro and small businesses. These programs have placed an emphasis on women entrepreneurs, so that they can take advantage of expanded domestic and international markets. ✖

BIO

Luis Almagro was elected Secretary General of the Organization of American States in March 2015. A career diplomat, Almagro was Foreign Minister of Uruguay from 2010 until March 2015 and has extensive regional and international experience. He was elected Senator in the October 2014 national elections of Uruguay. While Foreign Minister for President José Mujica, his efforts led to the decision by the UN to include Uruguay as a member of the UN Security Council. In 2014, Foreign Policy magazine named him a Leading Global Thinker; one of only 10 decision-makers in the region granted this international distinction. Almagro is a lawyer by profession, and speaks Spanish, English, and French.



25

TBY talks to Carlos G. Fernández, Former President of the Chamber of Commerce, Industry, & Agriculture of Panama (CCIAP).

28

Panama stands out among its regional counterparts as a leading destination for FDI.

34

Free trade zones provide development opportunities and benefits not just statewide but for local communities as well.

Economy

REVIEW

Central to Panama's economy is the canal that is, in 2016, taking on a bigger role than ever before, following completion of its much-awaited expansion. The challenge for Panama now is to ensure the benefits are felt across the economy.

A CANAL RUNS THROUGH IT

Panama is set to be the fastest-growing economy in Latin America in 2016, spurred on by the opening of the widened canal in June, a swathe of major infrastructure projects coming online, and prudent fiscal policy at the government level. Panama's services industry, in particular banking, commerce, and shipping, account for 80% of the country's economy. It's a well-developed, and diversified, picture that includes such giants on the world stage as the Panama Canal, the enormous Colón Free Trade Zone, and its financial services and industrial base. The economy is firmly international and dollarized, with a long history of low inflation. GDP grew by 5.8% in 2015, slightly down from 6.2 in 2014, boasting the second most competitive economy in the region after Chile. The World Bank forecasts growth of 5.9% in 2016, rising slightly on the back of increased trade through the canal once more. The IMF predicts even better—grow-



Image: Alcaldía De Panama

Panama's economy is the fastest-growing in the Americas. The government is putting in place measures to ensure the economy's continued stability and implementing new agreements on transparency and measures to counter money laundering.

ing by 6.1% in 2016. The average annual growth rate between 2001 and 2013 was 7.1%, and growth for the period 2010 to 2015 averaged 8.22%. Growth peaked in 2Q2011 at an all-time high of 12.20% YoY. As of December 2015, inflation was 2.6% and unemployment low, at 4.5%. GDP per capita (allowing for PPP; Panama has a population of 4 million) has risen steadily since 1998, and has risen from \$16,500 in 2013 to \$21,634 in 2015. This is one of the highest in Central America—Mexico's GDP per capita for 2015 was \$18,370. The current account deficit as a percentage of GDP nudged from -9.8% in 2014 to -6.5% in 2015. And the trade deficit balanced a little from -10.4% in 2014 to -9.7% in 2015.

This is all in stark contrast to what is happening in many other countries in the region. In April 2016, the IMF issued a report predicting that entire economy of Latin America and the Caribbean will contract by 0.5% in 2016. This will be the worst performing year for the con-

continent since 1982. In Panama, meanwhile, the report sees the economy expanding by a buzzing 6.1% this year. The IMF forecasts a further rise in 2017, by 6.4%. By contrast, Brazil faces a recession of 3.8%. For Panama, the sectors that present the strongest growth in 2016 are energy, finance, industry, and transport.

THE PANAMA CANAL

One of the reasons for this sustained growth that is bucking the regional trend is the new, deeper, and wider Panama Canal, and the promise of revolutionized world trade that comes with it. The \$5.7 billion expansion of the Panama Canal will be completed in 2016, and will be a boon to the entire Panamanian economy, allowing greater numbers of vessels to pass through the canal. The widening is in itself the single largest infrastructure project in 100 years. The huge government-led investment in the works caused public debt to reach \$17 billion in 2014, and \$20.2 billion in 2015, or 38.7% of GDP. The government has announced plans to reduce this figure drastically to just 4% by 2019.

The much-delayed new canal is due to open on June 26, 2016. The re-opening is expected to have a measurable effect on exports, which fell slightly in 2015 while trade via the canal was restricted, to \$12.8 billion from \$15.3 billion in 2014, in part because of construction work obstructing the canal's passage. Imports were also affected, dropping from \$25.7 billion in 2014 to \$22.5 billion in 2015, according to the IMF. Overall, exports are down YoY by 16.6%, and imports by 12.5%. The expansion, announced in 2007, symbolizes the future growth of Panama and is of great importance to the wider region, too. The expansion is expected to bring about a considerable increase in traffic, adding to the 6% of world trade that currently passes through its waters. The effect on the Caribbean will be significant, if not profound, with countries such as the Dominican Republic and Jamaica scrambling to increase the drafts of their ports and claim as much as possible of the new trans-shipment business that will soon emerge for the region's taking.

COLÓN REDEVELOPMENT

Another boost to the economy comes from the extensive redevelopment of Colón, work on which should come to a close by the end of 2016. The urban renewal project is reckoned to benefit more than 25,000 residents of the city and involves the construction of 5,000 housing units. The aim of this work is to bring the city of Colón up to par with its internationally renowned—and pioneering—free trade zone, and to maximize benefits of the city's proximity to the world's second largest free trade zone. A major new road-building project will see the two conurbations at last properly integrated.

BUSINESS-FRIENDLY

The economy is overseen and regulated by the Ministry of Economy and Finance, and the Minister currently is Dulcideo de la Guardia. The government is keen to maintain momentum in the economy, and is putting in place measures to make it still more business friendly. This is crucial, as a gradual shift away from the traditional mainstays of manufacturing and agriculture has created an overwhelming services-based economy. Services across different sectors now represent over 75% of the entire economy. Since control of the canal was given from the US to Panama and the Panama Canal Authority (ACP) in 2000, the financial services industry and other auxiliary industries that support the canal have continued to grow to mutual effect.

The country—and the businesses based there—benefits enormously from the more than 20 free trade agreements Panama is signed up to, with the resulting flows of trade and investment worth some \$2.8 billion in 2014. Several aspects to the economy's management are liberal, and attractive to investors. There are all but no currency restrictions, and liberal incentives for relocating companies' headquarters to Panama. Similarly, there are no limits to foreign ownership, and no restrictions on mergers, acquisitions, or joint ventures. All this is being

KEEPING TABS

During the UN General Assembly in September 2015, President Juan Carlos Varela stated Panama's commitment to joining in 2018 the list of OECD countries that automatically share tax information. As a global financial center, a challenge for Panama is to ensure that this does not harm the country's competitiveness. Thus, Panama warned that it would do so on a bilateral basis, and under certain conditions. The Automatic Exchange of Tax Information is an initiative dating back to the 1990s that aims to increase transparency, foster tax cooperation, and tackle fiscal evasion. So far, 96 countries have signed up to initiate the automatic exchange between 2017 and 2018.

The OECD wants the automatic exchange of information to happen under the Common Reporting Standard (CRS) model that the organization specially designed with the G20. The CRS urges countries to obtain information from their financial institutions and automatically exchange it with other jurisdictions every year. It defines the type of financial institutions that will be required to submit reports, the information that they will need to provide, the different types of accounts and taxpayers that are covered, and due diligence procedures. Panama has warned that although it maintains committed to its promise, it will not abide by the CRS but rather its own model. Panama's concern is that the information could be used for political persecutions or criminal activities.

The OECD insists on a single standard to tackle tax evasion in the most effective way, and, hence, has placed Panama back on its list of jurisdictions that have not committed to joining, alongside Bahrain, the Republic of Nauru and Vanuatu.

Panama recently came off the FATF's grey list of countries that are perceived as high risk for money laundering and terrorist financing. Now its biggest challenge is convincing the international community that a desire to build its own model, following the example of the US and its national mechanism for sharing tax information under the Foreign Account Tax Compliance Act (FATCA) Law, does not undermine its commitment to tackling tax evasion. For this it will have to create its own alternative and demonstrate that it works efficiently.

made more attractive still by the governments new regulations to make the country's financial sector more accountable and transparent. New measures to counter money laundering have been in place since 2015.

THE PANAMA PAPERS

April 2016 saw the breaking of the so-called "Panama Papers" scandal, in which 11.5 million confidential financial documents, most detailing tax records, were leaked from law firm Mossack Fonseca. In the wake of this event, the government, which admitted the system has been too opaque, has pledged to sign more bilateral tax information exchange agreements with other states and stated its commitment to fully implementing the OECD model of automatic exchange of tax information in 2018. In so doing, the Panamanian government is seeking to clarify and shore up Panama's legitimate role as a hub for offshore companies, and the important role they play in the world economy. The government is creating an international committee of experts to recommend ways to boost transparency in the country's offshore financial industry. In a statement following the leak, Varela reiterated that Panama would work closely with other countries in an effort to boost transparency. The government is understandably anxious to

minimize any damage to its reputation, as 83% of the economy is built on financial services in one way or another.

THE FUTURE

Panama has everything going for it, and its prospects are good. A transparent and liberal style of politics has reassured investors and business since 1992. The country's prospects as a regional financial and transportation giant have never been greater. The country is one of the least bureaucratic in the world. There remain, though, some big challenges to overcome. Despite the buoyant GDP per capita, almost a quarter of Panamanians live below the poverty line, although extreme poverty has been reduced from 15% to 11% in the past 10 years. And the proportion of people living in poverty has fallen, from almost 40% in 2007 to just under 25% today. The current government must work hard if it is to meet its own tough target for reducing public debt to 4% of GDP by 2019. In the wake of the Panama Papers headlines around the world, the government is taking steps to reassure investors of Panama's openness and repute, and the integrity and fair play of its financial system. The government moved quickly to respond with new measures, and the consensus seems to be that the sector will remain in good health going forward. ✖

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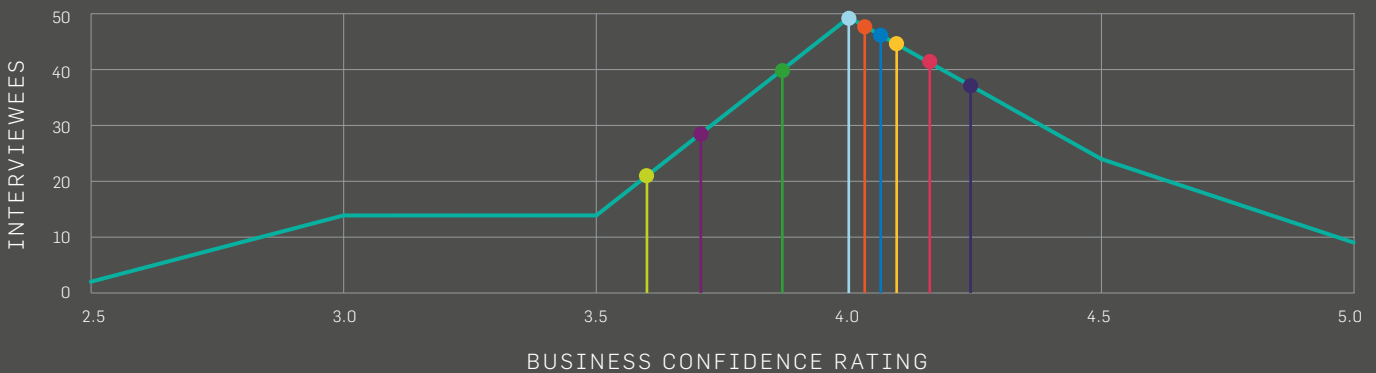
TBY BUSINESS CONFIDENCE INDEX

Through interviews with business leaders from across the economy, TBY has calculated business confidence from 1 (very negative) to 5 (very confident). The average business confidence rating for Panama 2016 was **3.97** ($\sigma=0.58$). We have marked the mean average of each sector on the graph to illustrate the sectors that are expecting growth over the coming year.

SECTORS TO WATCH



● Tourism ● Real Estate & Construction ● Health & Education ● IT & Telecoms ● Energy ● Transport ● Industry ● Agriculture ● Finance



DOING BUSINESS IN PANAMA

What are the 10 most mentioned barriers to growth?

- 1 Economic slowdown in Latin America
- 2 Lack of qualified local staff
- 3 Cumbersome bureaucratic procedures
- 4 Falls and volatility in commodity prices
- 5 El Niño impact
- 6 Lack of market knowledge among population
- 7 Lack of legal framework for mining sector
- 8 Over reliance on hydro power
- 9 Lack of transparency
- 10 Misuse of Panama's financial services

What are our interviewee's most mentioned reasons for optimism?

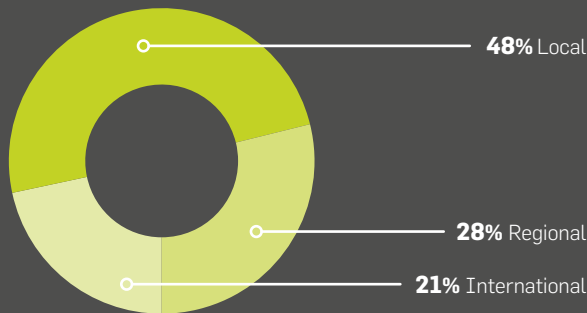
21% Strong and growing local consumer base	17% Gov. led campaign for transparency	31% In-country transport/ logistics infrastructure	22% Access to overseas market
22% Ease of doing business			15% Legal structures and incentives offered to businesses
			11% Strong support from a prudent finance sector

TBY ANALYTICS

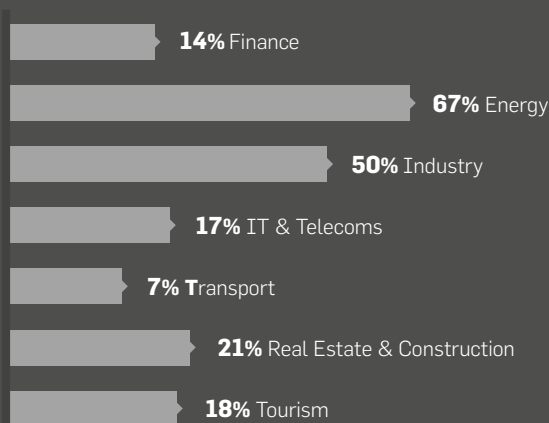
Panama is often described as a 'hub' or a 'gateway' to markets in Latin America or further afield. TBY has found that 26% of our interviewees are using Panama as a launch pad into other markets. **Where are they going?**



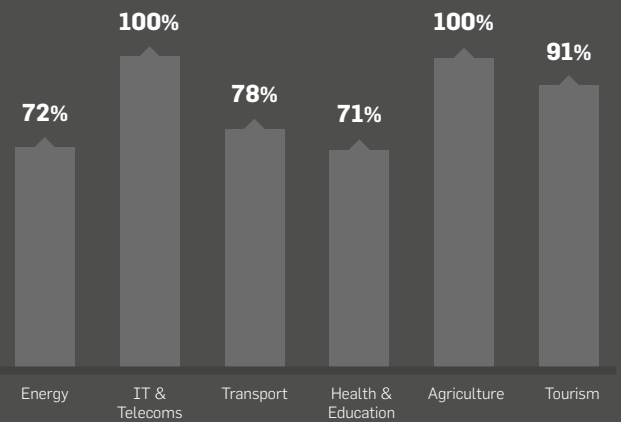
What are our interviewees' target markets?



Of companies interviewed by TBY 23% are investing green/renewable technology. **Which sectors are seeing the highest level of innovation from our interviewees?**



Of companies interviewed by TBY 67% are introducing new products and services in 2016. **Which sectors are seeing the highest level of innovation from our interviewees?**



What are the most commonly mentioned suggestions for further public sector legislation?

- Improve **urban planning**
- Expand **FTAs**
- Greater **advertisement/promotion** of Panama and Panamanian products
- Develop **water security plan**

INTERVIEW

in our ELEMENT

TBY talks to *Dulcidio de la Guardia*, Minister of Economy and Finance, on reducing fiscal debt and removal from the FATF's "grey list."



compliance with the roadmap prepared by the Money Laundering Commission in order to take our nation off of the FATF's "grey list." Other new measures to prevent money laundering include increased due diligence procedures, a risk-based approach to identify, assess, monitor, manage, and mitigate the risks associated with money laundering, extended proceedings when there are unusual transactions or when there are doubts regarding the veracity and accuracy of customer identification data, and reports of cash transactions. In addition, as part of the implementation of monitoring and combating illicit activities, we have passed seven new laws that include new offenses and regulation of non-financial sectors and the incorporation of the Administration of Supervision and Regulation of Non-Financial Subjects, which is in full operation. In addition, Panama will join the list of OECD countries to automatically exchange tax information in 2018 and has accepted the automatic exchange of information on a bilateral basis. ✖

BIO

A graduate of Florida State University with a degree in business administration (1984), Dulcidio de la Guardia holds an MBA from Loyola University (1986), New Orleans, and received his Charter Financial Analyst (CFA) from the CFA Institute Charlottesville, Virginia, in December 2000. In 1990, he joined the Panama Stock Exchange as Development Manager. In July 2002, he joined Primer Banco del Istmo (Banistmo), as Vice President of Investment Banking responsible for corporate finance, M&A, fiduciary services, and brokerage operations. In 2005 he was promoted to Executive Vice President and Head of the regional banking unit. In 2006, he oversaw the merger of HSBC (Panama) and Banistmo banks and was appointed Director of Corporate Banking and Markets. In September 2007, he was appointed Director of the Private Bank. On July 1, 2009, he was appointed Deputy Minister of Finance of Panama.

What were the main factors that allowed the government to reduce its fiscal debt in 2015?

The fiscal deficit of the non-financial public sector (NFPS) in 2015 was 2% of GDP, while in 2014 it was 3.4%. In this reduction we can highlight four main factors. Total revenues grew by 3.9% while total expenses increased at a slower rate of just 2.5%. Capital expenditures represented 7.1% of GDP in 2015, and approximately 58% of public investment was financed via current savings. These figures all show how Panama has continued to progress in its fiscal consolidation. There is a combination of specific elements that led to an improved fiscal situation in 2015, specifically the prudent budget management of public spending together with the continued strengthening of the General Directorate of Income to continue achieving greater efficiency in its tax collection, which in 2015 exceeded the figures recorded in 2014 by approximately PAB47 million. Moody's, Standard & Poor's, and Fitch Ratings, the three major worldwide rating agencies, reiterated Panama's investment grade in 2015 with a stable outlook, highlighting macroeconomic and macro-tax prudence, moderate levels of public debt, and the

positive outlook for economic performance in the years to come. By the close of 2015, we met the limit deficit required by the Fiscal Responsibility Law. The government defined a five-year investment plan of about \$20 billion as part of its strategic plan, 64% of which is allocated to social investments. Thus, the major targets of the 2016 budget are focused on social matters such as education, basic sanitation, health, and transport, which together frame the social policy of this administration.

What are some of the most important reforms needed to increase transparency in the banking sector?

From January 2016, new rules limiting the use of bearer shares of Panamanian corporations came into force. With these new rules, companies that have issued bearer shares must give them to the custody of agents who are authorized and regulated by financial authorities. In compliance with the commitments to the Financial Action Task Force (FATF), we passed Law 23 of April 27, 2015, which represented an important step to strengthening our financial and non-financial system against money laundering and terrorist financing, in

- Fiscal deficit decreased from 3.4% of GDP to 2% in 2015
- New laws limiting the use of bearer shares came into force in January 2016



TBY talks to *Carlos G. Fernández*, Former President of the Chamber of Commerce, Industries and Agriculture of Panama (CCIAP), on the drivers of growth, the impact of increased wages, and the significance of free trade.

FREE *to trade*

Panama's GDP is projected to grow by 6.3% in 2016 according to the World Bank, making it the most dynamic economy in the region. What is driving this growth?

Global economics are challenging now due to factors like the price of oil, the financial crisis, fluctuations in currency exchange rates, and the declining acquisition power of many countries that do not use the dollar. We are concentrated on the local region of Central American, the Caribbean, and parts of South America, which for many years have been the primary market for Panama's exports. Most countries in the region are still emerging economies. Latin America has been the emerging market of primary interest over last few years. Consumption has decreased dramatically in the submerging markets of Brazil, Venezuela, and Colombia. In the context of trends in some regional economies, our roughly 6% growth in 2015 gives us great confidence.

The CCIAP highlighted the 60% cumulative increase in the minimum wage in Panama between 2007 and 2015. What impact has this had?

Our law stipulates that the minimum wage be revised every two years. The past administration took populist measures to gain popularity

among voters. The law states that the private sector must meet with labor unions to collectively negotiate changes in the minimum wage. If they cannot agree on a revision, the elected government is to arbitrate a decision. Purchasing power has decreased as a result of a rise in consumer prices. The government increased the minimum salary by 15% in 2009, 2011, and again in 2013. These measures exacerbated the problem by driving up the cost of labor and production. The combined external and internal inflation reached a level of 4.5-5% across a period of two to three years. That created a lot of instability in the market, but inflation is now down to low levels, at a less than 1%.

What contribution does the construction sector make to growth?

Growth in the construction sector will be high in the next few years. The sector grew impressively during the past three or four years due to the expansion of the Panama Canal, but now construction investments are moving toward other infrastructure initiatives. From 2014 to 2015, construction growth overextended to 14%, but it is now plateauing and returned to around 7% this year. Contributions from the sector totaled \$2.5 billion in 1H2015,

so it still growing. We are building a second line of the metro, a \$2 billion project that will span nearly 44 years, as well as renovating Colón City, a \$600 million project. We are also bidding on a third metro line, which could reach a total value as high as \$2.4 billion. We are bidding on another major infrastructure project to build a fourth bridge across the canal. Two or three projects can have a lasting impact on economic growth and job creation. There is another investment opportunity to develop a project in water, wastewater, and human sanitation.

BIO

Carlos G. Fernández is a civil engineer and graduated from the Worcester Polytechnic Institute with a master's in construction project management. He was elected as President of the Chamber of Commerce, Industries and Agriculture of Panama in March 2015. As the current President of Constructores y Administradores de Obras, S.A (CAO), he is also involved with the construction and development of new projects, inspections, and general administration.

IN NUMBERS

Construction growth around

7%

in 2015

Inflation below

1%

Several FTAs have been signed in the past year. Which industries will benefit most from an increase in trade with partner nations, and how will potential negatives be mitigated?

The most complex FTA is the agreement with the US, under which import tariffs decrease gradually over the next 20 years. This will increase the global competitiveness of local sectors by allowing them to modernize. One of the benefits of FTAs is the access to global markets they provide to local companies across sectors. We can use these FTAs to take advantage of opportunities in industry, technology, and agriculture. Panama has a sizable trade deficit. We spend about \$980 million on Mexican imports, while we export only \$20 million to Mexico. Our imports from Peru exceed our exports by about \$600 million. We really have to make an effort in certain sectors to be able to export products to different countries around the region, and FTAs help facilitate this. ✖



TBY talks to **Alberto A. Alemán A.**, Director of PROINVEX, on investing in Panama, and how the country plans to grow in the future.

BIO

Alberto A. Alemán A. is the Director of PROINVEX. Previous positions have included Manager of Business Development in London and Regional Panama and Master Developer of Panama Pacifico. He was also a political advisor of the Mission of the Republic of Panama to the United Nations. He is a representative in the Second Committee of the General Assembly of Economic and Financial Affairs. He studied telecommunications and media at Texas A&M University.

a bright FUTURE

What is the mission of PROINVEX?

Our overarching mission is to sustain Panama's leadership in Central America in attracting FDI, namely to identify and promote investments in strategic sectors that are growing or will grow exponentially in our country. Some are evident, such as the array of services that will further grow as a result of the Panama Canal expansion project. There should be heavy investments in logistics, a doubling down on increasing Panama's capacity as a transshipment hub for the Americas, as well as attracting foreign investment in the diversifying logistics activities within the country, mainly value-added activities. This means moving beyond transshipment and looking into developing value-added logistics services, as well as increasing the country's capacity to attract and develop multi-model services going beyond 3PL into a 4PL full-service spectrum.

What makes Panama an investment destination?

Connectivity factors, along with a stable and dynamic, dollarized economy, strong democracy, competitive incentives regimes, investment protection laws, pro-business environment, free-market and open economic policies, and, of course, its ecological beauty and diversity, make Panama a prime investment destination. The numbers reflect this: Panama captures almost half of all FDI in Central America, and it is the only country in this region with an increasing number of investments. Between 2014 and 2015, FDI grew by about 17%, of which 50% was reinvestment. This means that not only are companies flocking to Panama, but that those

City of Knowledge, Panama Pacifico and CFZ

that are already here are expanding, hiring, growing, and diversifying.

What role will the financial sector play in attracting FDI?

The financial center in Panama is huge, in the sense that the relation of its assets to Panama's GDP was 218% in 2014. Panama is a services-based economy and international finance will continue to be a pillar of growth, and the sector will also continue to be competitive, with a positive growth outlook in the short and medium term. The solidity of the financial sector is an important reason that all three main ratings agencies—Standard & Poor's, Moody's, and Fitch Ratings—have all ratified our country's investment grade. A safe and secure investment environment is a crucial determinant in a multinational's decision to invest in a country. Panama leads the region in this regard.

Where will the government's efforts be focused in the medium term?

The government has a strategic investment plan of \$20 billion over a five-year period. That is \$10 billion in social programs designed to increase the quality of life of Panamanians, create opportunities, and make Panama

a sustainable place for investors, creating the conditions for Panamanians to be active participants in future developments of key strategic development sectors. Over 30% of public investments are in infrastructure development, which provides a large array of opportunities for international contractors to participate in large-scale public tenders. Panama is diversifying its electricity grid and there are similar projects that are \$100 million and above. The development of those projects will further establish opportunities for investments in greenfield projects for alternative energy production. That is tied to Panama's development of its national electricity plan, which is designed to reduce the country's reliance on thermal energy—the idea is that over 70% of Panama's mix will come from renewables.

What are your goals and expectations for 2016?

One of the key growth sectors is not just to establish regional HQs. Many multinationals are diversifying their operations, growing into global business services or consolidating regional operations in Panama and importing new business units. Panama is one of the leading countries in absorbing technology through FDI. We want to attract companies that train the local workforce in advanced and sophisticated processes and innovative management practices or vocational and technical activities. It is easy for foreigners to come and invest in Panama and train the local workforce, which is what makes our FDI-friendly policies sustainable in the long term. ✖



ANGELA MARÍA
FONSECA
*Country Head &
Principal Investment
Officer, International
Finance Corporation
(IFC) Panama and
Costa Rica*

How do you assess Panama's social and economic development in recent years?

ANGELA MARÍA FONSECA Panama is one of the fastest-growing economies in Latin America. Since the Panama Canal was transferred in 1999, the country has been an outstanding performer in terms of economic growth. This has helped Panama attract more FDI than perhaps any other country in the region, and has also required the government to invest in and promote more than 100 projects associated with the canal. Such developments have helped integrate local companies into global supply chains and financial markets. Compared to other countries in the region, there is great public-private sector collaboration in Panama. The government has enabled an efficient and competitive landscape for the private sector, creating the conditions for companies to invest in Panama. Also, the rise of the middle class, which we have seen in many countries across the region, has been particularly strong in Panama and there has been an overall decline in inequality. In a recent analysis, our colleagues at the World Bank concluded



SUSANA PINILLA
*Representative
Director, Latin
American
Development Bank
(CAF)*

that poverty has fallen over the last decade and, although there are challenges related to indigenous communities and minorities, this growth has been inclusive and can be attributed to all of these infrastructure projects, which created many job opportunities. Inclusive growth has been a major achievement.

SUSANA PINILLA We approved almost \$2 billion in loans in the last five years to support infrastructure projects in Panama. We focus on infrastructure and logistics in Panama to improve transportation, services, and initiatives that promote better living conditions. Panama's infrastructure is in some respects not as developed as it could be. The second priority is energy, in particular green energy and consolidating these green economies, which aligns perfectly with our sustainable development goal. The third is agriculture and farming, which at one point accounted for almost 60% of Panama's GDP. This is no longer the case, so we are aligned with the government's priority to increase the importance of this sector for exports and GDP, working toward the 6% target. We have come up with action plans to promote growth in rural

count ON ME

Efforts to ensure inclusive growth in Panama are just as important as reducing poverty.

areas, another of our priorities. The country's growth has been concentrated in the capital city. We are also involved in education, both in the infrastructure around education and in trying to close the gap between supply and demand.

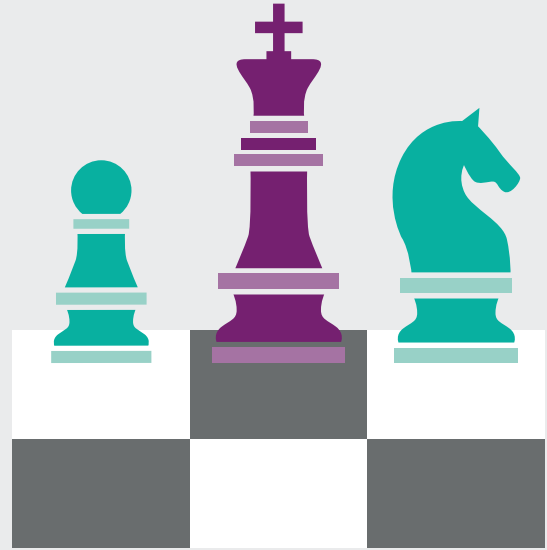
How can Panama ensure that wealth creation continues to be inclusive?

AF This government is well positioned to increase social investment. That is the reason why they have several exciting programs to increase water supply, electricity supply, and many other social and indigenous programs aimed at reducing poverty. Our projects will contribute to reducing poverty in the most vulnerable places in Panama, and our colleagues from the World Bank are focused on participating in and advising the government on lending operations to alleviate poverty, especially by increasing access to clean water, as this is one of the main challenges in poorer communities. The other challenge for Panama and its future growth is the quality of education in regards to the skills gaps. We recently financed the construction of a new Universidad Interamericana campus to provide better facilities and higher quality education to students from middle and low-income backgrounds, as well as working adults. We explore new opportunities to support the government and

the private sector to improve the quality and availability of education. Education, water, and sanitation are important for Panama, and we would like to be present in them all.

SP One of the things we have to do is invest throughout the country. Wealth is centralized in the capital, but there are enormous opportunities for profitable investments across the country. We have to work with the government and the private sector to showcase these opportunities. We promote a pilot scheme known as the Competitiveness Center in West Panama, an integrated multi-lateral investment scheme in rural areas that will bring down poverty indexes. There is no road connecting Costa Rica with Colombia on the Atlantic coast, unlike on the Pacific side. The presence of the Pan-Americana highway along the Pacific has contributed to its development there. In fact, it is the case across all of Central America that the Pacific side is much more developed than the Atlantic side because of its connectivity. It is important for Panama to take advantage of its entire geography in all three central areas of infrastructure and logistics, energy, and agriculture. Tourism must also be developed further. There are other banks that work in the third level of poverty, nutrition, and health, but our goals are focused on productive activities and employment. ✖

FLOWING TO THE CROSSROADS



Panama stands out among its regional counterparts as a leading destination for FDI thanks to lucrative opportunities for foreign companies to participate in the country's many development projects.

PANAMA CONTINUES TO cement its position as one of the most attractive countries for foreign investment in the Latin American region, with a total of \$5.038 billion in FDI received in 2015. This represents a 16.9% YoY increase compared to the inflows of foreign investments in 2014 and represents 9.7% of Panama's GDP, which reached an estimated \$51.677 billion in 2015. At nearly 57%, a large part of the country's GDP reflects reinvested earnings by foreign multinational corporations that are already established in Panama, while another 25% reflects investments in shares of Panamanian firms.

Panama, which according to the Economic Commission for Latin America (ECLA) was already the country in the region with the most FDI with respect to its size in 2014, continues to inspire confidence in the global investor community. In 2014, it also represented 45% of the total investments into Central America, more than double the amount received by Costa Rica (20%), which came in second place.

The operation of the Panama Canal, as well as its ongoing expansion megaproject and the complimentary upgrades taking place across the country, continue to serve as a major magnet for FDI. The upcoming inauguration of the canal expansion as well as the country's numerous port projects including the new Port of Corozal and the expansion of the Port of Singapore Authority (PSA) International Terminal have raised Panama's profile as a hub for logistics and warehousing, which in the first nine months of 2015 accounted for 12% of total foreign investment flows into the country. The financial sector accounted for 15% of all FDI while the manufacturing sector's share of foreign investments reached 10%, but commerce was by far the biggest recipient of foreign investments in 2015, with a 28% share of the total value. New opportunities in the renewable

energy sector were also major contributors to Panama's strong levels of FDI inflows in 2015.

Canada was the biggest foreign investor in Panama, thanks in large part to First Quantum's investment in the Cobre Panama copper mining project in Coclé, which represented 18% of last year's total foreign direct investments. Colombia and the US were the next two largest contributors of foreign investments, with a 15% and 12% share respectively. Another major contributor to Panama's emerging role as a regional economic hub is the ongoing Laudato Si wind farm project in Penonome, the first phase of which began operation in 2013 and is currently operated by Unión Eólica Panameña (UEP) I as a special purpose vehicle owned by China-based firm Goldwind. The second phase of the project represents a \$436 million foreign investment and is being carried out by UEP Penonomé II, an InterEnergy Holdings subsidiary. The consolidated portfolio of InterEnergy Holdings consists of energy projects across the Latin American region, including wind farms in Jamaica, Chile, Argentina, and the Dominican Republic, further underlying the growing recognition by sources of foreign investments the numerous untapped opportunities for development that Panama holds.

The \$5.038 billion financial injection, which represents 9.7% of Panama's GDP in 2015, places Panama far ahead of other countries in the Latin America region, where the average rate of FDI received as a percentage of GDP was closer to 2.6%. These figures are encouraging for Panama, whose current account deficit has hovered at 10% for the past decade. The steady levels of FDI into the Panama represent new employment opportunities for the country's most strategic driving sectors and reaffirms its status as a hub for attracting the attention of foreign investors. ✖



THE BUSINESS *of doing business*

TBY talks to **Samantha Whay-Jenkins**, President of the British Chamber of Commerce (BCC), on helping UK firms enter the Panamanian market and efforts to increase foreign investment.



BIO

Samantha Whay-Jenkins has been on the board of the British Chamber of Commerce since 2013 and was voted President of the Chamber in January 2016. She has been involved in training since 1990 and is currently the training director for King's College in Panama and is responsible for all aspects of internal training along with growing the external consultancy business. Whay is also the lead on an extensive seven-year training plan with the Ministry of Education in Panama designed to raise the overall competence and professionalism of English teaching staff throughout the country.

What is the role of the British Chamber in encouraging investment from the UK to Panama?

The BCC started in 2012, growing out of what was a businessmen's lunch club into a full-fledged chamber. We have 137 members as of April 2016, and we have a variety of activities to support those members and businesses that want to invest in Panama. We work closely with the embassy and often conduct joint events, with the support of the ambassador and his team, which is especially important for a young chamber such as ours that is still building credibility and contacts. He also helps us lobby for members, attends our lunches, and invites speakers from the government.

What makes Panama an attractive destination for UK firms?

The UK is the third-largest foreign investor in Panama. Its perfect geographic position as a regional business hub offers advantages for new companies. Furthermore, there is an openness about Panama for foreign companies. That said, it is not as easy to do business here as it might at first seem; still, it is no harder than other countries in the region. There are many regional headquarters here from such UK companies as Bi-Water, GlaxoSmithKline, Diageo, JCB, Unilever, and London & Regional. Panama has also always had a close relationship with the US, and that seems to rub off a bit on its attitude toward the UK. Panama is a land of opportunity; almost every conversation is a business opportunity. The economy is growing fast, though as a service-based country the sector still has room for improvement.

What are some of the biggest obstacles that firms come across when entering Panama?

Bureaucracy is always a major hurdle, and Panama is no exception. The BCC tries to ensure support from the embassy for its members. The Anglo-Saxon mentality of businessmen from the US or the UK can differ from the local business mentality; however, Panama is an interesting country in the sense that it is developed in certain aspects yet still has a scope for development in other aspects. That kind of hybrid nature can be challenging. The BCC seeks to help British businessmen and companies deal with all of these challenges. Investing in Panama is a long-term project; it is difficult to come here and get a quick win. That is something every investor needs to know. Investors need to be patient and committed.

Do you also play a role in attracting investment from the UK to Panama?

We have not done that much to date; however, we are seeking to do it too. We are also part of something called the Construction Sector Transparency Initiative (COST), a multi-sector group made up of government representatives, private sector companies, and business associations. This is important for us, considering the negative image that Central and South America has in terms of transparency and fairness in tendering public offers. Another initiative started by the Panamanian Chamber of Commerce in which we take part is the Anti-Piracy and Anti-Contraband Commission. Considering that 70% of cigarettes smoked in Panama are contraband, the significance of the problem is undeniable.

IN NUMBERS



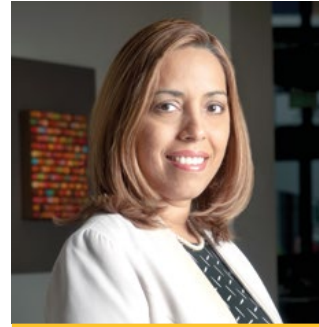
The BCC is involved because one of our members is British American Tobacco, and they have a lot of interest in fighting contraband. The same goes for alcohol and other products. We want to work more closely with other British chambers around the region, as well as the chambers of the US and other countries. We all have the same interests and have to work collaboratively. We will indeed seek to make more trade missions to attract more British companies to Panama and support more British investment in the country. With just one full-time employee, we are essentially all volunteers and there is a lot to achieve, but we are ready and willing. We have a great team here, with everybody bringing in their own specialized fields and areas of expertise to cover all angles for our members. ✖

WHY PANAMA?

Its prime location, connectivity, resources, and workforce continue to ensure Panama remains an attractive destination.



YOLANY ALVARDO
Founder, ProPanama



EDITH ARAÚZ
Corporate Country Head, Bayer

We decided to set up ProPanama as a private trade and investment agency because the service that we offer is unique. We are the only organization specialized in helping foreign investors live and invest wisely in Panama. When we started, 80% of our clients were from Latin America. Now, the majority of our clients are from the US, the UK, India, Turkey, and Mexico. Our clients seek a new location to expand their operations in Latin America; Panama for them is the ideal place to get started in the region. It is centrally located in the middle and has free trade zones, its laws provide tax breaks, and it has special legislation that provide permanent immigration and immediate residency in Panama for foreigners from 48 countries. Living in Panama is great despite the fact it is a small country, but the best thing about it is investing in Panama. We use the US dollar as our currency, we are in the middle of the world, and we have direct flights to everywhere. Panama is growing, and we are growing at such a pace that other countries are looking at us. Expectations are high, and all of the tax rates and laws that the government has issued should help attract foreign direct investment. Our level of FDI should be approximately the same in 2016.

Our logistics hub has been growing steadily. We started out with eight people and now we are up to 12. We have an excellent relationship with our partner in the Colón Free Zone that is handling all of the logistics. Having the logistics department here has helped us be more cost effective, and we have also introduced a lot of new processes. We are an innovative company and we are innovating new processes in order to have a better setup. We distribute directly from the Colón Free Zone to customers in Central America. That has cut delivery time and costs, not just for us but also for our customers, because we are cutting out the middleman and selling directly to our customers. We want to increase our logistics department to have a strong hub for supply, and we have already started that process. In terms of expanding and consolidating our presence here, our focus is on Science for a Better Life, our motto. We want to introduce new products, innovations, and technologies. Bayer works to develop a good relationship with our customers; the end users of our products. We are working to improve our services across the board as well on CSR events and programs to give back to the community and society here. Our ultimate goal is to be the world's leading pharmaceutical company.



ENRICO FERRARI
PEDRESCHI
*General Manager,
Puma Energy*



BÁRBARA SOTO
*CEO, Nova
Communications*



ANDRÉS NEIRA
Director, Belcorp

Puma Energy's business model is to unite the sources of hydrocarbon supply with the places where they are in demand. Panama is not a hydrocarbon-producing nation so in that sense and for many other commercial ends it is a good fit for our business model. Additionally, we are keen to be present in countries with growing economies, and Panama fits that profile well. Our operation in Panama has been here since March 2012. Our business locally is to supply the market through our network of retail service stations and our business-to-business customers. The growth that Puma Energy has undergone over the last four to five years is significant. We had 3,000 employees, and we now have over 7,650. We had less than 1,000 service stations, and we now have over 2,300. We are now in a global economic environment of uncertainty. We will not stop looking at and evaluating opportunities to invest in Panama and in this region. 2016 will be a year of global uncertainty. Even without certainty, we continue to see good growth prospects for Panama and the region. Latin America will continue to grow in its long-term demand for hydrocarbons, estimated at around 20% over the next 15 years. It is fairly clear that we want to be present, here, selective, and disciplined in order to take advantage of the business opportunities that we are sure will arise.

By the time I started doing business, Panama was already on the world radar for international business. Everybody has to make decisions on where to grow roots. Panama is a great country to do so and being born and raised here made the decision obvious. Panama is the gateway to the Americas, and as a result, many people come here for business and to make a life. Most people think the canal has traditionally dominated the national economy, however, its extraordinary geographical position is the asset that made Panama an important crossroads in the global logistics chain. The Panama Canal's efficiency is complimented by Panama's offer of infrastructure and services, like world-class ports and the "Hub of the Americas," just to name a couple. Panama had and still has all the condition to establish new business, innovate, create, and make it happen. Panama is the fastest-growing economy in Latin America, but a slight change in numbers can represent huge losses for people who are dependent on such a change. It is not just the large Panamanian enterprises that are complaining about the economic slowdown; SMEs and independent professionals are the ones that feel these effects even harder. There is still a wide gap and big opportunities to exploit. Wealth has to be turned into opportunities for everyone, and we need the proper distribution of wealth through opportunities, laws, and products that can actually help people.

Belcorp started operation in Panama in 2008. The company has operations as a commercial branch and as the regional headquarters. Last year the profit of our commercial branch was around \$10 million, and that figure is projected to reach \$11 million this year. Although Panama is small relative to the entire organization, the market shows great growth potential. On the other hand, the regional headquarter is our most relevant presence in Panama, this is our strategic platform for a \$1 billion worldwide company. From here, we create the marketing plan and coordinate the supply chain for almost the entire corporation. Panama has several advantages. The first is its strategic location in the middle of the American continent, linking many of our markets. Another important advantage of operating in Panama is the legal framework. This country has created legal conditions to attract foreign investment, legal stability, and flexibility to recruit the best talent available in the region. Those conditions allowed us to move the most strategic functions to the country. More than a headquarter, the office in Panama is a center of excellence for Belcorp corporation, where the best practices have been gathered in just one location. Our employees are a mix of cultures and nationalities that enrich the work that we do. The security and the quality of life make this country an attractive destination for our employees.

B 2 B



ROBERT ST. JOHN
President, American Chamber of Commerce and Industry of Panama (AmCham Panama)

How does the chamber work to support its members?

ROBERT ST. JOHN Our vision is to be the primary advocate, educator, and business catalyst for bilateral commerce between the US and Panama. We help members take advantage of trade liberalization and new economic opportunities through education and promotion efforts. For example, in 2015 the chamber led a group of members from various sectors to Tampa, Florida, and in 48 hours everyone had a bag full of appointments and contacts. It was such a great success story that it set the stage for subsequent trips to the US. Our main objective is to forge closer ties between the business community of Panama and the US by assisting companies and business people seeking ways to penetrate or invest successfully in the Panamanian and US markets. In that respect, our events and committee meetings bring together experts from a wide range of businesses for roundtable discussions, workshops, and training seminars that touch on the key issues facing industry and commerce.



ESTEBAN LÓPEZ
President, International Chamber of Commerce (ICC)

ESTEBAN LÓPEZ The ICC is the largest business organization in the world and has taken a central role in international trade and business. The Panamanian chapter of the International Chamber of Commerce (ICC PANAMA) has been in Panama since 2004 with the view that Panama needed representation in this global business organization. The ICC is important for Panama because we connect businesses and entrepreneurs of our country with the international community represented in the ICC. Among our members are the Panama Canal Authority, the Panama Chamber of Commerce, Industry, and Agriculture, the Panama Construction Chamber (CAPAC), Gas Natural Fenosa, Centro de Conciliación y Arbitraje de Panama (CeCap), the Panama Maritime Chamber, the University Santa María La Antigua (USMA), certain important law offices in Panama, as well as the Banking Association. The ICC provides many services and advantages to its members through various committees and our members receive timely updates on developments in policy and regulation to make the right decisions for their businesses.

What are some of the things that Panama has to offer to investors?

RSJ Being such a great hub due to its location and attractions, so much comes to play. Panama continues to grow and I am impressed with the country. We continuously receive many people who see the opportunities here, such as Proctor and Gamble, Dell, and AES, just to mention a few. These companies have provided many job opportunities to Panamanians. Logistics continues to be an important industry for investors and we have seen a great deal of interest on industries related to research and development. Costa Rica took off about 25 years ago, but 30 years ago it was pretty much the same as Panama. Despite having all the same problems that we had during the military regime, Costa Rica suddenly started booming. They knew how to take advantage of their coffee, fishing, beaches, and mountains, and cater it to foreigners. We have all of that right here in Panama plus more and we continue to prepare ourselves to launch exactly the same way. It is taking a little longer than expected, but if we look back at what Panama has gone through and been up against in the last 30 years, we are headed for a success story of our own soon.

chambers of COMMERCE

Business chambers are going above and beyond to raise Panama's international profile and draw attention to the country's many offerings.

EL Since first gaining independence, the service sector has been a key foundation of Panama's economy and social fabric. The Panama Free Trade Zone is the most important free zone in the Western hemisphere, and we have a strong banking community here in Panama as well. Despite these advantageous conditions, Panama's full capacity still has yet to be fully realized and the ICC is working toward remedying this gap. We work closely with the private and public sectors to best position the economy of Panama, not just in Latin America but in the world. The attractiveness of Panama is based on our political stability, our use of the US dollar, and the robustness of the economic structure. Our international airport is one of the most important in the world and is particularly well connected throughout the region. We have everything needed to join the ranks of world's developed economies; the challenge is envisioning clearly the ends toward which we are working and taking actionable steps to arrive there. ✕



WELCOME *to the city*

TBY talks to **José Blandón Figueroa**, Mayor of Panama City, on plans for the future, issues to tackle congestion, and the city as a top investment destination.

What are the pillars of the Plan of Action for the city, which was formulated based on recommendations from the Inter-American Development Bank (IDB)?

Amongst other areas, we focus on mobility and waste disposal. We want to revitalize the central district of Panama City, since it is constantly growing and expanding horizontally. In the last four years, the center of the city has lost 50% of its population. We want to turn that around and attract people back to the center. The major challenge there is mobility. This is not only about moving cars; it is about moving people. We need to invest in

sidewalks as much as wider roads or public transport options, for example. The metro is a fundamental part of this action plan, as are metro-buses and other new buses. We need an integrated transportation system that incorporates all of that: vehicles, public transport, pedestrians, and bicycles. Only with an integrated approach can we achieve our goals.

How do you think the metro will affect congestion, and what other measures and initiatives could be taken to tackle that issue?

Line One is complete and Line Two is under construction. Line Three is next. Those metro lines will play a huge part in alleviating congestion in Panama City. We will ultimately have five lines, which are envisioned to be completed by 2035 and will cover the entire city. It is a long term vision that will play a huge role in easing population density and the stress this has on public transport, business, and circulation. The next stage is to get people used to using the metro and public transport in general. We need to reduce the reliance on private transport and promote public transport as a viable alternative. We take Singapore as a model for what we are doing here. It has created a truly integrat-

ed and efficient system, incorporating public transport, roads, private vehicles, and also sidewalks and cycling options. Many areas that Line One of the metro passes through have been depopulated; therefore, we hope the metro passing through will help attract people back and make it an attractive place to live again. After all, it is more efficient, cost effective, and convenient for more people to live and work closer to the metro. The municipality wants to invest in public housing to help this along further.

The government hopes to attract more firms to establish regional offices here. What makes Panama City an attractive place to live and do business?

Panama is a country of immigrants, and almost all Panamanians have roots in another country, myself included. Panama is, therefore, an open society for foreigners. There are no legal inequalities that favor nationals over foreigners. All are treated equally, and that also includes businesses, investors, and companies. We have laws that encourage foreign investment and a free and open market in which to operate. In addition, culturally and socially, we have food and cultures from around the world, peo-

IN NUMBERS



ple of all of origins, great international connectivity with flights to and from many destinations, and a cosmopolitan feel to the country. There is a vibrant and strong Asian and Chinese community, for example. The Bolivarian dream of Panama becoming the capital of Latin America has never been as true as it is today.

What do you hope to achieve in 2016, and how much of the plan of action can be implemented in the next 12 months?

We have a \$350 million investment plan from 2016 to 2019. Half the projects within that investment plan began this year, such as the “walkability plan,” which includes 5km of sidewalk, the laying of cables underground, renovation of the fish and meat markets, as well as new sports and cultural facilities. We see great potential to develop the tourism in the city and the country, especially with the expansion of the airport, which will reach an annual capacity of 20 million once completed. ✖

BIO

José Blandón Figueroa was born in Chitre, Herrera Province in 1967. He joined politics in 1985 when he was finishing his studies at the Colegio San Agustín. He holds a degree in law and political science, *summa cum laude*, from the University of Panama. He later founded his own law firm with classmates from the University of Panama.



SURSE PIERPOINT
*General Manager,
Colón Free Trade Zone*



LEO GONZÁLEZ
*Administrator,
Panama Pacifico*

economic ZONES

Free trade zones provide development opportunities and benefits not just statewide but for local communities as well.

How have your respective free trade zones contributed to the development of the area?

SURSE PIERPOINT The Colón Puerto Libre project is trying to copy the success of what happened in Casco Viejo in Panama City, where, as a result of the incentives, we see the American Trade Hotel in a building that was considered ready for demolition 10 years ago. The idea is to combine the incentives from a property perspective along with economic incentives, because we are aware of the attraction that the free zone represents to small and medium buyers, and the potential for creating a free port from a retail perspective is something that would act as a magnet for tourism. Through providing incentives for the rehabilitation of these old buildings, we could recover the former glory of Colón. Architects, urban planners, and other experts agree that Colón is a beautifully laid out city with a lot of historical value, and that it would attract a lot of tourism if it were properly developed. The role of the free zone is to serve as the ware-

house for all of the stores that were set up in the city. The free zone administration will provide the IT platform for those companies that set up so that we can then provide the customs and tax authorities with proper tracking and tracing of the goods that go from the free zone to the stores and are then later sold as duty free shopping for both tourists as well as Panamanian citizens. The idea is that the wholesaler for goods like perfume, clothing, or electronics would be able to have a retail point of sale in the city, so that a three-story building would have a commercial storefront on the ground floor, offices on the second floor, and perhaps loft apartments on the third floor. That is the broad vision of what we would hope to accomplish.

LEO GONZÁLEZ We are the third-biggest project in the country, behind only the canal expansion and the metro extension. We are entering our ninth year of the project and have already created 9,000 direct jobs and 6,000 indirect jobs, which is a big number in Panama, especially for the western re-

gion. We should reach at least around 40,000 jobs by the end of the project. Our project is positive for the area not only because of the job creation, but also the type of jobs. One of the major differences that Panama Pacifico has created is the quality level of jobs that we have in the area. The average wage in Panama Pacifico is four to five times the minimum wage in Panama City, and there are currently 250 companies in Panama Pacifico. Dell, which started as a call center and is now moving into financial services and human resources, employs 2,500 people. This is a company that obviously adds much more to job quality. It has proved the capability of the labor force in Panama, and is now moving toward more high quality jobs. Around 50% of its initial workers were foreigners, but less than 150 of its current 2,500 employees are foreigners. Most of the managers are Panamanian, which is another goal that this project is targeting. We will meet our target of 40,000 jobs in half the time that we expected. Companies that are already established are growing even faster than they expected.

What are your goals for the future?

SP With the spotlight on Panama because of the inauguration of the expansion, there will be many multinational companies interested in coming to explore the opportunities. We are hoping that a few of those companies will come to Colón on our new four-lane highway and visit the free trade zone.

LG The main goal that this project is pursuing is quality jobs. We are entering into a new and modern stage of our country's history, to attract companies that understand that Panama can provide the qualified human resources they need, along with all of the other advantages that we have, such as the logistics, banking, and so on. This, combined with the labor force, will make Panama Pacifico the right platform to do business worldwide. The expectations we have right now will have been met in a couple of years. I am sure that we are doing well, but there are obviously challenges. We cannot grow alone, as we depend on what is happening in Panama, but we obviously help the economy. ✘



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TBY talks to Jaime D. Moreno R., General Manager of BAC International Bank, on growth areas.

40

Panama has managed to secure its removal from the Financial Action Task Force's (FATF) grey list.

47

Panama's insurers have done well from a cornucopia of infrastructure projects.

Finance

REVIEW BANKING

Banks remained the cornerstone of Panama's service-based economy in 2015, exhibiting strong growth in both loans and deposits.

PROVEN STRENGTH

The banking industry of Panama dates back to the earliest days of the country's era of independence from Colombia. International Bank Corporation, which later became First National City Bank of New York and is now known as Citibank, and the National Bank of Panama (Banco Nacional de Panamá) were both established in 1904, just one year after the country gained independence from neighboring Colombia. By the late 1960s, the banking center of the small Central American country had grown to include more than 100 established banks. It was not until 1970 that the first banking law came into effect, when Cabinet Decree N. 238 established the National Banking Commission as the regulator of the Panamanian banking sector. The National Banking Commission was originally administered under the Ministry of Finance and the Treasury; however, following new legislation in 1998 the institution was transformed into its current state as the Pana-

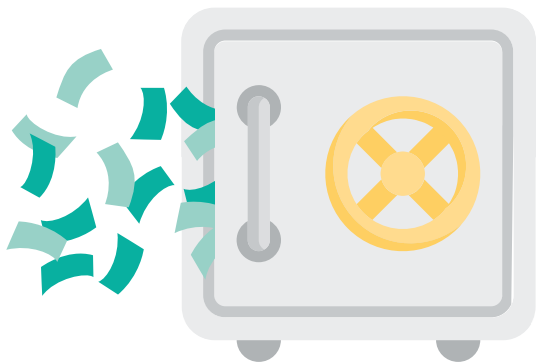


Image: BAC

Panama's traditional role as a global banking hub continued in 2015, with foreign and local banks growing in terms of physical presence, assets under management, and deposits and loans.

manian Superintendency of Banks. The principal mandates of the decree establishing the Superintendency of Banks are to ensure the stability of the country's banking system, supervise banks and the economic groups of which they are a part, issue and revoke banking licenses, oversee mergers and acquisitions in the banking sector, and enact corrective measures with respect to banks such as appointment of advisors, intervention, reorganization, forced liquidation, and fines.

From its humble beginnings, the banking sector of Panama has evolved into one of the most important global financial centers of the 21st Century, thanks in large part to its business friendly operating environment, the notable stability of its political processes, and its consistently low inflation rates, one of the many benefits of the country's dollarized economy. Through December 2015, four of the 12 groups that make up the country's consumer price basket showed decreases, while five groups



showed increases and three groups remain unchanged. Panama's aggregated consumer price index remained below projected yearly targets, finishing 2015 at just 0.3%. As of January 31, 2015 the banking sector in Panama is currently made up of 93 commercial lending institutions licensed by the Superintendency of Banks to operate in Panama, 28 of which are banks with an international operating license, 17 of which are strictly representative offices of international banks, and 48 of which function as general banks limited in scope to serving the local sector. Portuguese-based ES Bank (Panamá), S.A., which had established operations in Panama, entered into a forced liquidation during 2015.

Of the 48 banks that make up the country's national banking system, 18 are privately owned Panamanian banks, 28 are foreign banks with full lending and deposit operations in the consumer and commercial segments, and the remaining two banks are the National Bank of Panama (Banco Nacional de Panamá) and the country's Saving's Bank (Caja de Ahorros), which together have a combined 135 head offices and branch offices, 337 ATMs, and three agency offices. The 28 foreign banks with full local operations have a combined 205 head offices and branch offices, 701 ATMs, and 51 agency offices. The 18 privately owned Panamanian banks have a combined 231 head offices and branch offices, 859 ATMs, and 79 agency offices. The 15.78% return on equity demonstrated among private Panamanian banks made it the most profitable segment of the banking sector by margin. Panamanian bank Banco General, S.A., which was established in 1955, was by far the largest bank in the country in terms of its physical presence, with 69 head offices and branches offices, 534 ATMs, and 22 agency offices. Colombian Banistmo, S.A. was the second largest bank with its 47 head offices and branch offices and 323 ATMs. The service sector contributes more than 75% of the value of Panama's GDP, and the banking sector, which employs more than 23,000

people and accounts for around 10% of GDP, has long been a cornerstone of the country's economy. Driven by the strong performance of the country's International Banking Center, the value contributed to GDP by the financial services sector increased by 10.4% in 2015, while ancillary financial intermediation grew by 10.3%. Banks in Panama are also historically well capitalized, adding to the long-term confidence in the country's financial industry. The capital adequacy ratio of the International Banking Sector stood at 15.16% at the end of 2015, well above the 8% legal requirement.

The consolidated loan portfolio of Panama's banking sector increased by 11.90% YoY, from \$40.352 billion at end-2014 to \$45.136 billion at end-2015. At \$1.224 billion, loans to the public sector accounted for just 2.71% of all lending in 2015. This nonetheless represented a 22.7% YoY increase from the \$998 million loaned to the public sector in 2014, which during that period represented 2.47% of the banking sector's consolidated loan portfolio. At \$43.912 billion, loans to the private sector accounted for 97.29% of all lending in 2015, marking an 11.60% YoY increase from the \$39.354 billion loaned to the private sector in 2014, which during that period represented 97.53% of the banking sector's consolidated loan portfolio. The \$13.162 billion in housing mortgages financed through Panama's banking sector in 2015 represented 29.97% of all loans to the private sector and made homebuyers the largest recipient of loans during 2015. This marked a 15.80% YoY increase from the \$11.371 billion in home loans made during 2014, which represented 28.89% of loans to the private sector in 2014. At \$11.473 billion, loans to the retail sector accounted for 26.13% of all private sector borrowing in 2015, a 4.70% YoY increase from the \$10.957 billion loaned to the real sector in 2014 that during that period represented 27.84% of total loans to the private sector. Banks loaned \$9.009 billion to individual consumers in 2015, a 14.10% YoY increase from the \$7.896 billion loaned to individual consumer in 2014, which during that period accounted for 14.10% of all loans from the consolidating banking sector. Loans to the construction sector increased 18.80% YoY from \$4.450 billion in 2014 to \$5.286 billion in 2015, giving the construction sector a 12.04% share of the year's private sector loans. The remaining \$4.981 billion loaned to the private sector in 2015 went to the financial services, agriculture, livestock, fishing, mining, and industrial sectors and accounted for 11.34% of all private sector loans, a 6.45% YoY increase from the \$4.679 billion that these sectors received in 2014, which during that period represented 11.89% of loans to the private sector.

As of end-1H2015, the consolidated portfolio of Panama's banking sector showed nearly



SIMON OWEN
Managing Director,
Hyperion

How aware are businesses in the region about the need for insurance?

There is definitely an educational aspect. The Latin American region has traditionally focused on property, surety, and auto; however, that is slowly changing. Government tenders, infrastructure projects, and subcontracts are often won by foreign companies who need employees that are insured. On a wider scale, the middle class is growing and it is demanding a wider range of products. Panama does not have a great insurance penetration rate, which provides great growth opportunities. That is our overall target; to bring these products and expertise to this market.

What are the advantages of operating in Panama?

One advantage is that Panama has a much smaller business community, making it easy to get meetings with the principles of insurance companies and banks and look at what products and solutions they need and share information on what would be most useful. Having a proven track record in Panama helps you access bigger markets in Colombia, Chile, and Peru. In Panama, you have to be registered as an insurance or reinsurance company or broker. Therefore, you have to be careful about how you do business in the region.*

Driven by the strong performance of the country's International Banking Center, the value contributed to GDP by the financial services sector increased by 10.4% in 2015, while ancillary financial intermediation grew by 10.3%.

Competitiveness Report also ranked Panama 16th and 18th for the availability and affordability of financial services, respectively, and placed the country 13th in the world in terms of the ease of access to loans through its formal financial system. Add to these rankings the fact that 15% of the \$5.038 billion total FDI the country received in 2015 went to the financial services industry and it becomes clear that Panama's reputation as a global financial hub is more than just a result of successful marketing.

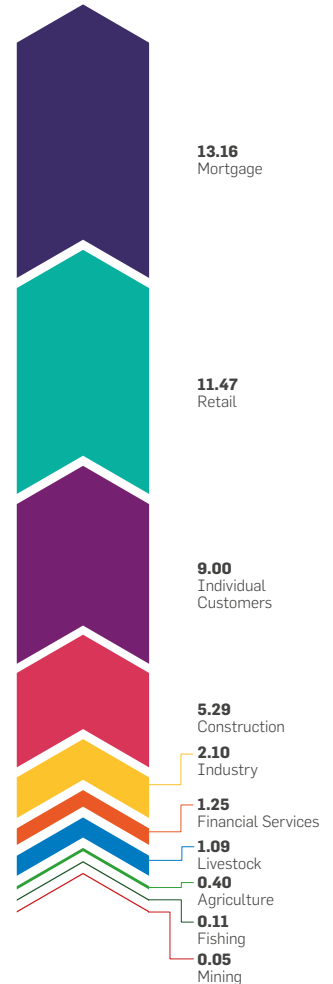
However, the sector has come under the unwanted attention of the Financial Action Task Force in recent years, which placed Panama on its watch-list — the so-called 'grey list' — based on the findings of a 2014 report by the International Monetary Fund that led the organization to determine that the sector was insufficiently guarded against manipulation and misuse for such purposes as fraud, money laundering, and financial sponsorship of terrorism. The government has such taken drastic steps to address these concerns as the creation and swift integration of the Financial Analysis Unit, and as a result Panama was removed from the Financial Action Task Force's gray-list in February 2016. Despite the front-page concerns raised by the massive leak of confidential information known as the 'Panama Papers' that the legal structure of the country's banking system allows for easily foreseeable manipulation and non-disclosure of foreign-owned wealth, the Global Competitiveness Report ranked Panama 11th for the soundness of its banks, 15th for the trustworthiness and confidence of the sector, and 15th in the overall financial market development. ✘

\$108.9 billion in assets, which marked a nearly 8% YoY increase from the same point in 2014. The initial growth of banking assets through the first half of 2015 reflected a growth primarily in the consumer credit segment, particularly in collateralized debt obligations such as housing mortgages, as well as investments in financial security asset classes. Total assets of the consolidated balance sheet of Panama's banking sector at the end of 2015 stood at \$118.478 billion, a 9.3% YoY increase from end-2014 assets. Total deposits grew by 7.5% YoY during 2015 to \$83.821 billion at the start of 2016, while liabilities increased by 13.3% YoY to \$2.171 billion as of beginning-2016.

The 2015-2016 Global Competitiveness Report ranked Panama 16th for the effect of its taxation scheme on incentives to invest, 11th in terms of the prevalence of foreign ownership, and 9th for the business impact of rules on foreign direct investment. The Global

2015 PRIVATE SECTOR LOANS (USD BILLIONS)

SOURCE: SUPERINTENDENCIA DE BANCOS DE PANAMÁ



Appraisals?

In today's ever-changing market conditions, it is important to know the true value of your fixed assets for your banking and insurance transactions (Home, Real Estate Properties, Industrial, Farming and/or Construction Equipment, Special Machinery, Vehicles, etc).

Our appraisals are accepted by all National and International Banks, Financial Institutions, and Insurance Companies established and operating in the Republic of Panama.



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the INNOVATOR



TBY talks to **Jaime D. Moreno R.**, General Manager of BAC International Bank, on expanding the company's portfolio, encouraging home ownership, and developing innovation.

What were the reasons for acquiring Spanish banking group BBVA?

The acquisition of BBVA complemented our offerings. Although BBVA was small in credit cards loans, it was well developed in auto loans and there was therefore synergy with our operations that allowed us to achieve approximately 23% of the market share. Similarly, they had a construction loan department, which we did not. Corporate and commercial loans were also important. In terms of personal loans and mortgages, BBVA had a great portfolio that complimented ours, although in mortgages we are a little more conservative than the main banks here in Panama. We finance 80% of the purchase of the sale price or the value of the property—whichever is lower. Other banks commonly finance as high as 90-95%. We want to grow our business, but sustainably; our strategy is to grow in every segment every year.

How does the banking sector encourage home ownership in Panama?

There are many opportunities to buy a house here in Panama because of the offers from the large number of banks operating here. There is a system called Preferential Interest in which the government subsidizes the interest for houses below \$120,000 for the first 15 years, providing much-needed support to encourage home

ownership. The banks that are involved have a reference rate in function of the top five to 10 average mortgage rates.

What types of innovation is the bank introducing?

We are the first bank here to provide a mobile application. People are using more electronic channels every day and we pay attention to this. We have to make lives simpler for our clients. Currently in Panama we have 40 full branches and two electronic branches that used to be banks but are now multi-functional self-service ATMs where customers can receive money, pay credit card bills, check their accounts online, and access our call center. We have 225 ATMs, which is a large number for Panama, and 35 multi-functional ATMs that can accept cash deposits. Multi-functional ATMs have been widely accepted here. Customers are getting older every day, but our new customers are younger and moving forward is the only way we will succeed. The reality is that the future will be electronic.

How does the role of the Panama Banking Association differ from the ministry and superintendency?

The Panama Banking Association was founded 53 years ago and represents 70 of the 91 banks established in Panama. The Panama Banking Association is a private, apolitical non-profit association and one of our main roles

is to provide our associates with the necessary support to ensure compliance with laws and regulations, including anti-money laundering legislation. The Panama Banking Association also has an educational arm—the International Banking Institute—that offers courses to local and foreign banking employees and non-banking employees, and it is currently in the process of being converted into a university.

Panama will join the list of OECD countries that share tax information as of 2018. What impact will this have?

In his address to the UN in September 2015, President Varela said Panama is ready to do so, but in a bilateral way. It is willing to exchange information without pressures, and these matters have to be addressed at the UN and not by a group of countries, deciding that the UN was a forum made to discuss such matters. So Panama's position is to handle the issue on a bilateral basis depending on the geopolitical situation at a certain point, and follow the steps of our main commercial partners so that we can emulate what they are doing. The world is more transparent, but it is important that information is exchanged properly and is not misused. We have to be clear whom we give that information to and how that other party will use and save that information. ✖

BIO

Jaime D. Moreno R. is currently General Manager of BAC International Bank, responsible for the commercialization of personal and corporate banking. He began his career in the banking sector 32 years ago, working in large financial institutions in Panama such as Citibank and The Chase Manhattan Bank. He subsequently joined Grupo Torras, S.A. in Barcelona and later returned to Panama in 1994 to lead the Private Banking segment in Banco Alemán Platina. Moreno is currently President of the Panama Banking Association, part of the Panamanian Association of Executives and Businesses, and Director of the Panama Credit Association.

the RIGHT stuff



TBY talks to **Rolando J. de León de Alba**, General Manager of Banco Nacional de Panamá, on the country's international reputation, plans for expansion, and new technologies.

Panama has just been removed from the FATF's Grey List. How will this impact people's perceptions of Panama internationally? That has important ramifications. Since we were added to the list in 2014, the whole country came together, including the private sector and the government, to develop a strategy to get us off that list. Panama took the necessary steps, and this was finally achieved. Now we are in the process of consolidating that effort so that we will never end up on another similar list in the future. Being a small country, our potential is tied to our reputation so we need to protect that, as well as gain back all of the business that was lost or affected, especially with the correspondence banks for local banking institutions in the country. That is actually the main directive that Panama will take, and it is an effort not only by the government, but also the Banking Association of Panama and the Superintendency of Banks of Panama. We definitely have a new opportunity and we should not miss it.

What are your plans for expansion?

Panama still needs banking services around the country. Banco Nacional is in fact the only source for banking services in some places, which is of some concern for the government. We also need to evaluate whether we need to create more physical branches or expand via technological means. We are currently using both, because there are some sectors in rural areas that have neither. In order to introduce technology, we have to bring some physical capacity first and then start preparing people so that they can effectively use the services, which is an interesting process. The government currently runs different subsidy programs, but there is also an opportunity to teach people who receive those subsidies to save and invest, because these subsidies will not last forever. We have to teach our people to take advantage of that and to develop a different perspective, one through which they see a need to use the funds to advance and enhance their business-

Expanding services through physical branches, mobile technology

Assisting agricultural sector suffering effects of El Niño

es and their lives and further integrate with the economic cycle. In that way, Banco Nacional wants to create new sources of economic development in certain areas that are currently stagnating through establishing new branches.

How quickly are banks and customers adapting to new technology in Panama?

They are adapting quickly. A large part of those subsidies are being delivered through electronic bank cards, which people have embraced. The next step will be to use mobile technology in the more remote areas. Panamanians embrace new technology and we want to leverage that to create a new way of seeing banking services in the future, because mobile phones will be the new branch for current accounts and services. This transition can be carried out within a short period of time. This will grant people fast access, and the ability to accomplish a lot of tasks that in the past they were not able to do within the current banking relationship.

Panama saw a 16.9% increase in FDI in 2015. How will the banking sector continue to drive that growth?

A lot of this increase represents reinvested earnings. There are currently around 97 or 98 banks currently in Panama, and approximately 46 or 47 of them have general licenses. Banks are discovering new ways to finance big projects, whereas in the past they only looked at external financing. Banks are now in a better position to get involved in things that we need, and that reflects part of the industry's growth. There is a great deal of competition as well as offerings, and people use banking services more. We are on a good path, and if more banks come they will face a great deal of competition, because the institutions here offer a wide range of services. It would be beneficial to come to Panama and shop for banking services, because we have everything. ✕

BIO

Rolando de León de Alba has been General Manager of Banco Nacional de Panamá since July 2014. He holds a degree in international relations with a focus on economics from Florida State University and an MBA with a focus on strategic management from the Universidad Interamericana de Panamá, summa cum laude.

Following a series of reforms in its financial sector, Panama managed to secure its removal from the Financial Action Task Force's (FATF) grey list at the organization's last meeting in February 2016.

ALL GREEN AGAIN

THE FATF, the international body that sets standards for anti-money laundering and combating terrorist financing, groups countries whose efforts at combating money laundering and terrorist financing have been deemed inadequate and whose whole legal framework surrounding tax fraud are substandard. The FATF grey list currently includes such jurisdictions as Iran and North Korea.

Panama first entered the list in June 2014 following an IMF report that highlighted weaknesses in Panama's banking framework, labeling the country as susceptible to crimes related to money laundering, fraud, and drug trafficking. The organization found that Panama fulfilled just one of its 49 recommendations, largely fulfilled three, and partially fulfilled 26. Panama has also previously been on and removed in 2011 from the OECD's grey list of countries that do not implement internationally agreed upon tax standards and could therefore be considered a tax haven.

Its inclusion on the list undoubtedly affected investor perceptions of Panama, which has for years struggled to shed its reputation as a tax haven. "Having Panama labeled as a high-risk country has obviously affected banks and possibly discouraged investors from coming to Panama," said Olga Cantillo, Vice President and General Manager of the Panama Stock Exchange.

Stating its removal from the list as one of the key priorities for the government in 2016, Panama took a number of steps to update its legal framework and strengthen its money laundering controls. One of the measures introduced in response was Law No. 23 of 27 April 2015: Adopting measures for the Prevention of Money Laundering, Terrorism financing and Financing of Proliferation of Weapons of Mass Destruction and other provisions.

Amongst the changes, the new law stipulates that all financial entities are now obliged to report suspicious financial activities. "Law 23 is a big step towards transparency and a better reputation for Panama in terms of its financial system in general," said Marelissa Quintero de Stanziola, Superintendent of Securities Market. "Now more intermediaries have to report any suspicious transactions and potential money laundering to the Financial Analysis Unit. In the past, only brokerage

firms and the self-regulating entities, which are the Stock Exchange and the Clearing Agency, were required to report suspicious transactions." It also moved Panama to a standard of law-based to a risk-based supervision and gives further supervisory powers to the Superintendency. "These amendments give power to the Superintendent of the Securities Market to exchange confidential information with foreign regulators under the principles of reciprocity, confidentiality, and so forth." Stricter controls are also placed on the previously unregulated registration of bearer shares.

At the latest FATF meeting, the organization recognized Panama's efforts and congratulated it on its recent reforms. Algeria and Angola were also removed from the list at the same meeting. The removal is welcomed by the Ministry of Economy and Commerce as well as local and foreign players in the financial industry. It is hoped that the removal will send a message to the international investor community that Pan-

At the latest FATF meeting, the organization recognized Panama's efforts and congratulated it on its recent reforms. Algeria and Angola were also removed from the [grey] list at the same meeting.

ama's regulatory and institutional framework is adequate for the prevention of money laundering, financing of terrorism, and proliferation of weapons of mass destruction, thus promoting foreign investment and consolidating Panama's position as a global financial center. The financial sector remains one of Panama's major recipients of FDI and accounted for 15% of all foreign investment in 2015 even with the FATF's warning.

Looking ahead, Panama will need to focus on its adoption of the OECD's Automatic Exchange of Tax Information initiative. Panama continues to face criticisms following its decision not to adopt the Common Reporting Standard (CRS) despite its commitment to joining the list of OECD jurisdictions that automatically share tax information from 2018. The OECD insists that the CRS will allow countries to tackle tax evasion in the most effective way; however, Panama is adamant about developing its own mechanism for sharing tax information. ✖

TAKE IT TO THE BANK

Financial institutions are taking measures to ensure clients remain their top priority amidst exciting growth opportunities.



NÉSTOR BLANCO
*General Manager,
Scotiabank*



JORGE E. MORGAN
*President & CEO, MMG
Bank*



RAINER HENSEL
*General Manager,
Credit Suisse Asesoría
(Panama)*

The digitalization of Scotiabank has been a top priority in the last 24 months. Our CEO and new head of international banking has made it clear we need to invest in new technology or else we risk being left behind. This is true not just for us, but the banking system in general. There are many things going on in the digital world and we have to keep up, which means investing. Our operations in Panama are still small in the grand scheme of things. Internationally, we are in large countries such as Mexico, Peru, Chile, and Colombia, and we have been in the English Caribbean for more than 150 years as a significant contributor. It is our objective to grow in Panama and to offer customers the best service and products that we can. Service and digital technology are both key. Banking services in general are becoming commoditized, so we have to be able to differentiate from a service perspective, which we are able to do. We are adding products to the mix with this acquisition. The plan for the next three to five years is to pursue lower double-digit growth, and in a country that, despite being said to be slowing down, is still growing at 6%, so this local growth target is achievable. Infrastructure is key, and we feel we are rightly positioned to participate in the continued growth of Panama.

MMG Bank performed well in 2015. We increased our profitability by 22%; therefore, we had another good year. Our assets under management continue to grow. Our five-year average AUM growth is a healthy 27%. We manage different types of clients. Institutional clients tend to be our largest, flagship clients, and they use the bank's services mostly to buy Panamanian or regional securities that we structure or distribute. They include banks, insurance companies, and Panamanian pension funds. Top insurance companies are our clients. A second group of clients is made up of private individuals and families, which represent the majority of our assets under management. Panama is an important market for us, as is Latin America. We get requests from all over the world; however, we are strict about who we take on as clients. The regulations require that we thoroughly document the source of clients' funds, as well as all their ownership information. We are forced to reject a considerable number of accounts because they do not meet our documentation standards. We have developed a great distribution channel consisting of independent asset managers that refer their clients to us. The relationships we have developed over the years with a reputable network of professionals means we are comfortable with the quality of the clients we receive. However, we still have to perform an extensive due diligence on all clients, regardless of the referral source.

Emerging markets are key to the global growth of Credit Suisse and Panama is a natural hub for the region because of its key geographic position and talented workforce. Our main activity in Panama is private banking for ultra-high net worth individuals, whose families have liquid wealth in excess of \$50 million. These are clients we can deliver the value-added services of our investment bank. This allows us to serve our clients' individual and corporate needs. Credit Suisse's integrated banking model means that investment banking works together with private banking. This does not apply so much for Panama, because our operations here are largely focused on private banking, but in other locations such as Colombia there is great synergy with investment banking, which fits into our strategy. We see tremendous growth opportunities in the region and are here to stay. We expect to expand in Panama and Colombia in the near term, and probably in Venezuela in the medium term. Central America also presents opportunities that are best served from Panama as a regional hub. We are extremely confident about the sector; wealth is growing in Latin America and our industry is changing. With our integrated banking model, Credit Suisse is ideally positioned to serve our existing and future clients. With its political stability, strong labor force, and the well-developed infrastructure, Panama is the ideal place for us to be.



OLGA CANTILLO
Vice President &
General Manager,
Panama Stock
Exchange (BVP)



**MARELISSA
QUINTERO DE
STANZIOLA**
Superintendent of
the Securities Market
(SMV)

the stock EXCHANGE

Panama's removal from the Financial Action Task Force's (FATF) grey list is set to give the capital markets a shot in the arm.

What impact does Panama's removal from the Financial Action Task Force's (FATF) grey list have on the financial industry?

OLGA CANTILLO The impact on foreign investment is huge. We are working on a large project together with Euroclear and Latinclear that we launched in April 2014, namely the i-Link. Securities listed on our exchange go through the i-Link and, once authorized by Euroclear, are available to international investors through the Euroclear platform. Being on the grey list put this project on hold. That has an important impact on the country; not only in the financial industry, but on the strategic planning that we had for the exchange. Having Panama labeled as a high-risk country clearly affected banks and possibly discouraged investors from coming here. That said, the country took all the necessary measures to be removed from the list.

MARELISSA QUINTERO DE STANZIOLA The introduction of Law 23 as part of efforts to remove Panama from the grey list is a big step toward trans-

parency and a better reputation in terms of its financial system in general. We have more intermediaries that are obliged to report any suspicious transactions and/or potential money laundering activities to the SMV and the Financial Analysis Unit (UAF). Law 23 is also very important for the securities sector because it modifies three articles of our securities law. These amendments give the Superintendent the authority to share information with foreign regulators under the principles of reciprocity and confidentiality. Thus, we now have the power to cooperate in investigations related to securities markets around the world. Panama will now be able to sign Appendix A of the Multilateral Memorandum of Understanding (MMoU) of the International Organization of Securities Commissions (IOSCO). This is important for the Panamanian securities market base reputation as a transparent and more reliable place for financing and capital market investing. This is a significant step for Panama at this time. Complying with these international standards is also important for Panamanian

brokerage firms, which want to open custody accounts with intermediaries in the US. In 2015, foreign custodians were closing down Panamanian brokerage firms' corresponding accounts or refusing to open new accounts. This was due to the fact that Panama did not comply with international standards. As a result, there are Panamanian firms that cannot do business in the US at the moment.

What explains the low number of upcoming IPOs?

OC Our market is small and mainly focused on fixed-income instruments. However, one of the things we will focus on is meeting with market players and working with potential issuers to better understand their needs and why they are not listing their shares on the stock market. By doing so, we will be able to understand what we need to include or exclude from a regulatory point of view in order to make it more appealing for them to list shares on the exchange. We have little information about any future IPOs coming to the market at this moment.

MQS There are not as many IPOs as there should be. In the case of equity, about one out of every five issuers registered with the Superintendency has registered common shares. Last year we did not have any new IPOs in this category. This may be due to the fact that even though we have very healthy companies in Panama, most of them are family-owned businesses, which in most cases are not willing to open their shares to the public; it is a matter of culture. However, in terms of debt, in Panama we see a good appetite for financing in the capital market. In 2015, we had more registered securities than in 2014 (\$2.9 billion in 2015 vs. \$1.7 billion in 2014). One must bear in mind that in Panama we are competing with a massive banking sector that is both attractive to investors and can easily lend money to companies at low interest rates. It is hard for any securities market to compete with such a strong banking sector, which is a good thing. Another area where we have seen a rising trend is in IPOs in the real estate sector, due to a new regulation that we issued in 2014 for real estate investment trusts (REITs). ✘



Panama's capital markets experienced a nominal contraction in 2015, with debt securities continuing to play an important role in the market cap of the country's securities exchange.

Review CAPITAL MARKETS

FAIR SHARES

PANAMA'S FINANCIAL SECTOR has come under intensified legal and investor scrutiny amid the reverberating effects of the release to the public of documents illustrating the role that several law firms based in the country played in facilitating a global network of foreign-owned, non-disclosed assets. However, rather than showing any signs of a decrease in investor confidence, Panama's financial market development was ranked number 15 in the world according to the World Economic Forum's 2015-2016 Global Competitiveness Report. The Global Competitiveness Report also ranked Panama 40th for its financing through the local equity market, 19th in terms of the overall efficiency of the country's financial markets, and 15th in terms of trustworthiness and confidence in the sector.

Panama's securities trading platform, the Bolsa de Valores de Panamá, experienced mild contractions during 2015. The BVPSI Index, the main index of Panama's capital markets which tracks the performance of the largest companies listed on the exchange, fell by 22.71 points during 2015, a 5.33% YoY decline from 426.12 points at the beginning of 2015 to 403.41 points at the start of 2016. After gaining a nominal 1.5 points through the first half of 2015, a 0.35% increase from 426.12 points at the beginning of 2015 to 427.62 points at the beginning of the second half of the year, the biggest drop in the BVPSI Index came in the third quarter of 2015 when the exchange lost 17.81 points, marking a 4.16% QoQ decline from 427.62 points at the beginning of the quarter to 409.81 points at the end of the third quarter. This downward trend continued into 2016 when the BVPSI Index fell by a further 10.85 points from 403.41 points at the start of the year to 392.56 points at the end of the first quarter, marking a 2.69% QoQ de-

cline and an 8.18% fall from where the Index stood at the same point in 2015.

The \$1.868 billion of new issuances on the Bolsa de Valores de Panamá during 2015 came from 28 new registered securities, an 8.6% YoY increase. Approximately 36.7% of these new securities were from first-time debt issuers, including Electrón Investment, S.A. (\$235 million), Real State Investment Thrust, Inc. (\$60 million), Fideicomiso Serie Alegría BY Haus (\$50 million), Banco Ficohsa, S.A. (\$50 million), and Correagua Internacional, S.A. (\$30 million). The newest issuers of equity shares on the exchange were CM Realty Sociedad de Inversión Inmobiliaria, S.A. (\$39.9 million), Latin American Kraft Investments, Inc. (\$25 million), Prima Sociedad de Inversión Inmobiliaria, S.A. (\$10 million), Grupo APC, S.A. (\$7.5 million), and Prival Real Estate Fund, S.A. (\$5 million). The largest issuance of securities in 2015 came from Aes Panamá, S.R.L., which issued \$375 million in recurring senior notes through BG Valores, S.A. and BG Investment Co., Inc. BG Valores, S.A. led all purchasing activities on the exchange with the \$896.190 million in securities it acquired during 2015, while Prival Securities, Inc. led all sellers with the \$806.668 million it issued during 2015.

The total volume of trades on Panama's stock exchange stood at \$5.247 billion at the end of 2015, a 0.18% YoY decline from the \$5.256 billion traded in 2014. In terms of the market for securities listed on Panama's stock exchange, the majority of the volume traded in 2015 took place through the market for primary securities. At \$3.401 billion, the primary market accounted for 64.82% of the volume traded on the Bolsa de Valores de Panamá. This marked a 0.36% YoY increase from the \$3.388 billion traded in 2014, which during that pe-

Rather than showing any signs of a decrease in investor confidence, Panama's financial market development was ranked number 15 in the world according to the World Economic Forum's 2015-2016 Global Competitiveness Report. The Global Competitiveness Report also ranked Panama 40th for its financing through the local equity market.

riod represented 64.47% of the overall market volume. At \$1.512 billion, the secondary market accounted for 28.83% of the volume traded on the stock exchange during 2015, marking a 7.54% YoY decline from the \$1.636 billion traded in the secondary exchange market in 2014, which during that period represented 31.12% of the total market for publicly listed securities. At \$333.4 million, repurchased securities accounted for 6.35% of the total volume traded on the stock exchange in 2015, signaling a dramatic rise of 43.89% YoY from the \$101.7 million in securities repurchased in 2014, which during that year accounted for just 4.41% of the consolidated securities market.

In terms of the breakdown by sector, the large majority of the volume of Bolsa de Valores de Panamá is traded by the private sector. At \$3.797 billion, the private sector accounted for 72.36% of the total volume traded on the stock exchange in 2015. This marked a 14.84% YoY increase from the \$3.306 billion traded by the private sector in 2014, which during that period accounted for 62.89% of the overall volume of Panama's market for financial securities. At \$1.450 billion, the public sector accounted for 27.64% of the total volume traded in 2015, marking a massive 25.64% YoY decline from the \$1.950 billion traded by the public sector in 2014, which during that period represented 37.11% of the total market for publicly listed securities.

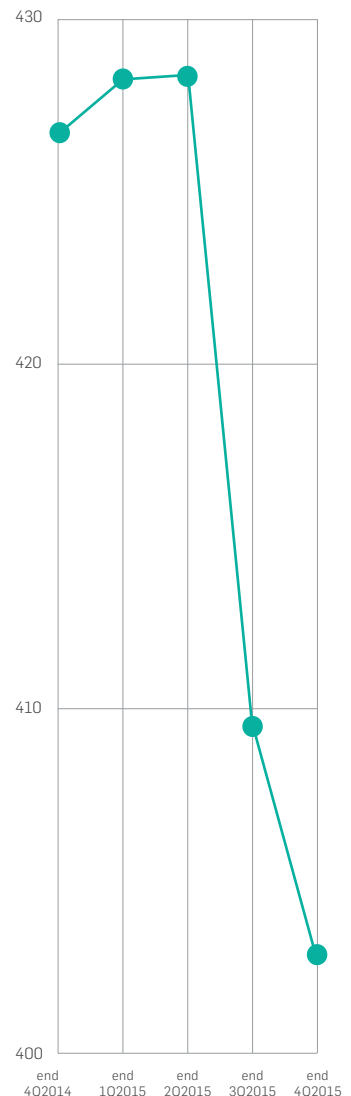
In terms of the trading of private paper, bonds largely dominated Panama's capital market in 2015, registering a total volume of roughly \$2.226 billion that accounted for approximately 42.43% of the total market cap for securities listed on the stock exchange. This represented a 20.74% YoY increase from the \$1,844.1 market cap of bonds listed on the stock exchange in 2014, which during that period represented approximately 35.08% of the consolidated securities market capitalization.

Meanwhile, bond buybacks reached \$321.642 million during 2015, representing nearly 14.45% of the market cap of the traded volume for bonds and roughly 6.13% of the consolidated market cap. This corresponded to a rise from 2014 levels, when the \$205.358 million of bond buybacks represented just 11.14% of the market cap for bonds and only 3.91% of the consolidated market capitalization.

Securities from the treasury declined by from 25.98% YoY to \$1.443 billion through the end of 2015, which accounted for 27.15% of the total market cap. This drop from the \$1.950 billion market cap of treasury securities marked a significant shift in the configuration of capital concentration, where treasury securities in 2014 represented approximately 37.11% of the consolidated market capitalization. At \$635.836 million, treasury notes were the largest component of treasury securities in 2015, accounting for 44.04% of the total category. This marked a 47.35% YoY decline from 2014, when the \$1.208 billion market cap of treasury notes represented 22.98% of the consolidated market cap and 61.92% of all treasury securities. Treasury bills, at \$620.082 million, accounted for 42.95% of the total category in 2015. This marked a 46.12% YoY increase from 2014, when the \$424.632 million market cap of treasury bills represented just 8.07% of the consolidated market cap and 21.76% of all treasury securities. At \$187.695 million, treasury bonds represented just 13.00% of the market cap for all treasury securities through the end of 2015. This marked a 41.04% YoY decline from the \$318.348 million market cap of treasury bonds in 2014, which represented 6.06% of the consolidated market cap and 16.32% of the total category. Public external debt stood at \$6.641 million on the Bolsa de Valores de Panamá through the end of 2015, while there was no public external debt listed on the stock exchange at the end of 2014. ✖

2015 BVPSI INDEX

SOURCE: BVP



MAHESH C. KHEMLANI

President, Panama Diamond Exchange

The World Jewelry Hub (WJH) was inaugurated on April 2015. How would you assess its success so far?

Panama was the ideal candidate for a diamond, gemstone, and jewelry hub. In our eight months of business, turnover at the center, including imports and exports, totaled \$128 million. This may not seem substantial compared to centers like Antwerp, Tel Aviv, or Mumbai, but it is a significant achievement considering that two years ago the area occupied by the WJH was an empty lot. It sheds some light on the potential of our platform and for the future.

What contribution can the jewelry market make to Panama's GDP?

The jewelry sector has the potential to contribute more than 2% of Panama's GDP within 10 years. This is dependent on the growth of trade in the region and the share of that market that the WJH comes to represent. The net contribution by the WJH is only a portion of its actual value. The rule of thumb is that for every job created directly, it creates another two in other sectors. People who travel to Panama to deal in gemstones and jewelry will stay on to enjoy the other attractions that we have to offer.*



**Best
Western
PLUS**

Panamá Zen Hotel



**LO MEJOR DE PANAMA YA TIENE NOMBRE PROPIO:
BEST WESTERN PLUS PANAM ZEN HOTEL.**

The best of Panama has its own name:
Best Western Plus Panama Zen Hotel.



A corporate environment with a variety of offerings for all of our guests, we are a hotel in harmony with nature. We have 90 rooms of contemporary style in complete harmony to bring comfort and relaxation to our guests distributed across 35 Superior King, 54 Super Twin, and 1 Junior Suite. The Zen Cafe restaurant located in the lobby combines contemporary Zen style and creates an optimum environment. Highlands Premium Coffee House is a place to enjoy the best coffee at the height of the city. The Roof Lounge, Sky Bar, and pool located on the top floor terrace offers a spectacular panoramic view of Panama City. The hotel features 4 multi-function event rooms for the development of corporate and social gatherings, equipped with the technology to develop your events with a high standard of service.

Address: Calle Gaspar Hernandez y Via Argentina,
Corregimiento de Bella Vista, Sector El Cangrejo,
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STRENGTH IN NUMBERS

The recent merger of the securities markets in Panama and El Salvador has opened the door in both countries for greater access to the capital needed to support large-scale economic growth.

PANAMA AND EL SALVADOR recently signed an agreement to merge their stock exchanges, bringing the region one step closer to an inter-connected capital market system and setting the countries in line with broader economic and financial integration objectives. The signing of the agreement took place at the 42nd Annual Meeting of the Federation of Ibero-American Stock Exchanges Meeting (Reunión Anual de la Federación Iberoamericana de Bolsas de Valores, FIAB), held in Panama City in September 2015. The meeting brought together leaders from the region's securities industry including investors, representatives of stock exchanges, custodians of values, and members of both the Inter-American Development Bank (IDB) and the Development Bank of Latin America (CAF) to discuss challenges and barriers to financial integration in the region. The agreement was signed at the meeting by representatives of the two exchanges, superintendencies of securities markets, and custodies of securities for both Panama and El Salvador.

The agreement allows financial intermediaries in Panama and El Salvador to have direct access to each other's trading platforms, enabling them to trade securities on each other's stock exchanges subject to minimal requirements. The agreement gives investors and issuers in both countries access to a broader market and promotes depth, dynamism, and liquidity in both exchanges. The integration implies an increase in capital flows that can be used for large infrastructure or social development projects, supporting wider economic growth objectives.

According to Olga Cantillo, Vice President and General Manager of the Panama Stock Exchange (BVP), "[The integration of Panama's stock exchange with that of El Salvador] is beneficial and is something that has been in the making for many years. The fact that the Central Depositories of Panama and El Salvador have had a bilateral agreement for almost 12 years now made it easier." On the benefits of the agreement, Cantillo said, "This integration will facilitate trading without having to separately list securities with each country's exchange and regulators. In a way, our integration has also attracted further potential issuers."

The signing puts the two countries at the forefront of financial integration, something Central America has been pushing forward since the early 2000s. In 2002, Panama, El Salvador, and Costa Rica signed bilateral agreements, and the three countries signed a letter of intent in 2008 to advance the process of creating an Alliance of Central American Markets, dubbed 'AMERCA' (Alianza de Mercados Centroamericanos).

Looking to foster links with countries beyond the region, the Panama Stock Exchange signed an agreement in 2014 with Euroclear, the largest global custodian of shares, and Central Latinoamericana de Valores (Latin Clear) that allowed international investors in 46 countries around the world to purchase Panamanian government bonds and corporate securities, allowing local businesses to access a broader investor base and diversify their sources of financing.

Plans are in the pipeline to extend this agreement to other countries in the region, notably neighboring Costa Rica and the Dominican Republic. "Due to regulatory issues, Costa Rica has been unable to join at this moment, but we will continue to work with them to include them in the integration," explained Cantillo.

The new agreement strengthens Panama's position as a key financial center for Latin America. It also further increases the attractiveness of Panama's financial services industry as a place to invest, with the sector accounting for 15% of the \$5.038 billion in FDI that the country received in 2015.

Similar agreements can be found amongst other countries in the region. The Latin American Integrated Market (MILA), launched in 2011, is an initiative to integrate the stock markets of the Pacific Alliance countries, notably Chile, Colombia, Peru, and Mexico, into one regional bourse. The addition of Mexico, the last member to join, in 2014 nearly doubled its size, bringing its combined market capitalization to almost \$1 trillion. The MILA exchange is currently the largest exchange in Latin America by number of listed companies. Panama is not yet part of the Pacific Alliance, whose aim is to promote deeper integration of economies through the free movement of goods, services, capital, and labor, but it has expressed an interest in joining in the future and has already signed trade agreements with all four member nations. ✖



Panama's insurers have done well from a cornucopia of infrastructure projects, while high disposable incomes keep policies flowing.

Review INSURANCE

POLICY MATTERS

Panama's insurance sector grew 5.6% in 2015, reaching a value of \$1.25 billion, according to the Seguros y Reaseguros de Panamá, or Superintendency of Insurance and Reinsurance, the industry watchdog. The number of policies expanded 9.2% to 1.18 million over the same period. In a recent interview, the Superintendent of Insurance and Reinsurance, Joaquín Riesen, told *TBY* that the institution expects premium growth of 3-4% in 2016, the slowdown attributable to a "soft" market for reinsurance as projects become less expensive, such as the new Panama City metro line, the contractors' all risk (CAR) policy of which cost \$3 million compared to \$12 million when the first line was constructed. That said, he was keen to point out that when measuring policies alone, growth is more likely to come in at around 9%, painting a rosy picture of the sector in general.

In 2015, insurance premiums taken out by the finance sector grew 50%, followed by auto insurance, which grew 21%, and hull coverage, which grew 18%. Auto insurance was worth \$246.5 million at end 2015, up \$43 million on 2014, making it the largest insurance line in the country. Growth in this area is driven by Panama's large new auto market, with 50,000 vehicles sold a year on average. According to the Superintendency of Insurance and Reinsurance, auto represents 14% of total premiums. Other significant sectors include fire, life, and health. Health insurance premiums also went up over 2015, growing by 0.6% to \$205.7 million. That said, claims were also up, by 12.9%, threatening profitability. In the overall sector, claims were up 7.5% over the year when compared to 2014.

There are a total of over 30 firms fighting for market share, and the sector is relatively easy to

enter with cheaper running costs than Miami, Mexico, or Colombia. On top of that, the watchdog is also working to modify the reinsurance Laws of 63 and 19 of 1996 to provide tax benefits and other perks, such as removing the cap on the number of employees that companies can bring to the country. On the subject of competition, Superintendent Riesen told *TBY* that the institution is "not targeting to increase the number of players," but is focusing more on increasing "the level of quality of the reinsurance market." Panama's long-term goal is to transform itself into a reinsurance hub, based on the reinsurers already in the country.

In the medium term, as the Panama Canal expansion project draws to a close, business is likely to be replaced somewhat by growth in maritime insurance policies, as LPG from the US travels through the waterway to Asia, with extant potential for Panama to "become a hub to transport and create distribution centers for LPG, machinery, and many other goods that can be re-exported to other Latin America and Caribbean countries," claimed Riesen. The increased traffic that the expansion will bring—the widening effectively doubles the cargo-carrying capacity of vessels passing through—could bring with it some challenges, however. At the back end of 2014, Allianz Global Corporate & Specialty, in time for the 100th Anniversary of the waterway, published a report titled Panama Canal 100: Shipping Safety and Future Risks, which suggests that the value of insured goods transiting the canal may increase to over \$1 billion per day. And that's no surprise considering the completion of works will boost the number of ships traversing the canal by 4,750 per year, on top of the 12,000 prior. The

In 2015, insurance premiums taken out by the finance sector grew 50%, followed by auto insurance, which grew 21%, and hull coverage, which grew 18%. Auto insurance was worth \$246.5 million at end 2015, up \$43 million on 2014, making it the largest insurance line in the country.

risk itself comes from the greater risks associated with the increased traffic, which threatens the canal's improved safety record. In that regard, an accident could prove costly, bringing operations to a halt as salvagers swing into action.

But in terms of infrastructure construction, the buck doesn't stop with the canal, with a number of other construction projects lending themselves to insurance sector growth—the Cinta Costera, a land reclamation project in Panama City, the extension of the Via Brasil area also in Panama City, bridges, and the Ciudad de la Salud health complex were all highlighted as examples by Emanuel Abadia, Managing Director and Country Head of Marsh Semusa, in an interview with *TBY*. Abadia is also bullish about prospects in the mining sector, suggesting that, “with the Minera Panamá project, which is going to provide copper for future generations... more insurance is needed.”

PENETRATION

The authorities in Panama are reluctant to highlight an overall insurance penetration rate, but that could change over the coming year. The Superintendency is working hard to bring its watchdoggery to international standards, including Solvency II, an EU directive that harmonizes EU insurance regulation. In terms of penetration, mandatory lines tie consumers to the banking system as fire and life insurance are compulsory when taking on a mortgage. In life insurance, Panama sits behind Peru, Venezuela, Chile, and some other Latin American countries. Going forward, the Superintendency is looking to “improve the quality of data we require from the market” via separating premiums issued in Panama to those issues elsewhere, revealing a true penetration rate. As for the current situation, it “looks like Panama is the third Latin country

per capita on insurance penetration, but after next year we will have a clearer, more honest picture,” concluded Riesen. The authorities are also keen to boost insurance awareness, looking to take advantage of Panama's hefty middle class. The middle class is the engine of the national economy, and a 2010 census revealed a ratio of 32% of the population, or just over a million citizens, in that social bracket. According to data, the middle class represents 40% of workers at companies providing goods and services and around 15% of the public sector. The middle class have typically been the driver of insurance penetration growth around the world, with more disposable income and a desire to protect hard-earned assets from a multitude of possible eventualities including fire, theft, or worse. Around 126,000 (or 14%) of Panamanian households today are paying a mortgage, or own cars, have personal savings, and even investments, opening up much potential going forward.

Overall, Panama's insurance industry is sitting pretty, and its stability has been underlined by a Fitch Ratings report from January 2016 that set the outlook for the insurance sector in central America and the Dominican Republic as stable, based on a number of factors including solid sector growth rates in alignment with overall economic growth, as well as solid capitalization and liquidity. A caveat was inserted relating to the possibility of catastrophic natural disasters, as well as the risk of inflation and currency devaluation, although that is less likely to impact Panama due to the dollarized nature of its economy—inflation was just 0.6% in April 2016. There is no reason to doubt the continued growth of the sector with an especially solid expansion in policy making, which will be backed up by construction, high disposable incomes, and the generally high penetration of financial services. ✘



EMANUEL ABADIA

Managing Director & Country Head, Marsh Semusa

What capabilities does Marsh bring to the country?

Our aim is to provide clients with the best risk and insurance solutions, benefiting from the depth and breadth of our international resources and capabilities combined with our local experience and knowledge. We have expert and dedicated teams for every industry risk, and we truly understand clients' specific risk issues and can provide them with the best advice and insurance solutions.

You were named best insurance broker in the region for 2015. What was this in recognition of?

We were voted best insurance broker in Latin

America for the second year running; our regional CEO Ricardo Brockmann was similarly voted best CEO in the insurance industry for the third straight year. This was due to our dedication, expertise, continuous innovation, customer service, and talent. We are also very dedicated when it comes to compliance; we abide by a strict code of conduct. In fact, Joaquin Riesen, the Superintendent of Insurance and Reinsurance, picked Marsh to participate in the Financial Action Task Force to determine if Panama could be removed from the grey list. We were the only brokerage firm there, which demonstrates that the Superintendency trusts us and the way we do business.*



TBY talks to **Joaquín Riesen**, the Superintendent of Insurance and Reinsurance, on the rapidly growing segments in insurance, ease of entry for foreign players, and efforts to develop the industry.

PREMIUM *players*

According to the Panamanian Association of Insurers (Apadea), the sector is expected to experience a growth rate of 6% in 2016. Do you agree with this forecast?

It is a little bit ambitious but yes, it will be a year of positive growth. We expect growth of around 3-4% for premiums. The main reason is that the world of reinsurance is entering a soft market and rates tend to go down. Any major project today will be much less expensive compared to the same project 10 years ago. If we only measure premiums, there will be low rates of growth; however, if we measure policies, which are a better gauge of the insurance industry, the rates of growth are higher. The number of policies has increased more than 9% compared to last year, but for premiums the rate of growth is around 3-4%.

Which segments are growing the most?

Usually, the auto segment is one of the strongest. Even though we are a small country, more than 50,000 new vehicles are sold every year, which is a large figure. In terms of the number of policies, auto is one of the main segments, followed by fire, life, and health. In terms of premiums, auto comprises 14% of the market and it is growing. Usually, the negatives are related to projects. Insurance companies are fighting for business. There are not many countries that are growing the way Panama is. Competition is really high on the reinsurance side.

How high are the barriers to entry for foreign players, and what are the advantages of setting up here?

Panama is easy to enter. If you want to compete in Latin America, Panama is the heart, not only geographically but also in terms of connection. There is no other country in Latin America with more connectivity than Panama. It is cheaper to set up here compared to Miami, Mexico, or even anywhere in Colombia; it is also safer and a nice place to live. It is cheaper to run operations from Panama, and if we modify the reinsurance laws number 63 and 19 of 1996, we can provide tax benefits and other perks, such as not limiting the number of employees companies can bring to Panama. We are not aiming to increase the number of players in itself; we are targeting increasing the level of quality of the reinsurance market. There are many reinsurance companies; however, we want the best ones here.

How are you working to develop the industry?

The more solid the Superintendency, the better the market and the safer the reinsurance companies are going to be. It has been a year of changes as we are trying to bring the Superintendency to international standards. We are active in all the meetings with regulators in the region, the Americas, and Europe. We are watching Solvency II, an EU directive that harmonizes EU insurance regula-

Bringing the Superintendency to international standards

tion. However, it is unlikely that this will be the answer for Panama, as it hasn't been the answer for Mexico. However, we have to work to bring the regulation to the same level as Europe or North America. On the consumer side, there is a lot to do. We do have good penetration in insurance; however, that is tied to the banking system, as it is mandatory to have fire and life insurance on a mortgage. In terms of life insurance, we are still behind Peru, Venezuela, Chile, and many other Latin American countries. We are also working to improve the quality of data we require from the market. We are going to separate premiums issued in Panama from those issued elsewhere; that will give us the true penetration rate. At the moment, it looks like Panama is the third Latin American country per capita on insurance penetration, but after next year we will have a better, clearer picture. ✕



Increasing energy efficiency, reducing the loss

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To diversify the country's energy mix away from hydroelectricity, Panama has been moving toward new renewable sources.

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Power companies are turning to alternative sources due to climate conditions and fuel price fluctuations.

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TBY talks to Iván Barria, General Manager of ETESA, on balancing the country's energy mix.

Energy

REVIEW

Panama's long-undersized energy sector is destined to transform itself as a major player in the economy in the coming years. With big infrastructure projects coming on stream in 2017, this diversified sector is heading in the right direction.

TURNING TOWARD THE SUN

Panama's energy sector is growing at a clip, expanding by between 4.5% and 5% YoY, and broadly in tandem with the national economy. This rate of growth is keeping pace with the increased demand for energy, which grew by 4% in 2015. The challenge now is for the sector to invest in infrastructure, technology, and supply sufficiently in advance so as to keep up with the growing demand. The government hopes these needs will be met through a modern, clean energy mix that is at once both affordable and inexpensive for the end user. The all-important link to Colombia's grid, due to be completed in 2017, is part of the wider effort to ensure the nation's energy security going forward.

In 2015, the Energy Information Agency (EIA) reported that hydroelectric power made up 64% of Panama's overall generation, oil-fired generation 35%, and biomass less than 1%. Wind and solar made up an even smaller proportion. Yet while hydro-



Image: Celsia

Panama's energy sector is growing

at a clip at between 4.5% and 5% YoY, and broadly in tandem with the national economy. This rate of growth is keeping pace with the increased demand for energy, which grew by 4% in 2015. The challenge now is for the sector to invest in infrastructure, technology, and supply sufficiently in advance.

electric has remained the cornerstone of the country's generation mix, the country has invested some \$1.2 billion in clean energy since 2006, according to Climate Scope. And hydroelectric has some severe drawbacks—not least those demonstrated during a particularly severe drought in 2013, when roaring rapids were reduced to a trickle.

As Panama's energy consumption has grown, so has the government's bill for electricity subsidies. Panama spent \$400 million in 2014 on subsidies, including for consumers who could afford to pay the full price. The current low oil price cycle has allowed the government to gradually reduce support for all but the smallest domestic consumers, who generally use less than 200 kWh, a policy that brought about savings for the government of \$132 million in 2H2015. These policies are part of a wider effort to re-balance the nation's energy matrix and to build a system that is open, transparent, and ultimately stable. As Panama's government embarks

In 2015, the Energy Information Agency (EIA) reported that hydroelectric power made up 64% of Panama's overall generation, oil-fired generation 35%, and biomass less than 1%. Wind and solar made up an even smaller proportion. Yet while hydroelectric has remained the cornerstone of the country's generation mix, the country has invested some \$1.2 billion in clean energy since 2006, according to Climate Scope.

on its first long-term strategic energy planning process, issues of diversification, security, efficiency, and community engagement will come into play. And 2016 looks set to be the point at which the sector re-orient itself towards that exciting new future.

DIVERSIFICATION

Panama's electricity matrix bears close resemblance to most of its Central American neighbors: hydropower dominates a sector that gives lesser roles to diesel and fuel oil. Climate change has made hydropower less reliable (the drought and its consequences in 2013 were not foreseen, let alone pre-empted), while heightened social and environmental awareness have made large-scale infrastructure projects harder to get through the consultation and approval processes required of Panama's effective democracy. To build a cleaner and more reliable future for itself, Panama is looking to move away from oil-fuelled power through diversification, primarily through increasing the role of natural gas as well as non-conventional renewable energy sources. In contrast to many countries, Panama has eschewed setting targets for green initiatives, pledging instead to allow free markets to guide the sector's evolution in the belief that this will ultimately provide the best results for the consumer.

First and foremost, though, comes a priority for efficiency across the board. The US sets a level of operation that Panama can aspire to, having developed an energy-efficient and competitive market, with a ratings system for consumers of energy service companies. It is hoped that this approach will bring Panama in line with global trends, and at the same time offer the country the energy security it needs as it builds capacity ahead of demand.

HYDROELECTRIC POWER

The dominance of Panama's hydroelectric sub-sector is maintained by the country's network of 31 dams, which together generate two-thirds of the country's capacity. Since 2005, Panama has added an average of 100 MW a year in overall energy capacity through hydroelectric generation. The sector is destined to expand dramatically in the next 10 years: 54 new dams are on the drawing board, and 12 more are already under construction. This ambitious growth projection has been met with fierce opposition from environmental groups—although because of its reliance on hydropower, Panama's air is one of the cleanest in the Americas. Many indigenous villagers also tend to be opposed to further damming of the country's rivers, and the subsequent flooding that is a necessary consequence. Yet the new government is taking a more considered approach, taking into account the concerns of indigenous peoples and environmentalists alike. In 2015, construction was halted on the 28.4 MW Barro Blanco dam, on the country's Pacific coast. Many pending construction proposals are awaiting government approval.

NATURAL GAS

September 2016 should see Panama's efforts to bring natural gas to the nation finally real-



ROBERTO MEANA MELÉNDEZ

General Administrator, National Authority for Public Services (ASEP)

What is the role of ASEP?

ASEP has the authority to regulate several sectors in Panama, namely telecommunications, electricity, gas, drinking and sanitation water, as well as radio and television. We grant concessions and licenses for projects in these sectors. We grant licenses to companies for setting up production plants in hydroelectricity, wind, or solar energy projects, as well as for projects in water production plant and telecommunications.

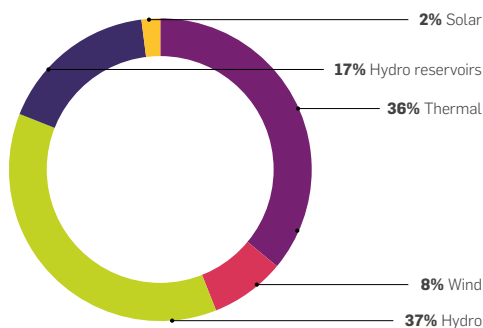
What are your initiatives for 2016?

The most important thing for 2016 is to consolidate our national energy market in order to increase in-

vestments in energy generation and improve prices for end customers. We are in the process of laying down the foundations for a better awareness of the savings the country needs to make in its water consumption. We are also working to lay down the foundations for administering our existing water resources through norms that establish where our water resources are going to be located for human consumption, agriculture, energy, and so forth. We are currently implementing the policies necessary to attract greater capital investment. We hope to increase investor confidence through regulations and by providing the right framework for investments to flow into these sectors.*

PANAMA'S POWER MATRIX 2015, %

SOURCE: INSTITUTE OF THE AMERICAS



ized with the successful auction of 350 MW. The bid round attracted 27 companies and the winner, Gas Natural Atlántico (GNA), a subsidiary of US-based AES Corporation, is contracted to start supplying natural gas by the end of 2017. GNA is sourcing its LNG from a terminal in Louisiana, US. The new terminal at Costa Norte, at the eastern entrance to the Panama Canal, which is expected to cost \$800 to 900 million, is forecast to receive 15-16 tankers per year, with 11 to supply the Panama market and the remainder to supply a sister GNA project in the Dominican Republic. The terminal will have a storage capacity of 180,000 cubic meters. In March 2016, energy company Engie announced it had signed with GNA to supply up to 400,000 tons per year of LNG to the Costa Norte terminal. This new gas cycle will work hand-in-hand with Panama's existing dominant hydroelectric power sector to guarantee the country's power security for a further 20 years. The government welcomed Engie's arrival as a logical development of natural gas supply alongside hydroelectric and other renewable sources.

But Panama is not stopping there, and the country is looking to new infrastructure projects to further build capacity—and attract international investment. Recent volatility in the oil markets adds to the need to develop a diversified energy base.

RENEWABLES

The country's first wind farm, on the Pacific coast near Santiago, is due to come on stream in 2017, and will boast a 55 MW capacity. The government has in fact issued over 800 MW in wind licenses since 2013, and Panama's first solar auction in February 2015 awarded 127 MW of solar PV contracts. Unlike other countries in the region, the Panamanian government has preferred to let markets determine the renewable makeup of the electricity matrix, rather than set a specific target. Panama's

climate offers considerable solar potential, especially in the interior of the country. Rather than build industrial-sized solar farms, Panama is looking to develop small-scale and domestic clusters to enable efficient distribution of itself, and without the need for costly infrastructure on a large scale. In 2014, Panama's Authority of Public Services (ASEP) began issuing operational licenses for two solar power plants located in Panama's Chiriqui province. Hydropower plant operator Bajo Frio will operate the larger of the two projects, with a generation capacity of 20.9 MW. Meanwhile, Planta Fotovoltaica Chiriqui is being developed by green energy company Enel Fortuna.

This is indicative of a renewed international interest in Panama's solar energy potential. Endura Energy, headquartered in Toronto, Canada, announced in 2015 that it was launching its Latin American operations with a regional office in Panama City. The company cited energy reform and light regulatory framework as factors that led the company's directors to choose Panama over its regional rivals.

In 2015, InterEnergy signed an MoU to develop the Laudato Si wind farm, a 215 MW generating field that has an initial investment of over \$430 million. Several other firms in the renewable energy sector are opening projects in Panama in 2015-16. In July 2015, American renewables firm Greenwood Energy announced that it was preparing to build a solar power system that could distribute up to 1 MW via a series of tilting solar installations. The project will provide power directly to a privately owned hospital. Greenwood Energy also has plans for developing the Chiriqui solar farm, in the same region as the hospital project, which if confirmed will be the largest solar plant in the country.

Together, these projects combine to create a bright future for Panama's energy industry. Synonymous with innovation and open to foreign investors, the sector is putting in place the pieces that should see it evolve to become a competitive, clean, efficient, reliable—and above all affordable—service for Panamanian consumers. By harnessing the available resources in the country and striving to build a stable, sustainable future for itself, Panama is fast becoming something of a regional role model. There are challenges ahead, including the harnessing of marine wave and river currents, both of which are still far from commercialization but offer real opportunities for growth for the right investor. In any event, it will be fascinating to watch Panama evolve as it continues its market driven (and government-light) push to a greener and cleaner future for all. ✖

In contrast to many countries, Panama has eschewed setting targets for green initiatives, pledging instead to allow free markets to guide the sector's evolution in the belief that this will ultimately provide the best results for the consumer.

B 2 B



BLAS GONZÁLEZ R
*Cluster Manager
 Central America & the
 Caribbean, ABB S.A.*



NICANOR RIVERA
*General Manager,
 ABB S.A.*

booming BUSINESS

ABB is optimistic about its prospects in the region, with many upcoming opportunities for the company to participate in.

How can ABB leverage on Panama to expand in the region?

BLAS GONZÁLEZ R We based our headquarters for Central America and the Caribbean in Panama. One of our tasks is to develop those countries where we do not yet have offices, like Nicaragua. Part of our growth strategy is to increase post maintenance and preventative maintenance for our equipment. We currently have two servicing stations in Panama, but want to expand our capabilities in repair and maintenance as well as customer training both in Panama and the rest of the region. This is where we believe we will grow. Here in Panama we man-

ufacture equipment for industry and utilities. The latter will continue to grow but industry will not be as strong in Panama. We have some small industries like cement plants, water plants, and some mines, but other countries like Trinidad & Tobago, which has a huge petrochemical complex, or the Dominican Republic, which has not only sugar but also nickel, have the advantage in industry. Panama is a country that supports the rest of the region more than its own industry.

NICANOR RIVERA At the moment there are many opportunities for ABB to expand into the region. One of these is the proposed \$200 million inter-

connection between Panama and Colombia, a project in which we would like to get involved. ABB has a presence in both countries, selling equipment to the engineering and construction companies that are carrying out projects. The problem is that we have to wait for the government to announce the project, open bids, and select contractors, and then we can approach those companies to see if we can supply them with the equipment.

How much progress has been made in the interconnection project between Panama and Colombia?

NR The project is currently in the environmental study stage. When this is finished, they will make the decision on whether to go ahead with it. Colombia is pushing to finalize the process by going across forested areas, but Panama wants to try going under the sea. We do not yet know which way it will go. We think the submarine cable will be the final decision, and I hope this is the case as it will be better for us.

BG ABB is a manufacturer of submarine cables, so that would be good for us. We are not in the transmission lines industry because we sold that division of the company eight years ago. We also want the forest to be preserved for environmental reasons. We do not carry out projects, but sell loose products and provide services to major players. Unless we go enter into a joint venture with another company for a specific project then we are an electrical

automation company. It is important for us to work with local contractors who have good quality and knowledge of the market.

How has Panama performed over the last year compared to the rest of the world and how do you assess its future potential?

NR Panama is a country that is developing rapidly, and thus there are many new projects, such as the canal or airport expansion. The metro system is another opportunity for us and we believe we have a good chance of getting involved in that. In addition, there is the expansion of the harbor, the development of an airport for the Panama Pacific area, and many other opportunities.

BG In the long term there are major opportunities in Panama in the industrial electrical sector for a company like ours. Our performance this year was good but not as strong as we expected, simply because there were not as many government construction projects. The metro was supposed to have started in the first quarter of 2015 but was only awarded in October. Similarly, the expansion of Tocumen International Airport was delayed by a year. We are still waiting for the official opening of the bidding process for the airport expansion, which we expected in January or February. We are waiting on another \$400m project. Though this year was not as good, in the long term Panama is the country to be in because it will continue to grow. ✖

TBY talks to **Marcelo Álvarez**, Country Manager of Celsia, on investing in renewable energy, looking ahead to a mix of energy resources, and expansion plans.



POWER *play*

What are Celsia's plans to expand into non-conventional renewables?

We plan to build solar farms in Chiriquí on land that we already own to take advantage of existing substations and transmission lines. The plan is to install 40 MW-60 MW of photovoltaic capacity that we hope will be completed in 2017. One of Panama's assets is the ability to use solar power to meet its energy needs. Peak energy demand is between 8am and 6pm, and we believe solar energy can meet this demand and relieve pressure on energy generation. The other plan is getting generated energy from Chiriquí to consumers in Panama City; we need to strengthen our transmission lines.

How do you foresee Panama's energy mix evolving, and what role will renewables play?

Panama has a strong hydroelectricity sector. Developing more hydroelectricity projects will be a challenge because of social and environmental restrictions. Solar and wind is what Panama will focus on in the future. Panama already has an important wind project: the Laudato Si wind farm in Penonomé. Since the cost of solar power has lowered significantly, it has become increasingly competitive and is likely cheaper than investing in wind. The priority should be maintaining a mix of energy sources. Renewables require a lot of effort to meet demand, and there is less security compared to either thermal or hydro. I envisage a future energy mix that incorporates thermal energy. Having said that, thermal will change. Today, it relies on bunker/fossil fuels; however, over the next few years we will

see LNG coming in following a contract that Panama recently signed to develop LNG plants here. We will see LNG replacing bunker fuels, which will be a major change in the thermal sector. Thermal is changing and becoming much cleaner.

Celsia was recently named one of the leading companies in the world for sustainability. What is this in recognition of?

We have the largest thermal electric plant here in the country and the best relationship with the local community, both in terms of our social and environmental initiatives. We have always met requirements and we continuously work with local communities. We have a number of projects, from reforestation to community and social work programs. In terms of our thermal projects, we are in the process of renewing and updating our technology to make it more efficient and competitive. We have a restructuring plan in place for our plants in Colon whereby we hope to transform all our plants that are 40 years or older into newer, more modern, cleaner plants within the next three years. We are looking to convert our diesel plants to LNG, following the country's cleaner energy policy.

What are the company's plans for expansion in the region?

Celsia is the fourth-largest generator in Colombia and the fifth-largest distributor. In Panama we are the second generator and in Costa Rica we have a wind project with a capacity of 50 MW, which makes us the fifth or sixth generator. Right now, we have Mexico in our upcoming projects, where we intend

Working with authorities in Colombia to convert diesel buses to electric

Plans to build a 40 MW-60 MW solar plant in Chiriquí

to develop our own projects. We are considering Honduras, the Dominican Republic, Haiti, and Guatemala. Our policies are looking northward to the US, and we will evaluate any great opportunities we see arising in this region.

What are your expectations for 2016?

In 2016, we will consolidate our operations here in Panama and Costa Rica. We hope to move forward with the Chiriquí solar project and position ourselves as leaders in distribution of energy as well as in installation of solar panels in the country. We hope to consolidate our wind farm in Costa Rica and expand our capacity by 60 MW through some tender opportunities. We are also moving into transport and mobility; for example, we have a project to convert buses into electric buses with the authorities in Cali. If this works, we want to replicate this in the rest of the region. ✖

BIO

Before his current position, Marcelo Álvarez previously held various positions at Endesa, including head of the studies and projects department of the corporate production division, which included hydro, wind, combined-cycle, and gas, director of hydro and wind projects, and deputy manager of hydraulic projects. Later, he was director of project management at Endesa, responsible for the construction of expansion projects at the regional level.

EASY, *breezy*

In an effort to diversify the country's energy mix away from hydroelectricity, Panama has been moving toward new renewable sources of energy, most notably wind and solar power.

THE LAUDATO SI WIND FARM in Penonomé is the country's most ambitious such project to date and the largest of its kind in the region. The first phase of the wind farm, built in 2013, consists of 22 turbines and 55 MW of installed capacity which is operated by Unión Eólica Panameña (UEP) I, a special purpose vehicle owned by China-based firm Goldwind.

The second and third phases will add an additional 215 MW of capacity, and are due to be inaugurated in April 2016. This project represents a \$436 million investment and is owned by UEP Penonomé II, a subsidiary of InterEnergy Holdings, whose portfolio consists of energy projects across the region, including wind farms in Jamaica, Chile, Argentina, and the Dominican Republic. UEP Penonomé II also recently acquired a majority stake in Panama's Pedregal Power Plant. UEP Penonomé II has been generating electricity since February 1, 2015 and was able to supply 5% of Panama's electricity needs last year and hopes to supply 8% in 2016.

Goldwind is supplying and installing a total of 86 2.5 MW permanent magnet direct-drive (PMDD) turbines for the UEP Penonomé II project. The turbines are subject to stringent regulations set forth by the International Finance Corporation (IFC), which has provided \$330 million in funding for the project. As of March 2016, 79 wind turbines have been installed.

The 18,500ha Laudato Si wind farm is divided into four phases and will eventually generate a total of 337.5 MW from 135 wind turbine generators, all supplied by Goldwind. Construction of Phase 4 of the project, which will add 68 MW of installed capacity, has yet to be awarded but is set to commence in 2016. The wind farm is expected to be fully completed in 2018.

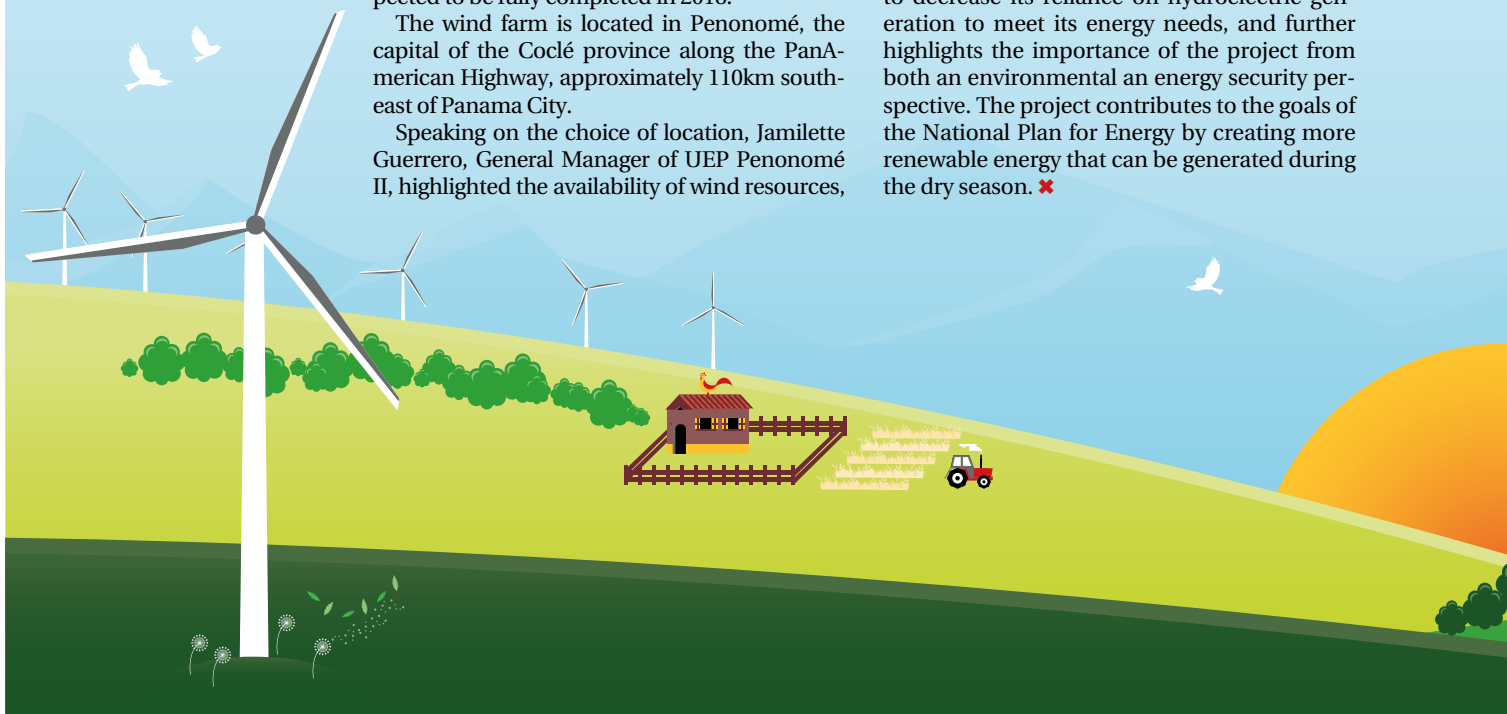
The wind farm is located in Penonomé, the capital of the Coclé province along the Pan-American Highway, approximately 110km south-east of Panama City.

Speaking on the choice of location, Jamilette Guerrero, General Manager of UEP Penonomé II, highlighted the availability of wind resources,

the road connectivity that facilitated bringing in and setting up the turbines, and compatibility with the surrounding environment. "The climatic conditions here were great because there is a lot of wind, but it is controlled and continuous. In addition, it is great because it is an area that has a lot of rice fields, and that is something that is very compatible with operating a wind farm."

The project has been well received by locals and the wider community. According to a national survey conducted by the National Secretariat of Energy, it is the energy project that is best perceived. In terms of engagement with the local community, Guerrero explained, "From the beginning, our big emphasis has been on getting the local communities to participate and feel part of the wind farm. We meet with them every three months so they can raise any concerns they have. But, there is really no negative impact." In addition, she highlights the site's potential as a tourist attraction.

The UEP Penonomé II project is expected to eliminate over 400,000 tons of CO2 emissions and save 900,000 barrels of oil per year when completed. Panama's current energy matrix is comprised of roughly 55% hydro and 30% thermal (including fossil fuels), with the rest of the energy supply coming from wind and solar generation. An advantage of Panama's energy mix is the inverse correlation between the different sources – in the dry summer months, Panama's energy demands are met by thermal and wind power; in the rainy season, energy generation shifts to hydropower. However, the country's recent experience of dry climatic conditions caused by the weather patterns of El Niño raise Panama's consciousness regarding the need to decrease its reliance on hydroelectric generation to meet its energy needs, and further highlights the importance of the project from both an environmental and energy security perspective. The project contributes to the goals of the National Plan for Energy by creating more renewable energy that can be generated during the dry season. ✘



PANAMA'S LAUDATO SI WIND FARM MOVES THE COUNTRY ONE STEP CLOSER TO LONG-TERM ENERGY SECURITY AND ENSURES ITS POSITION AS A LEADER IN THE GLOBAL PUSH FOR SUSTAINABLE ENERGY DEVELOPMENT.

LAUDATO SI WIND FARM

18,500ha

plot of land 110km southeast of Panama City

337.5 MW

total generation from 135 wind turbine generators

400,000 tons

of CO2 emissions and 900,000 barrels of oil saved per year

2018

projected final completion

PHASE 1

55 MW capacity from 22 wind turbines

Completed in **2013**

PHASES 2 & 3
(UEP PENONOMÉ II PROJECT)

\$436 million investment

215 MW additional capacity from

86 wind turbine generators

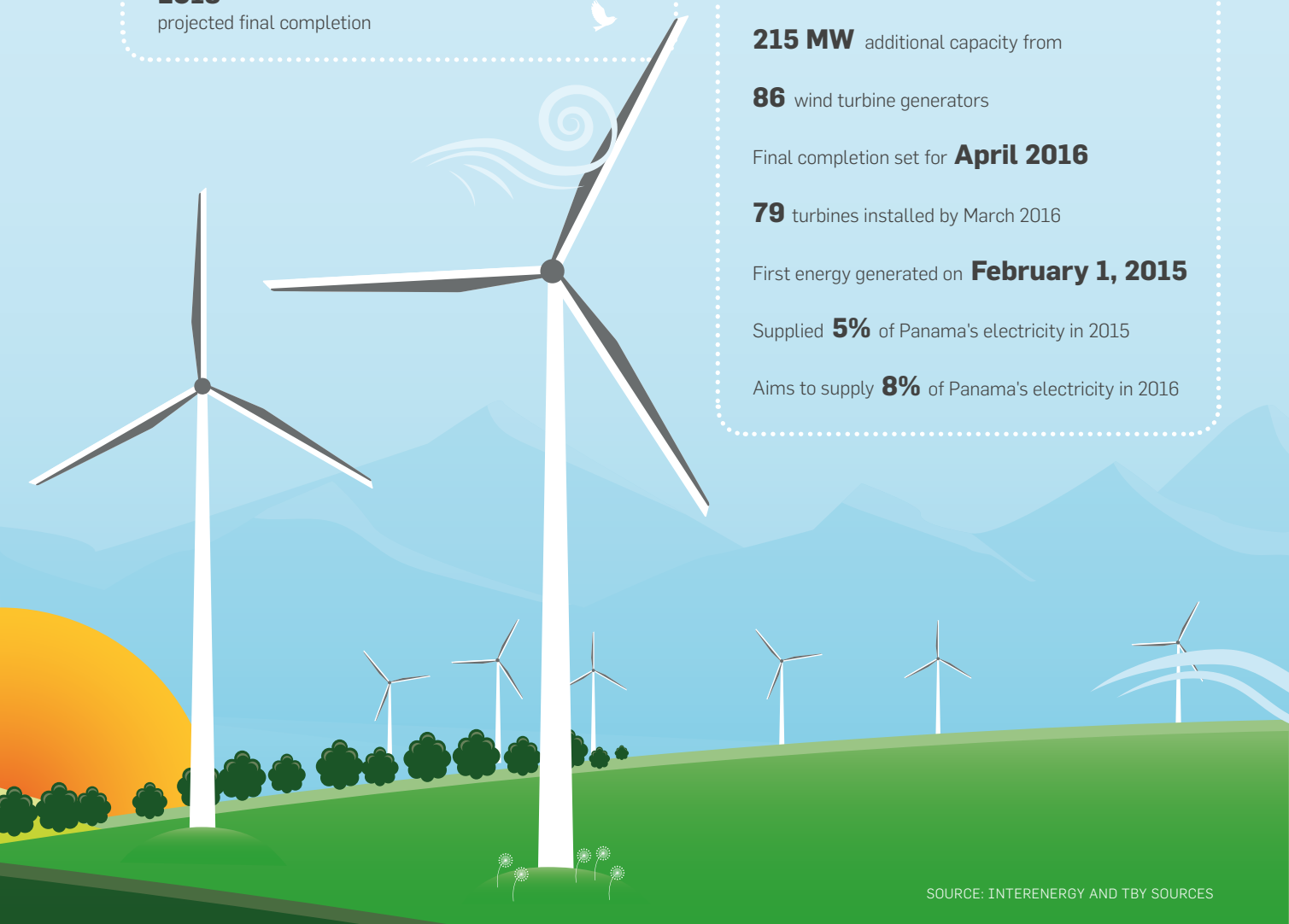
Final completion set for **April 2016**

79 turbines installed by March 2016

First energy generated on **February 1, 2015**

Supplied **5%** of Panama's electricity in 2015

Aims to supply **8%** of Panama's electricity in 2016



POWER UP

Power companies are turning to alternative sources due to climate conditions and fuel price fluctuations.



PATRICK KELLY
*Executive President,
Panama Power
Holdings*



GUILLAUME BIDAN
*President & CEO
Central America and
the Caribbean,
General Electric*



**JAMILETTE
GUERRERO**
*General Manager &
CEO,
UEP Penonomé II*



MIGUEL BOLINAGA
*General Manager,
AES Panamá*

Our four hydroelectric plants collectively contribute 120 MW at full load, and maximum total system demand is around 1,600 MW. All the plants have some degree of storage, which allows us to store at night and run through the day, particularly through dry months. Although they are not the biggest contributor to the market, these projects compliment the large reservoir-based hydros, thermal generators, and wind park to provide balance to the system. They also represent a very efficient way to generate electricity with zero marginal cost. They are an important part of the energy matrix; obviously our percentage from those four will go down over time as demand increases, so we are looking at other projects that compliment our portfolio. Hydroelectricity is a great source of energy, but it is volatile and it depends on climatic conditions. 2015, for example, was a very dry year as a result of El Niño—it was a reminder that we need a balanced energy matrix.

Natural gas coming to the region is great news not only for our customers, but for end users and citizens as well. This fuel not only provides better efficiency to operations, but also a reduction in the cost of electricity and improves protection to the environment. We are proud to be a leading company in the arrival of LNG to the region thanks to our high-tech gas turbines. Based on General Electric's best technology in gas turbines, our customer AES will be one of the pioneers in natural gas in Panama. We also develop our lighting business in cities around the region by installing a complete grid of intelligent lighting system with LED lighting and a tele managed system that improves efficiency. This project reduces energy consumption by more than 50%, diminishes electricity costs for the municipality and increases security. There are other advantages as well: we use incoming data to increase levels of light when needed, for example.

We have been generating power from our wind farm since February 2015 and were installing seven turbines a month on average. We ended 2015 with 79 turbines and were able to supply 2.53% of Panama's annual electricity usage. We hope to make that 8% in 2016. UEP Penonomé II is in charge of phases two and three of the Laduato Si wind farm project, adding 215 MW of capacity. So far, four phases have generated a total of 337.5 MW, which is the amount we were licensed to generate by the National Authority of Public Services (ASEP). We had a record day on March 22nd, when we generated 4.6 GWh in one day. Currently, wind energy supplies 9-12% of Panama's electricity during dry season. What is nice about Panama's energy matrix is that it complements itself. We have thermal and wind, which is enough to power Panama throughout the summer when it is drier, and in the rainy season, we have a strong hydro network.

Our LNG plant in Colón is consumer-focused. It will help us strengthen Panama's power matrix, which is currently reliant on fossil fuels and hydro and vulnerable to climatic factors like El Niño or oil price fluctuations. We have an LNG plant in Andres in the Dominican Republic and one in Puerto Rico. The one in Colón will be larger and will bring better prices for consumers. Current spot prices are at \$300 per MW and contract prices at \$160 per MW. Once the plant is up and running in 2018, this figure will fall to around \$130 per MW, a decrease of 12-15%. It will also contribute to industrial health and growth in Panama. Businesses seeking to invest in a country will be happy to know that there is an alternative source of energy. We will also have a 60m-high, 880-cubic-meter LNG storage tank, of which about 25% will be used for the LNG plant, with the rest serving other plants.



Speed, Technology, Economy & Reliability



This 125MW power plant was built “turnkey” by LS Energia for the Angolan national electric utility in record time, generating first power in 90 days and full plant operation seven months from financial closing. The five state-of-the-art General Electric aero-derivative gas turbine generators now have over three years of base-load operation under the supervision of LS Energia and have delivered over 90% availability running on imported Nigeria No. 2 diesel fuel, replacing a fleet of small, high-cost, high maintenance rental engines.



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INTERVIEW



here comes THE SUN

TBY talks to *José M. Tamayo*, President & CEO of LS Energia, Inc., on the potential of solar energy and providing reliable solutions to replace fossil fuels.

Why did LS Energia choose to establish its headquarters in Panama?

Out of all the countries we could have picked, Panama had the best environment. It has high-quality infrastructure, its airport is a hub, and there are a number of fiscal benefits. We view Panama the same way people see Dubai in the Middle East: it is a country that has security, a solid legal framework, and there are many factors that allow you to work efficiently. Here you can really focus on your core business.

How do you assess Panama's efforts in moving toward renewables?

We have dedicated the greatest amount of time and effort into natural gas and liquid fuels; however, we make major efforts with regards to solar energy—much more than wind or hydro—as we see a lot of potential here. One of the challenges, especially in Africa or even Latin America, is bringing power to remote villages. If you string in cables from the power grid it will involve great cost and will not be effective. If you put a power plant there, you have to supply the fuel, which is worse.

Solar energy, on the other hand, if available, is free; you just build the panels and power the town. That is where we see the best solution and best replacement for fossil fuels, which, of course, also helps the environment and powers the village. But once you deliver electricity to a town, it has to be delivered consistently and with quality. This is a huge challenge, especially when we talk about a remote area. There are technologies for energy storage, which provide some level of solution.

Where are your R&D efforts focused and what innovations are you working on?

We plan our next moves on the renewable side, namely building hybrid plants. There are towns that, for example, require power for more than 5,000 people where it is not feasible to have batteries that last that long. Therefore, we work on hybrid plants where you have a conventional power source, such as a generator, but you only run the generator when your primary source of electricity, whether it is solar or wind, is unavailable and your batteries are empty. This allows you to provide more reliable power.

What are your plans for expansion in Panama?

We are looking at South America, Central America, and the Caribbean, which are three separate areas for us. South America is relatively well developed as far as power generation goes but this is not the case for the Caribbean, which mostly works with unclean fuels, such as diesel. This source of power is expensive and the resulting pollution is a deterrent to the tourism industry on which these islands depend. Those countries present considerable challenges but are also exciting places to work in. We are trying to develop that market from our base in Panama. There is a similar situation in Central America, the difference being that Central America has hydro energy, which is a great source of power, but the region also relies on imported fossil fuels when its reservoirs are low or empty. Again, the hybrid concept may be the ultimate answer: combining technologies.

What are your expectations for 2016?

I predict the price of oil in 2016 will stay low, which has an impact on our business and not necessarily a positive one. Countries with fewer investment capabilities do not invest in technology, as they expect their returns will be lower. This year will not be a bad year altogether; we will see cheaper energy and countries that depend on imports of energy will experience growth, whereas those dependent on energy exports will go down. Europe and Asia will grow and other countries will slow down a little. It will definitely be an interesting year. ✖

BIO

José M. Tamayo holds a degree in mechanical engineering from the University of Wisconsin. He began his career with Lakeshore Electric in Ohio in 1986. Under the subsidiary LS Energia, Inc., the company expanded its operations to include the turnkey installation of Lakeshore products and then grew into an engineering, procurement, and construction (EPC) contractor for complete power plants. He has over 25 years of experience in sales, engineering, design, commissioning, operations, and maintenance of power generation systems in Latin America and Africa. Under his guidance the company has built more than 600 MW of thermal projects.

BARRO BLANCO HYDROELECTRIC PROJECT FOCUS

Although the project's planning and execution process has not been without its setbacks, Panama's Barro Blanco hydroelectric dam progresses ever closer to becoming operational and rejuvenating an area marked by poor access to utilities.

POWERFUL MOMENTUM

DESIGNATED AS A STRATEGIC project in line with the government's aim to diversify Panama's energy mix, the government has forged ahead with the construction of the \$140 million Barro Blanco hydroelectric dam in Chiriquí. However, it has not been without controversy. Extensive protests by local indigenous communities have led to long delays in the project's execution, which is set to become operational in June 2016.

In 2007, Generadora del Istmo S.A. (GENISA) was given the rights by Panama's Public Services Authority (ASEP) to explore the possibility of developing a hydropower generation project on the Tabasara river, located in Tolé on the eastern part of Chiriquí province. Following feasibility studies, a portion of the river was declared suitable for the development of a dam. The turnkey project was contracted out to Spanish firm Cobra Instalaciones and a contract was signed in 2009 for the design, construction, procurement, and commissioning of the civil as well as electro-mechanical works. It was agreed that the project's integration with the ETESA electrical system would also be carried out by Cobra, and construction of the dam began in 2011.

The strategic hydroelectric project is aligned with the government's efforts to diversify the country's energy mix and create a new source of sustainable and renewable energy to meet Panama's growing energy needs. Projected positive spillover effects include tourism around the new lake, which could become part of a national park, and the development of fisheries in the reservoir. Among the other benefits of the project, GENISA highlights an increase in flood protection, with the contention dam having the ability to act as a buffer. In addition, construction of the project has generated between 300-500 jobs, a portion of which will later be required during the operation of the dam. "We hope that entrepreneurs will utilize the momentum of the project to create new businesses and restaurants," Aldo López, General Manager of GENISA, said. GENISA is also committed to improving living

conditions through electrification of neighboring areas, where rates are low due to their remoteness. Similarly, road infrastructure will be improved in order to increase access to the site. "Over the past eight years, we have been developing a large amount of social programs in conjunction with local leaders, sponsors, and also development banks, such as the German Investment Corporation (DEG), the Dutch Development Bank (FMO), and the Central American Bank for Economic Integration (CABEI)," López added.

However, neighboring indigenous Ngäbe Buglé communities oppose the project, insisting it would disrupt the local ecosystem, harm agriculture, and lead to flooding of sacred land. A series of road blockages, hunger strikes, and protests led to temporary suspension of the project, which had originally been scheduled for completion within 28 months. More recently, the death of an infant was linked to ingesting contaminated water from the Tabasara river. Furthermore, the Ministry of Environment fined GENISA \$775,200 for failure to comply with the negotiation, relocation, and compensation of those affected by the hydroelectric project. Similarly, Hidráulica San José, contracted by GENISA to carry out construction works, received a fine of \$450,000 for unauthorized discharge and lack of monitoring reports.

The government has nevertheless decided to push forward with the project and complete the construction of the dam, assuring that it would continue to engage in dialogue with affected communities and take all necessary measures to safeguard their wellbeing. "We believe we will satisfy those who were opposed to this project once they see the benefits of having such a potential energy source as well as a beautiful water reservoir and new business and job opportunities," López explained. As of January 2016, the project is at 98% completion. Once operational, the project will provide 150 GW of energy, enough to power between 30,000-35,000 homes and improve access for 75,000 people. ✖



ALDO C. LÓPEZ
*General Manager
& Vice President,
Generadora
del Istmo, S.A.
(GENISA)*

How have recent external shocks impacted Panama's renewable energy sector?

Panama is in an interesting period right now. The drop in oil prices has made renewables more expensive relative to thermal projects. On the other hand, large-scale availability of natural gas in the US has caused a paradigm shift in terms generating electricity, especially for countries in Central America. With natural gas now readily and cheaply available here, we could begin seeing large-scale, natural gas-operated wind turbines in Panama. That would allow us to even export some of that energy throughout the rest of Central America, or south to Colombia.

How do you assess the potential of renewables to meet Panama's growing energy needs?

Panama's extreme growth over the last decade has caused demand for power generation to triple. That demand has to be met with surplus for the future, otherwise our growth will be curtailed. We have to find ways to bring in investors to utilize and develop our natural resources and energy technologies, be it renewable, thermal, or other technologies like biomass and even nuclear power solutions. We currently need the right mix in the portfolio, without being too reliant on any one technology or energy source.*



JOSÉ MARÍA TOMÉ
*General Manager,
Cobra Installations
and Services*



**JORGE
CASTIBLANQUE**
*Regional General
Manager, Grupo ACS*

hydropower

Power generation looks set to continue to form a significant part of companies' expansion plans in the sector.

What are the advantages of Panama as a place to do business?

JOSÉ MARÍA TOMÉ We started in Guatemala around 2001. At that time, we were exploring diversification, and it was the vision of our regional head to expand in Latin America. The way we chose the countries to enter was by identifying the markets in which Gas Natural Fenosa was active, as they are one of our key clients. We moved into Guatemala because Fenosa had operations in the country, and with this same approach we then entered Nicaragua and Panama.

JORGE CASTIBLANQUE Panama's main advantages are its location, security, and the dollarized economy. Compared to other countries in the region, Panama is a safe place to live and work. There is a lot of competition for skilled workers, who

often leave to find new opportunities. It is difficult to maintain our workforce level at 1,000 employees. Just like in any country in the world, there are both good and bad workers. In Panama, no more than 10% of a company's workforce can be expatriates. We follow that rule, so 95% of our employees are local.

What are the key differentiators of your firm?

JT We are a large global conglomerate with operations of nearly \$4 billion per year. We have plants across the world and we employ a workforce of 30,000 people. We are a company that inspires confidence in our clients, and this business is security-sensitive. Similarly, banks trust us because we have never experienced any issues, defaults, or other operational disruptions. We deliver respon-

sibly, with a strong emphasis on timely delivery. The assurance that our past performance gives to current and potential clients is a precious asset, and one that largely explains why these clients choose us.

JC ACS is one of the world's largest construction companies but we do not want too much exposure because we are a contractor; we always maintain a low profile and we let our clients shine. We have three different branches; construction, environmental services, and industrial services. We have been in Panama for the past 14 years working with utilities such as electricity. We have two companies operating here, SEMI and Cobra. We currently have around 1,000 employees in Panama. It is not our most profitable market, but we also try not to lose money, and thus we have the opportunity to look for new opportunities, such as energy-sector projects.

How do you see the hydroelectric sector evolving?

JT This is a mature sector, though there are still a few hydroelectric projects that need to be completed. We have been involved in a long list of projects. We have also been involved in the wind power sector and we were involved in the UEP power plant in 2012-13.

JC Diversification is key. Focusing on one type of energy is not the right strategy, and it is therefore good to have hydro projects as well as wind, solar, or thermal projects, because then the country has a diversified matrix. We have built a number of hydroelectric plants here in Panama.

What are your projects for 2016?

JT We worked with Acciona Infrastructures on a project in the city of David, where we brought in electrical grids and networks. We are also active in industrial generation. We worked with Riba Smith and hospitals as well. Our goal is to continue working with these clients. We would like to culminate all of this in 2016, finish the fourth phase of the UEP Penonomé power plant, and work on other hydroelectric power projects. We will continue working with Gas Natural Fenosa in terms of its substation maintenance, and are also keen to get involved in solar energy, which seems to be gaining momentum. We want to explore the opportunities in 2016 to continue working on large generation projects.

JC We want to maintain the level of work that we have. We currently have a five-year contract with Union Fenosa, which gives us stability in the medium term. We are in a comfortable position because we have enough work to continue looking for new opportunities. We want to maintain our current revenue levels. We are seeking major opportunities here to work on projects at the level of \$200 million. If we are able to sign those contracts, we will be in good shape for the next two years. We certainly want to have all of the subsidiaries that we have in Spain here in Panama as well, so we are looking for more opportunities in all areas. We have increased our market share in all of the activities we are involved in, and that is our goal. ✖



RAIN or SHINE

TBY talks to *Iván Barria M.*, CEO of ETESA, on balancing the country's energy mix, increasing regional integration, and ongoing projects.

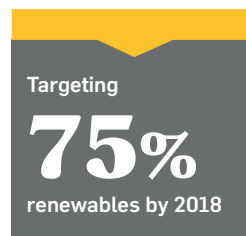
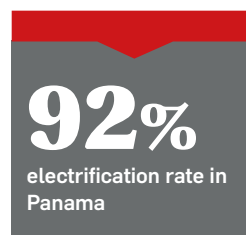
How do you see Panama's energy mix evolving, and what would be the ideal balance of energy sources?

We currently operate on an energy matrix of 55% hydro, 6% wind, and less than half of that through solar. We hope to be sourcing around 75% of our energy from renewables by 2018, meaning hydro will stay more or less where it is now, but we will have a 12% increase in wind and a little bit more than that in our use of solar. The important thing is that the new solar and wind generators will produce energy when there is no rain. It will be an excellent complement to the existing capacity, as Panama has a different peak ratio of demand than the rest of the countries in the area, such as Colombia and those of Central America, due to the fact that we mainly use electricity for air conditioning rather than for industry. We peak during the peak of the sun; therefore, solar and wind perfectly match our demand. They produce water and energy when there is no rain so it is an excellent form of coverage and a natural hedge.

What are some initiatives to increase energy integration in the region?

We already have a capacity of 300 MW between Panama and the rest of Central America all the way to Guatemala. We are currently expanding our national grid, so we will be able to add a further 300-400 MW of capacity between Panama and Costa Rica. We have three connections with Costa Rica, and we will be able to increase that. We already have an interconnection with Central America to Guatemala, which is subsequently connected to Mexico. The other interconnection will be with Colombia. We are making great progress and have settled on a route that has been declared suitable by the Ministry of Environment. We recently received

IN NUMBERS



permits to conduct feasibility studies on the road and the transmission line. We will do those in the coming months and present our findings to the general congress. With a second approval, we can then do an environmental study and probably start work in 2017. We have a 130km undersea power line that will leave Panama in the Guna Yala region and extend to Colombia somewhere near Necocli in the Gulf of Uraba. From there we will continue on for another 180km toward Cerro Matoso. Once this line is operational, there will be 400 MW going both ways. If we had the line right now, we could already be selling electricity to Colombia, which would help with the big prices they are facing today.

What are some of the major projects that you plan to carry out in 2016?

We have an intensive investment program and an expansion plan that was conceived in 2012. What we are actually doing is executing the expansion plan that was put in front of us. The first year was about getting the money to perform these projects. When I came to ETESA almost two years ago, there was hardly any money at all, yet we had

a huge list of projects. We will be executing about \$1 billion worth of projects in these five years. The first two years were relatively slow in terms of project execution due to a shortage of funds, but we have already secured \$180 million and we have another \$100 million committed for 2017. We will probably issue a \$350 million 30-year bond in 2016, and our goals are to acquire the necessary capital, continue developing contracts, finish the third line on time, tender and finish the fourth line, and initiate the Interconexión de las Américas between Panama and Colombia. The fourth line is a \$500 million project and finishing the third line is a \$350 million project. We are running ETESA with the mindset of a private company, even though it is owned by the government. ✖

BIO

Iván Barria M. holds a BSME from Villanova University and an MBA from INCAE. He is a member of the American Society of Mechanical Engineers and the Society of Automotive Engineers. He has been an entrepreneur for 30 years and has spent the last 15 years managing energy projects throughout Latin America. In 2007, he served on the Comisión Nacional de Ahorro Energético (CONAE). Since 2009, he has acted as president and board member of the Energy Commission of the Panama Chamber of Commerce. Since July 2014, he has been the CEO of ETESA, and in 2015 he also became president of Empresa Propietaria de la Red de Centroamérica (EPR).



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With some of the best rums in the region, Panama is poised to take advantage of this growing global market.

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Panama's mining sector is one of the economy's fastest growing. The government's reforms are widely received as positive steps.

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TBY talks to Todd Clewett, Country Manager of Minera Panama, on the mining landscape.

Industry & Mining

REVIEW INDUSTRY

Industry is finding new ways to revive itself and is strongly re-aligning to exports in an effort to maximize its exposure to the canal's trace and the vitally important Colón Free Trade Zone (CFTZ). The small sector has a long way to go, yet the country's outward-looking tradition should help it on its way.

UNDERDOG RISING

Panama's industrial and manufacturing base is small and vastly overshadowed by imports through the Panama Canal and similarly internationally minded financial sector. The services sector accounts for more than 80% of GDP. Building the industrial base to take a larger piece of this pie is a government priority. And the industry that does exist in Panama is almost all foreign owned, with very few entirely Panamanian companies. The manufacturing sector is made up of processed and packaged foods, beer and spirits, tobacco products, construction materials, and clothing and leather goods.

The narrow scope of the industrial sector is also in part attributed to the absence of a comprehensive industrial sector policy. Fully 63% of subsectors in industry decreased production in 2015 from their 2014 levels. A relatively uncontrolled flow of imports has also contributed to the decline in the manu-



Image: Chris Jenner

Panama's industrial and manufacturing base is small and vastly overshadowed by imports through the Panama Canal and similarly internationally minded financial sector. The services sector accounts for more than 80% of GDP. Building the industrial base to take a larger piece of this pie is a government priority.

facturing sector, with all but no concrete strategy in place for domestic and foreign production companies.

EXPORTS

The Panama Canal expansion opens in June 2016. The long-awaited event is expected to increase Panama's manufacturing export capacity, and more importantly significantly increase demand. As a signatory to numerous free trade agreements, and a dollarized economy with hardly any restrictions on trade, Panama's free economy sets its apart from many of its South and Central American neighbors and counterbalances its relative lack of manufacturing capacity.

In 2015, Panama exported \$17.5 billion worth of goods, the bulk of these goods being medicines, petroleum products, agricultural products, and clothing. Given the outward-looking nature of Panama's trade, it follows that most of the country's industry is also geared to the external market. And much of this

is linked directly or indirectly to the Panama Canal or the Colón Free Trade Zone (CFTZ), Panama's main export and re-export hub, with its state-of-the-art international warehousing and infrastructure, which moved \$17.2 billion of cargo in 2015.

While the CFTZ provides the base for a booming logistics and transshipment sector, state-of-the-art international warehousing and infrastructure is developing the industries connected to the free zone. The government is increasingly focused on diversifying the economy outside of transport and logistics centered around the canal into value-added manufacturing, distribution centers, packing, repackaging, and redistribution, not only for local companies, but also for multinationals that can take advantage of low-cost production and its strategic location. Companies such as American 3M have already relocated some of their production lines to Panama.

FOOD PROCESSING & PACKAGING

The food processing industry in Panama is relatively small, estimated at \$170 million of business in 2014, with American products leading the sector, accounting for 65% of activity—a proportion that is growing by 15% YoY. Yet the nascent sector is already diversified, with a wide range of food processing capabilities across its output, from low-value and mass market to high-end niche products. There is a high and growing demand for specialized high-value products and also processed and convenience foods. These range from supplies for catering companies of major cruise liners that dock on Panama's coasts, to the increasingly international tastes of people in Panama, reflecting the multicultural make up of Panama's population today. Panama has 140 food processing companies. These include dairy processors, meat and poultry products processors, fishery products proces-



Striving to generate more innovation for life every day, Bosch now offers a new research and development center dedicated to finding solutions to the challenges of the future. Located in Renningen, Germany, the campus brings together various disciplines of science, technology and advanced engineering. In this innovative environment, about 1,700 pioneering minds work constantly to develop solutions ahead of our time.



sors, fruits processors, beverages and spirits, bakery products, and snacks, among others.

To cope with rising demand—and remain competitive—the industry is making short- and long-term investments in new plants, equipment, and technology. This is also a way of ensuring compliance with sanitary, safety, and environmental regulations and international industry-wide standards. Many large international corporations have bought out or entered into alliances with well-established local companies as part of their strategic globalization program. Grupo Alimenticio Pascual, the country's leading cookie and cracker manufacturer, was acquired for \$25 million by Colombian group Casa Luker in 2014. Cerveceria Nacional, which has a share of the beer market worth 81%, was purchased by SAB Miller; and Grupo Melo made a joint investment of \$15 million with Tyson Foods in 2014 in a large poultry farm in Panama. These international players in the food industry will help Panamanian produced products to reach a wider overseas market.

BREWING & DISTILLING

Beer is popular in Panama, and the brewing industry strong and long established. The main brands include Panama, Soberana, Atlas, and Balboa. Overall alcohol production in 2015 was 278,045,152 liters, up 0.13% from 278,045,152 in 2014. Beer makes up by far the majority of alcoholic beverages production, accounting for 94%, or 262,191,552 liters in 2015. Rum is the most produced spirit, with a production of 7,232,145 liters in 2015. Seco, which comes second only to rum, is a

Industry in Panama is almost all foreign owned, with very few entirely Panamanian companies.

The manufacturing sector is made up of processed and packaged foods, beer and spirits, tobacco products, construction materials, and clothing and leather goods. The narrow scope of the industrial sector is also in part attributed to the absence of a comprehensive industrial sector policy.

triple-distilled liquor made from sugar cane, and is Panama's national drink, traditionally served straight or mixed as a replacement for rum or vodka. Seco Herrarano is the most widely available and popular seco brand, produced by the Varela family, who founded the company in 1908. Varela Hermanos produces more than 1 million cases of seco a year, and the brand finds a market in 69 countries. Panamanian vodka production reached 255,000 liters in 2015, cognac 57,550 liters, whiskey 31,810 liters, wine production 85,248 liters, and anis 2,320 liters.

TOBACCO

The tobacco industry has suffered a dramatic collapse in just 10 years. According to the Empresas Productoras en la República, tobacco production in Panama has fallen from 157,000 units in 2009 to under 5,000 in 2014. As well as being part of a global downwards trend, in Panama this is largely self-inflicted. In 2008, Panama became the first in the Americas to implement a blanket ban on advertising, promotion, and sponsorship of tobacco products. ✘



Image: Lukas Gojda



CENTER *of attention*

TBY talks to **Augusto Arosemena Moreno**, Minister of Industry and Commerce, on the top priorities of the ministry, key trade partners, and the impact of the canal expansion.

What are your main priorities as Minister of Industry and Commerce and what is your vision for the ministry?

The Ministry of Industry and Commerce plays a major role in the development of Panama's economic and trade policies. As Minister of this institution, my vision is to create strategies aimed at developing the sectors of trade, services, and production to maximize their competitiveness, and promote modernization. My main priorities are focused on maximizing exports, attracting FDI, and modernizing the industrial sector. According to 2015 figures, national exports decreased by 15%, excluding the Colón Free Zone and service exports. Panamanian trade efforts are oriented to promote traditional agriculture products such as banana, pineapple, coffee, melon, watermelon, and such other high potential products as cocoa, papaya, and tuber. A priority of the ministry's policy is to attract foreign capital to develop a stronger agroindustry. Last year's data was strongly influenced by several factors, namely weather conditions, a reduction of productivity in several regions, and a stronger US dollar, which increases the cost of Panamanian exports compared to those of competitors. The answer to overcoming external obstacles is to focus on value-added products where industrial activities can guarantee local production in order to export products in a more efficient manner.

- Promoting domestic agroindustry in foreign markets
- Seeking partnerships with international industrial players
- Supporting enhanced role of transshipment sector

Which trade and investment partners will become increasingly important for Panama in the coming years?

The US has been always the major trade and investment partner for Panama. With the expansion of the Panama Canal, new business opportunities will come, especially those related to the use of our logistics platform such as the concept of transforming Panama into a "Food Hub" for the Americas. In that case, the country has the opportunity to develop a new business towards logistic activities for one of the major sectors with the potential to reach new markets. The European region is also an ideal market for Panamanian trade and investments. Currently, countries

such as the UK, Switzerland, Spain, and Germany are major investors in Panama. Eastern European countries are also highly attractive for promoting agricultural products. Most of the efforts by the government are focused on trade and investment promotion in Europe. With Asia, we have had close dealings with Israel through a new FTA. Japan's role in megaprojects with Line 3 of the Panama Metro and the fourth bridge over the canal will open the door to new opportunities related to technology and know-how transfer between countries. With Singapore, our government is implementing a Technician Center on the east side of Panama using the methodology and know-how of relevant education programs for the future of Panama in human resources development. The arrival of Turkish Airlines and Emirates will also open a new window for those emerging markets where Panama has lot of potential to develop according to their strength in industrial activities.

What new opportunities does the expansion of the canal bring for international firms?

Panama offers a strong legal framework for investors in which investments enjoy legal stability and steadfastness. The inauguration of the canal expansion will reinforce our strategic position as a center for transshipment, business, and value-added services for the entire world. It will allow

not only the passage of ships with nearly triple the capacity of vessels that currently cross the canal, but also the possibility to access a broad range of investment opportunities related to strategic businesses oriented geared toward the development of a value-added logistics services platform. One of the major investment projects that we are executing is the construction of the new Corozal Container Terminal on the Pacific side of the Panama Canal. This project will include the construction of approximately 2,081 linear meters of docks, container yard, and superstructures, all on approximately 120ha of land. This area will have the ability to handle up to five post-Panamax ships simultaneously, provide direct rail access, and expand the capacity to handle about 5 million TEUs annually. ✖

BIO

Augusto Arosemena Moreno holds a bachelor of law and political science and has over 10 years of experience in providing legal advice in various sectors. He also holds a master's in banking, corporate, and financial law from Fordham University School of Law. From 2009-2014, he was an advisor in companies with operations inside and outside of Panama. He has extensive experience in the commercial sector promoting the establishment of businesses in Panama. Between 2004 and 2006, he served as Commercial Attaché at Panama's embassy in Washington, DC. He was responsible for managing the efforts of the embassy to attract FDI, working closely with government officials in the US, Panama, and the private sector.



TBY talks to **Helmuth Obilcnik**, Regional President of Bosch, on innovation in Panama, the company's role in the development of the Panama Canal, and plans for regional consolidation.

BIO

Helmuth Obilcnik graduated in business administration & management from Hochschule für Gestaltung, Technik und Wirtschaft in Pforzheim, Germany. He currently works in Panama as the Regional President of Robert Bosch for Central America, the Caribbean, Venezuela, Colombia, Ecuador, and Peru. He has worked for Bosch since 1987. He previously served as an IT Consultant in Germany, Financial & Administrative Manager in Portugal, Audit Supervisor in Germany, CFO Director of Finance and Administration in Argentina, and CFO Vice President of Finance and Controlling in Brazil.

commanding sights

What segment drives the company's activities in the region?

Automotive parts, power tools, and household appliances are the main drivers of our business that are well known by end-users. However, we have a presence in the project segment throughout the region through some of our other divisions. Bosch Pharma packaging technology is present in a highly relevant pharmaceutical project in El Salvador. Our hydraulic solutions are used in the largest hydroelectric project in Venezuela, the Guri Dam. We have a significant presence in mining projects in Peru, with our hydraulic motors and drive units. Packaging technology and steam solutions from Bosch are used in most international confectionery and food plants established throughout the 17 countries of our Latin American region.

How is innovation driving the role that Bosch plays in Panama's development?

We are represented in Panama via distributors and integrators in various segments, from power tools to automotive spare parts, as well as thermotechnology and household appliances. We also have a complete portfolio of security systems, an important part of our business in Panama. The surveillance system surrounding the Presidential Palace in the historic Casco Viejo district of Panama City was produced by Bosch. Our smart homes and smart cities concepts are now in their first stage of development. The strategic importance of this market can only increase. Ecuador is hosting the upcoming Habitat Exhibition in 2016 and Bosch will be there presenting its smart technologies.

How is Bosch technology used in the canal, and why were you chosen?

The Panama Canal is an important part of our business and is another reason why we are here. Bosch was part of the modernization project of the Panama Canal that took place in 1998 when the old mechanical lock systems were replaced by new hydraulic ones from Bosch Rexroth. We are also involved in the new set of locks for the Panama Canal expansion with the same technology. Bosch Rexroth is delivering all of the drive-related components needed for the rolling gates between the chambers and the water sewing basins. This innovative solution allows the canal to save up to 60% of the water previously used during operation of the locks, which illustrates well our motto of "Invented for life," meaning that we focus on innovation and technology.

We file an average of 5,400 patents every year, which is the equivalent of one patent every 30 minutes. What is also interesting to know about Bosch is that 92% of our share capital is held by the charitable foundation of Robert Bosch, which invests profits in social, cultural, and health-related projects worldwide.

How will Bosch continue to consolidate its presence in the region?

Cuba and the Dominican Republic are targets in the short run. We are exploring opportunities in Cuba, and we have already established distributors there for the automotive and power tools segments. We have been present with a corporate booth at La Feria Internacional de la Habana (FIHAV) 2015, which is the most relevant exhibition and industrial fair taking place in Cuba.

IN NUMBERS

Present in Panama Canal works since

1998

\$240

million in regional revenue

5,400

patents registered every year

We have a household manufacturing plant in Peru. Bosch recently opened a branch in Costa Rica to provide technical support to the security systems and accounting services for the US, and we also opened a sales office in Ecuador in 2015. In 2016, we opened a sales branch in Panama with the purpose of selling directly to our customers, and we started with power tools and then expanded to other divisions. The region that we cover here represented \$80 million in revenue for Bosch in 2008, but has since grown to roughly \$240 million. The target for 2020 is \$500 million, meaning we aim to double turnover in the next five years. The Center of Competence located in Panama plays a decisive role in achieving this target. We are seeking opportunities to challenge ourselves in order to reach our goal in the region. ✖

KEEPING THE RUM RUNNING

Despite declining regional demand, rum is becoming more and more popular worldwide. With some of the best rums in the region, Panama is poised to take advantage of this growing global market.

RUM WAS FIRST distilled on sugar plantations on islands in the Caribbean several centuries ago. Now that process has been refined using molasses and water, countries all over the region have adopted their own unique recipes. Its popularity around the world has made rum production in the Caribbean and Latin America boom in recent decades in order to satisfy global demand. Last year, the total value of worldwide trade for rum and tafia, a similar, cheaper rum-like product, was \$1.4 billion. Given the trends of the last few years, that number could pass \$2 billion in no time.

Like many of its neighbors, the rum business in Panama is a profitable one. It exports about three times the amount that it imports. In 2014, Panama exported \$28.8 million worth of rum, while importing only \$9.9 million. Rum ranks ninth in top exports for Panama, accounting for around 2% of its total exports, but more impressively also 2% of all the rum exported worldwide. Last year, the top destination for Panamanian rum was Chile, which accounted for \$7.36 million, or about a quarter of all rum leaving the country. The next largest trading partners were the US at \$3.9 million, followed by France and Bolivia at \$3.2 million and \$2.3 million, respectively.

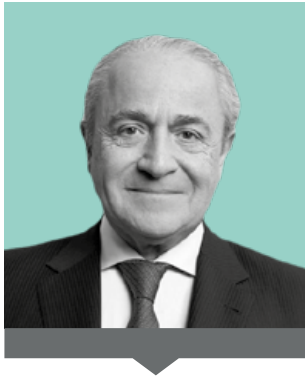
These impressive numbers are made possible to a large extent by the several trade agreements to which Panama is party. The US-Panama Trade Promotion Agreement, which went into effect in 2012, ensures that rum will continue to flow freely north across the Gulf. The US is also one of the largest importers of hard liquor in the world, with rum being only second to whiskey, so this arrangement means potential growth there in one of its biggest overall trading partners. Panama is also part of a bilateral trade agreement with

the EU, which specially grants them a larger quota than almost all other Central and South American countries beside Colombia and Peru. This gives Panama a unique advantage in the particularly competitive rum market of Latin America and Caribbean.

The clear-cut leader in the domestic rum market is Varela Hermanos S.A., which has about a 90% market share. Their two leading brands sold are Ron Cortez and Ron Abuelo, which was listed as “one of the top ten rums in the world” by The Costa Rican Star. The market at home does its fair share of rum drinking, too. Beer is the primary beverage of choice, accounting for around 70% of all alcohol consumed. However, at 25% are spirits and hard liquor, with wine lagging behind at a smaller 4%. The average Panamanian drinks eight liters of alcohol per year, which is a relatively modest amount when compared to the world leader Belarus at 17.5 liters, according to a recent study released by the World Health Organization.

This is no trouble, however, for the domestic rum market, which has become somewhat saturated due to an increase in wealthy foreigners moving to the country and the stronger purchasing power of the Panamanian balboa, which is pegged to the US dollar. This will mean that Varela Hermanos S.A. and other rum producers will shift their attention to try to capture a bigger slice of the global rum market from their Latin American and Caribbean competitors, particularly in the US and Europe. Despite a discouraging domestic market, Panama is poised to remain one of the major players in the world’s growing rum business. It is set to continue climbing the ladder as one of the top exporters in the region and around the globe. ✖

Image: Adam J Horwitz



JOSÉ LUIS
VÁZQUEZ

President, Sika Latin America Management Inc.

Sika Latin America Management Inc. is a division of a global company, and we continue to follow the OECD regulations worldwide. Panama represents the company's second step in creating its multinational headquarters, while Singapore marked the first step. From here, we are in charge of the operations in Mexico and all of Latin America. Our company has grown over the last 20 years through globalization, which means we are positioned close to our customers and raw materials. We have also further

domesticated our efforts to be the best in our field, as well as in sales and marketing. The moves we have made have allowed us to be present in all of the countries of Latin America, excluding southern Honduras and Nicaragua. Our company is always planning for expansion and there are no limitations to our growth because we are the market leader in our specialist field of construction chemicals. We can pursue more opportunities through new technologies and areas in which we are not yet present.

OSWALDO BÁEZ

Head of Customer Service & Logistics - NW Latin America & Caribbean and Panama Hub Office Manager, Diageo



Diageo's operations in Panama will cover the two main areas of distribution and technical services. The Distribution Center serves to warehouse and distribute products to customers across Latin America and the Caribbean, while the Technical Center is the first of its kind for Diageo in the region of Latin America and the Caribbean and underscores our commitment to sustaining

regional growth and development through local manufacturing. There are three main reasons that Diageo chose to set up operations in Panama. The first reason is the logistics environment, as Panama is the hub of the Americas and has good facilities. This gave us the opportunity to centralize our logistical operations for all of Central America, the Caribbean, and a large part of the rest of Latin America. The second

PANAMA AS A HUB

At the heart of the Western hemisphere, Panama's central location and world-class infrastructure present opportunities abound for developing the role of its industrial sector.

Panama is important due to its location at the center of the Americas. Being here provides us with the opportunity to quickly tap into other countries by leveraging all of the services available, especially logistics. The reason we targeted Panama is that when we designed our project, Panama was number one in terms of brand awareness. Our strategy is to bring to Panama and the rest of South America not only good products, but a first-class shopping experience. Last year we trained over 300 people in Panama in retail using a completely new training process that we developed. Panama is key, and our next step is expanding throughout the Caribbean and then South America. We already have operations in Colombia, Brazil, Argentina, and Uruguay. Panama might also be chosen as the location for our own manufacturing facility

in the region, and we are in the process of selecting a location in the country and determining how big the facility should be, as it will serve not only Panama, but also the rest of the region.



DIEGO GONZALO
FORESI
*General Manager
LATAM, PPG Comex*

reason is the long-standing relationship that we enjoy with our distribution partner, Motta International, and the opportunity that being here in Panama provides to increase our partnership with them. Finally, there are many benefits that the government gives to foreign companies, and the good economic and political environment in this country attracted us.



drink your MILKSHAKE

TBY talks to **Brandon Vallejo**, CEO of Estrella Azul, on consolidating its market share, developing Panama's position as a regional food hub, and emerging market trends.

In which segment does the company have the most consolidated position?

We have a total market share of 29% consolidated across our entire portfolio. We have an extremely strong position in the cold juice segment, where we own 80% of the market. In the cold milk segment, we currently own 70% of the market share. As for ice creams, we own 65% of the market share. We own 10% of the market share in the UHT

segment, 15-20% in juices, 25% in yogurts, and 6% in cheeses. Our two main strategies are to maintain our leadership in all cold segments and ensure that we are the first choice for consumers and sellers. We currently reach 7,500 stores, and we must continue working with this same focus, as the cold product segment is one of great potential in Panama. We see opportunities to improve in areas such as yogurts and in-store selling. We plan to invest during 2016 in the yogurt segment and to expand coverage in the ice cream segment, as this is a market segment with a lot of potential; the 6-7 liters of ice cream consumed per capita every year in Panama is extremely high. This is why we need to focus on implementing innovative actions that generate added value.

What potential do you see for Panama to become a regional food hub?

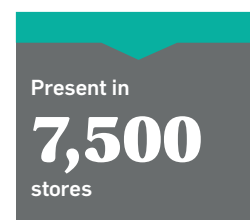
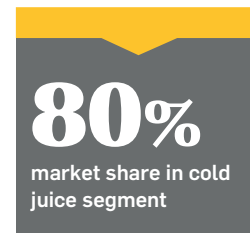
There is great potential and we need to focus the efforts of the entire value chain on this goal. Panama enjoys a great geographic location and that competitive advantage can be taken further with collaborative development of infrastructure and efficient logistics to capture all of the potential benefits. We have seen that the government has taken positive steps with local producers and is set to continue with players from

the agroindustry. Our focus is on investing and innovating, which is important in this industry. We want to further consolidate our products, activities, and brand in Panama, which is a country with one of the most appealing growth levels in the entire region. Our expectations are to consolidate our activities in Panama and generate more value for our clients and consumers. This also means introducing new products, adding greater value, and applying more innovation. Our priority now is the local market, where Estrella Azul enjoys a strong position and is the leading brand for dairy products.

What trends can you identify in the Panamanian market?

We see that nowadays we have more knowledgeable consumers; people are well informed and look after themselves much more than in the past. People today look more in detail at the ingredients and nutrients within products, which is why we are boosting our investment in innovation. We are currently offering a broad portfolio of high-quality dairy products to satisfy the nutritional needs of the thousands of consumers that choose Estrella Azul every day. Another emerging pattern is one we have witnessed in the milk collection and distribution channels. Panama produces an average of 200 million liters of milk a year, and

IN NUMBERS



every year we buy 50 million liters from local 300 farmers. Panama has the highest milk prices of any Latin American country, at around \$0.65 per liter. We are currently working together with our suppliers and the government to make this sector a profitable one for all actors involved in the production chain, from producers to retailers. Since I took over this position in the company, I have personally overseen action to generate value in the industry. However, we need to invest more in the research of animal genetics and properties of the local soil. We need happy cows that produce around 25l to 30l a day. This is one of the main challenges the sector faces, and the private sector needs to work with authorities for the implementation of long-term initiatives that establish a common vision for the entire sector. ✖

BIO

Brandon Vallejo has 20 years of experience in the consumer goods industry, especially in dairy product elaboration in Colombia, Ecuador, Venezuela, the US, and Panama. Thanks to his practical approach and focus on impact, combined with his solid knowledge of the Andean region, his strong leadership capabilities, his teamwork, and his communication skills, Brandon has successfully managed a number of financial, strategic, operational, administrative, and commercial areas, focusing on problem solving and project development. Since November 2015, Brandon has been the CEO of Estrella Azul.



With estimated mineral reserves worth upward of \$200 billion on today's prices, it's little wonder that Panama's mining sector is one of the economy's fastest growing.

Review MINING

DEEP REFORMS

On March 22, 2015, Panama's Minister of Trade and Industry, Melitón Arrocha, announced that the government was working on a reform package to overhaul the institutional and environmental framework for mining in the country. The reform package has the aim of giving more certainty to investors, increasing revenue from mining, and boosting mineral exports. It also has the makings of a major re-launch of Panama's mining industry, giving a boost to the confidence of investors and companies at home and abroad. The mining bill is widely seen as an indication that President Juan Carlos Varela's government is being receptive to the concerns of the private sector as well as the general public. Foremost among these are protests from indigenous peoples of the western Panamanian highlands, who have long opposed new mining activities in the region, and the roads and development that invariably accompanies them. The Ministry for Trade and Industry's reforms are the first major step to addressing these concerns. The Mining Chamber of Panama (CAMIPA) is pushing parliament for a one-year moratorium that would allow enough time to strengthen the environmental and institutional framework.

The wide-ranging reforms are vital if mining is to sustain its current growth, or better it. In 2013, the sector contributed just 2% to the country's GDP, up from just 1% in 2006. In 2017, it is forecast to add more than 10% to Panama's GDP for the year, making it one of the country's largest and most important industries after finance and shipping and transportation. According to government statistics, Panama's proven mineral reserves (mostly copper and gold) reach approximately \$200 billion on 2015's relatively suppressed prices.

CAMIPA estimates that Panama has the potential to become the eighth-largest copper producer in the world. Production increased by an impressive 25% in 2013. Yet the government is keen to point out that this is only the beginning, and Varela has made the mining sector one of the five key pillars of his 2015–19 strategic plan to diversify the economy.

Reforms are expected to rejuvenate Panama's mining sector and attract new investors



Image: Minera Panama

According to government statistics, Panama's proven mineral reserves (mostly copper and gold) reach approximately \$118 billion (on 2014 prices). CAMIPA estimates that mining could even account for 10% of Panama's GDP by 2017, up from 2% in 2013, and estimates that Panama has the potential to become the eighth-largest copper producer in the world.

COPPER

Panama is home to one of Latin America's largest copper deposits, totaling around GBP50 billion, in Cerro Colorado. Indeed, Cerro Colorado dominates the country's copper industry, and forms the single largest mineral deposit in Panama.

120km west of Panama City lies the next giant of the copper industry. Cobre Panama covers 13,600ha and includes four concessions. It is owned by Inmet Mining Corporation via its subsidiary, Minera Panama. Inmet acquired the project in 2008. Construction began in 2012, and the mine is due to start full operations only in 2017. It is expected to yield 320,000 tons of copper a year and smaller amounts of gold, silver, and molybdenum, and to be operational for a total of 35 years before reserves are depleted beyond commercial viability. Current estimates for the mine's reserves are in the region of a whopping 3.05 billion tons of copper. Inmet Mining Corporation has invested \$7 billion in the project, developing the mine and the processing sites alongside it. The investment should pay off well: so far, 2016 alone has seen the copper price rally, trading at \$4,995 per ton in the 1Q2016, up 5% YoY.

GOLD

RNC Gold owns the Cerro Quema gold mine, which is one of the country's two functioning gold mines and located 190km south west of Panama City. The mine has around 6 million tons of proven and probable reserves, and produced 48,000 ounces in 2015, operating at capacity. Gold has a long history in Panama, even though only one mine currently produces the

metal. The second mine is the Molejón Gold Mine, which is operated by Petaquilla Minerals in Colón and covers 842 sqkm. Molejón started gold production in April 2009 and reached commercial production in January 2010—an event widely seen as marking the coming-of-age of mineral extraction in Panama.

Petaquilla completed an expansion of the Molejón plant in 2012, adding a fourth ball mill and other processing equipment. The expanded facility has a production capacity of approximately 3,500 tons per day.

On the markets, gold prices are benefiting from an unstable FX market and, although it has slumped a little in 2015-16 along with commodity prices generally, gold is holding up as it often does in times of uncertainty, trading at \$1,225 an ounce. In general, while some traders are wary of a long-term decline in gold values—already well down from over \$1,800—prices are still high, and risk of a real fall is low.

NON-METALLIC MINERALS

Panama's non-metallic mining sub-sector is primarily with the construction industry in mind, consisting largely of rocks, sand, and stone. Despite a recent boom in the construction industry in Panama, non-metallic mining contracted by 10.7% in volume in 2015, and fell in value by 10.5%. Part of the reason could be over-supply and a lull in construction work now that the country is waiting to see if the newly widened Panama Canal lifts the economy once more. This hunch is borne out by the fact that overall sales of construction aggregate materials were 40% lower in 2015 than the year before.

In November 2015, the Ministry of Trade and Industry announced plans to begin reviewing mining concessions applications once more, but only for non-metallic mineral mining. There are currently 152 active concessions for non-metallic mineral extraction in the country, and 15 for metallic mining. The government is undertaking a review of the mining law, and is readying itself to grant new concessions once the bill is approved. The revised law is designed to make it easier for foreign companies to invest directly in Panamanian concessions. However, there are fears that these attempts to reinvigorate the sector will result also in more protests in the form of demonstrations and roadblocks by the indigenous peoples of Panama, who object to the environmental damage caused by mining activities and harm to the landscape by quarrying. ✘



ZOREL MORALES
*President,
Panamanian
Chamber of Mining
(CAMIPA)*

What can be done to confront illegal mining?

We need an authority with legal and regulatory power. Chasing violators from these locations would be ineffective, as they will return shortly after with new equipment. The better approach is to develop programs to integrate these activities and mobilize these resources for the common good of Panama. Other countries are developing similar programs with better success than by means of using repressive measures alone. Illegal operations made legal and compliant with regulations could sell to government facilities that then refine and export the materials. Resources obtained could also be used in programs to help bring illegal mining into the formal economy.

How has your proposal for a regulatory authority for mining been received?

Some ministers support the idea. The World Bank also supports the initiative and wants to help the government develop our mining industry. We are wary of creating excessive bureaucracy, and we want to design a simple solution. We also do not want the regulator to become overly politicized. We need an authority that is more technical, like the PCA, especially since the mining sector will produce as much income for the country as the canal currently does.*



TBY talks to **Todd Clewett**, Country Manager of Minera Panama, on the unique characteristics of the company's operation, the effects of macroeconomic volatility, and the project's impact on the national economy.

BIO

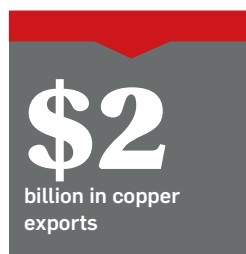
Todd Clewett is Country Manager for Minera Panama, the largest foreign investment in Panama's history. He has been working in the mining industry for over eight years. He previously worked with Rio Tinto at the Oyu Tolgoi mine in Mongolia and in Papua New Guinea with the Ok Tedi mine. Clewett's early career was in management consulting with McKinsey and Co., and with the government of Australia. He holds degrees in economics from the University of Sydney and in Public Administration from Harvard University.

digging DEEPER

How does this project compare to others with which you have been involved?

One of the great things about the mining industry is how different the projects are. The last project I worked on was the Oyu Tolgoi mine in Mongolia for Rio Tinto. It was a copper mine of about the same scale as this one, but in the South Gobi desert, which regularly reaches 30 degrees below freezing. A lot of the infrastructure had to be built up to eight feet underground because water will freeze at anything above that. I worked before that at the Ok Tedi mine in Papua New Guinea, in one of the most remote parts of the world. Panama is warm and humid, and as a rapidly developing country it is a great place to start building a mine of this scale. There have been a few smaller mines that failed and made a negative impression on the community, the investors, and the government because they closed shop and walked away, leaving behind unpaid workers and environmental degradation. Panama is, therefore, somewhat cautious regarding mining. The operational challenges here are different from the challenges in Mongolia; in Mongolia there is no rain, whereas the location of the mine here receives 4-6m of rain every year. The area is set within a rainforest, so environmental management is critical. Environmental sensitivity is a major point of focus when operating in challenging climates. The mine in Papua New Guinea saw 10m of rain a year and was the second wettest place in the world.

IN NUMBERS



Do you find price fluctuations a challenge with these projects?

That is a definite challenge. This is a 40-year investment, and to invest billions of dollars years before seeing any return with no control of the selling price gives a sense of the courage that it takes to make these types of investments. The project is designed to withstand the fluctuations of copper prices, as it will be a relatively low-cost producer. As the price of copper fluctuates, Minera Panama can, should, and will be near the bottom of the cost curve, while more expensive mining operation will feel the heat first. Our contribution to Panama's exports will change depending on the copper price, but it should be about \$2 billion overall. Panama's exports in 2015 were \$800 million; therefore, the project

alone more than triples Panama's exports. We will be Panama's largest single exporter by a factor of close to 10.

What is the importance of the Minera Panama project for the country?

The project will directly contribute about 4% to GDP, triple the country's exports, and directly employ 2,500 people, while indirectly employing up to 5,000 more. Having another plank of industry provides stability and diversity to the Panamanian economy. As we develop the mine, we will get a better understanding of the geology and the exact potential of the mine. The estimated 34-year lifespan is based on what we know now, but it is common for these lifespans to expand. That said, we are in the process of planning for closure, even if it takes 50 years. Our philosophy to date has been to rehabilitate areas if we are not going to use them anymore. The more detailed planning of what will happen to workers and the communities develops alongside the rest of the project. This is an endeavor that for the next 30 to 40 years will be the biggest employer in the Coclé region and will drive the economy. A young person coming out of university or high school today could start at our project and work there until they retire. This is a story not just for Panama, but for the whole region as well. It will provide this part of the world with huge economic growth for 40 years of generational growth, which is the real opportunity for Panama. ✖



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TBY talks to Dr. Jorge A. Motta, National Secretary of Science, Technology and Innovation (SENACYT).

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Human capital and government initiatives make Panama a leader in innovation in the region.

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TBY talks to Néstor Altuve, General Manager of Capital Financiero, on audience demographics and expansion.

Telecoms & IT

REVIEW

Panama was one of the first to offer 4G connectivity in the region and among the first in the world to provide universal access to Wi-Fi. If the government keeps up its efforts to increase access and penetration, the country will continue to have one of the most flourishing ICT sectors in the region.

CONNECT THE DOTS

Though the growth rate of Panama's GDP may have declined in recent years, decreasing from 10.8% in 2011, it is projected to remain steady and promising at near 6% through the coming years. The country's developed telecommunications infrastructure, which in several areas is the most advanced in the region, has played a significant role in maintaining steady and high growth.

Telecoms industry earnings reached \$1 billion in 2013 and were estimated to have reached almost \$1.1 billion last year, according to the National Authority of Public Services (ASEP). Well over half of that revenue came from mobile cellular services, which in 2015 was estimated to bring in over \$670 million, followed by basic telecommunications services and internet services, which generated \$150 million and \$130 million, respectively. Transport-related telecommunications added another \$115 million to the share, which relates to the logistics, communication, and



Image: Flegere

Panama's mobile market has burgeoned following the introduction of two new mobile providers in 2008 and 2009, spurring heated competition, reflected in prices and service for a market of just under 4 million.

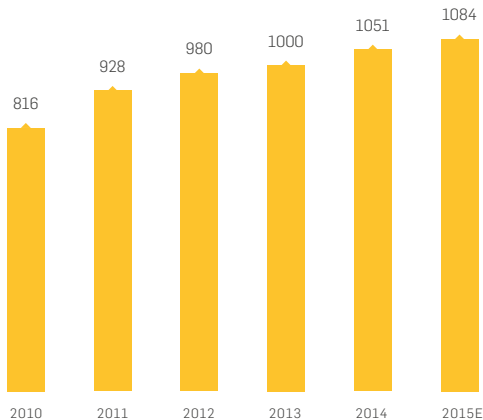
transport of one of the country's most vital resources, the canal.

The subscription rate for cell phones started to exceed Panama's population in 2008, just before subscriptions skyrocketed to 6,066,683 in 2009 from 3,915,246 in 2008. The cellular subscription rate peaked in 2010 at 183% and has since fluctuated from 160 to 180%. ASEP estimates the rate for 2015 to be 175%, meaning close to 6.95 million cellphone subscriptions for the country's 3.97 million inhabitants. The majority of these subscriptions, 90%, constitute prepaid services, with the remaining 10% being contractual and post paid and utilized primarily by corporate lines and users with high consumption rates. This ratio has remained the same since 2012.

Though a clear majority of internet users in the country get access from mobile devices, fixed-line penetration has been steadily increasing, with annual growth continuing to rise year after year. According to ASEP, the fixed-line pene-

TELECOMS SECTOR REVENUE (USD MILLIONS)

SOURCE: NATIONAL AUTHORITY OF PUBLIC SERVICES



tration rate is estimated to have reached 39.7% in 2015, a 1.6% rise from 2014 equating to almost 20,000 new fixed lines. 69% of those lines, or some 422,000, were residential lines, while the remaining 31% were commercial lines. According to National Authority for Government Innovation (AIG), fixed broadband penetration in rural areas reached 7.9% in 2014. The government hopes that number will rise to 11% by 2019, a figure that is anticipated to greatly boost the country's GDP. AIG also recorded the mobile penetration rate for rural areas in 2014 as 25.2%, with plans to increase the figure to 34% by 2019. In all, AIG hopes that, by the end of the decade, 80% of the population will be covered.

Government initiatives and increasing competition have driven the expansion of internet coverage throughout the country. In 2010, the country's Internet for All program made it one of the first countries in the world to provide citizens across the country with free wireless broadband access. 4G connectivity is available not only in Panama City, David, Colón, and popular beach areas, but in many regions throughout the country, and in some cases is even available in rural areas. The government has played an important role in pushing ICT adoption throughout the country; classrooms are equipped with computers and 4Mbps broadband connectivity through landlines, and 2Mbps connections outside of urban areas. The government is also planning infrastructure and security projects that will require up-to-date broadband services.

Residents in rural areas who are not covered with 3G or 4G and who do not have access to

terrestrial lines do not necessarily need to travel great lengths to access the internet. According to the AIG, the country has over 1,150 Wi-Fi hotspots throughout the country, with many located in rural areas. The government plans to expand current coverage by 30% this year, allowing citizens who otherwise would not have access to the internet to connect to e-government services, education, and businesses.

Panama has one of the region's most advanced e-government infrastructures, and is on track to be a global leader in online government transactions; this year, AIG plans to make available approximately 100 more online government transactions. The government will soon have a tender to create a multi-operator network, increasing both bandwidth and coverage. But e-government is not the only aspect in which Panama has been a leader; with its state-of-the-art infrastructure, Panama was among the first countries in the region to introduce 4G to the market, back in 2012, and was one of the first to offer customers such smart devices as iPhones, Android devices, and Blackberry smartphones.

According to AIG, around 80% of the country's network is accessed by mobile devices, with the highest demand for video. In line with the tender, the government plans to introduce several mobile applications for government services, like Panama Apps, an all-in-one e-government application that is the first of its kind in the region. Panama's e-government services IT sector have been buttressed by support from South Korea, whose Korea Panama training center has been vital in raising standards and educating and preparing government officials in IT. To further develop the country's internet network, AIG also intends to partner with international consultancy firms to expand coverage and increase penetration.

As the connection point between Central and South America, there are more than seven major submarine fiber optic lines that pass through Panama on their way south and to the rest of the world. In January, TeleGeography reported that Ocean Networks, a developer and operator of submarine cables, is currently seeking financing for its South America Pacific Link (SAPL). The 17,600km fiber optic submarine cable system will connect Panama to Chile and Hawaii through the Pacific and to Florida through the Atlantic, and is expected to be ready for service in 1Q2018. The submarine cables will have a capacity of 10Tbps for each pair of fibers, and will consist of three pairs between Panama and Hawaii, three between Panama and Chile, and six between Panama and Florida. The cable will also branch off to Ecuador and Peru.



JORGE E. SAA
*Country Manager,
Ericsson Panama*

How has access to broadband in Panama evolved in recent years?

Penetration has increased in recent years and 4G is now a reality. Most operators in Panama are offering 4G around the entire country. Penetration has increased above 10%, and it is important to note the level to which government and industries want to apply the availability of broadband. The government is starting to plan relevant projects around security and infrastructure, which rely heavily on the use of broadband.

How do the findings of the Ericsson Mobility Report 2015 apply to Panama?

One of the key findings was that data consumption will increase 10-fold by 2021 and for Latin America data traffic will increase eight times. Video consumption will increase 18 times over the same period. Though these are worldwide figures, we can say local subscribers are equally or even more demanding than in developed countries. Subscribers want quality of services and access to the applications that will enable them to be more socially connected, more integrated into the digital economy, and with a higher sense of safety by using sensors at home.*

While overall competition in the telecommunications industry has driven down prices and largely expanded services and coverage, certain sectors remain dominated by just one player, such as basic telephony and fixed, for which the incumbent Cable & Wireless Panama has held steadfast to its network and remains nearly the only provider of DSL access, with cable modems and WiMAX providing the only cross-platform alternatives.

Panama's mobile market has burgeoned following the introduction of two new mobile providers in 2008 and 2009, spurring a heated competition reflected in prices and service for a market of just under 4 million. The country's mobile operators are Más Móvil (the local subsidiary of Cable & Wireless Panamá), Digicel Panamá, Movistar, and Claro Panamá. Más Móvil and Movistar, which have been providing service in the country for over a decade, both hold concessions.

The introduction of Digicel Panamá and Claro Panamá in the late 2000s was the likely cause of the massive jump in mobile subscriptions the country saw in 2008. The number of new

prepaid accounts between 2007 and 2009 more than doubled the size of the market by adding just under 3 million new subscriptions. Over the same period of time, the penetration rate rose from 86.6% to 168.5%.

Despite its status as a leader in the ICT sector, Panama still has room for improvement. Apart from a low penetration rate in rural areas, the discrepancy between residential and commercial fixed lines, with approximately 68.1% residential and 31.9% commercial, may have negative implications for the economy and GDP growth. The government is working to increase penetration and connect rural entrepreneurs and SMEs to the internet as a means to boost business and integrate them into the national economy.

The country's rapid development in the telecoms and IT sector over the past decade has been an important pillar in its steady GDP growth. With the government's continued dedication to increasing penetration and access and equipping users with the latest technology, Panama's ICT sector is poised to be one of the most flourishing and dynamic in the region. ✖



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INTERVIEW



twisted wires

TBY talks to **Dr. Jorge A. Motta**, National Secretary of Science, Technology and Innovation (SENACYT), on the ministry's core initiatives, promoting STEM subjects, and commercializing R&D.

What are the main pillars of the recently launched National Strategic Plan for Science, Technology, and Innovation 2015-2019? The plan was approved by the Council of Ministers in January 2015. It is a plan that was developed by different segments of society. It is not simply a five-year plan; it now comprises a 25-year policy framework. We did not develop a plan by area; instead we have taken a completely different approach. Our objective is to use science to support the sustainable development of equity, and central to this goal is health and education. With the funds that we were assigned by the government of the Republic of Panama, we will continue with the development of human capital in fields such as engineering, science, and mathematics not only in primary and secondary schools, but also in advanced degrees at the master's and PhD level. The pillar of innovation seems to be embedded in a culture that needs to be developed locally, because businesses can get complacent while external competition remains ferocious. Panamanians are only now beginning to understand that, and we need to constantly remind them that innovation is key. The plan also focuses on the governance of the whole National System of Science, Technology, and Innovation of Panama, because the issue is that this topic has not been well articulated. SENACYT is also an administrative agency that

gives support to the research facilities in different parts of the nation. Science has to be integrated into the Ministry of Education, the Ministry of Agriculture, the Ministry of Environment, and even the Ministry of Commerce. What we would eventually like to see is all of the government entities creating an office dedicated to science and technology within their organizational structure. We cannot think that by just giving money to SENACYT, the field of science has been sufficiently addressed.

BIO

Dr. Jorge A. Motta (MD, MPH) began his academic career at Georgetown University. He continued his education at Yale University and Stanford University. For the past 38 years he has practiced cardiology in Panama. He was Director of the Gorgas Memorial Research Institute from 2004-2008, and has served as President of the Panamanian Academy of Medicine and Surgery, Governor of the Central American section of the American College of Physicians, and chaired the Joint Committee of the Special Program for Research and Education on Neglected Infectious Diseases. He is President of the Panamanian Association for the Advancement of Science and is a researcher at the Gorgas Memorial Research Institute.

How do you promote interest in the STEM subjects among students?

We promote STEM subjects through a variety of ways. Together with the Ministry of Education we coordinate Science Clubs and a National Robotic Competition. SENACYT recently joined the international campaign and educational program called "Hour of Code" to promote computer science nationwide. We also use other tools to promote STEM, such as Scratch, a program developed by the Massachusetts Institute of Technology. As part of the Science Clubs, we organize the National Competition of Chemistry in the Kitchen, which allows students to learn chemical reactions through the art of cooking. There is a lot more to do, and we are now launching an aggressive campaign to move forward in an effort to teach students that science is not something entirely abstract and that technology affects every aspect of their lives. This is going to take time.

What needs to be done to promote commercialization of the research and advancements in technology taking place in Panama?

In 2015, we granted funds to 72 research and development projects. This was a tremendous change, after having gone through a period over the last two years during which the previous administration did not provide funding for any projects. The funding varies so much that it is another disadvantage for our country. We plan to increasingly regu-

IN NUMBERS

Launched National Strategic Plan for Science, Technology, and Innovation in

2015

\$15-20

million per year committed to overseas scholarships

late funding in order to support more projects. Panama is still in the early stages of commercializing its emerging R&D culture. We seem to have gone through a phase of just producing scientific and academic papers, but this is about to change, as the incubators and entrepreneurial associations are starting to develop. SENACYT is involved in helping the efforts of the Technological University of Panama in this regard. Innovation is what we need to work on, and to do that we need to convince ourselves that we have the necessary talent to be innovators. In order to be an innovator, a certain level of education is necessary. ✖

PANAMA 2.0

Reinforcing the government's commitment to maintaining research and technological development at the forefront of national policy, the National Secretariat of Science, Technology, and Innovation (SENACYT) recently launched its latest strategic plan with the aim of leveraging innovation and technology to achieve Panama's wider socioeconomic goals and improve development indicators across the country.

THE NATIONAL Strategic Plan for Science, Technology, and Innovation 2015-19, presented last November in conjunction with the Panamanian Chamber of Information Technology, Innovation, and Telecommunications (CAPATEC), is based on the use of science, research, technological development, and innovation to address the country's key challenges, including a growing population, urbanization, environmental changes, new illnesses, food security concerns, and income inequality. The National Plan is based on the five key pillars of sustainable development; social inclusion, innovation and dynamic entrepreneurship, the development of science and science-related skills, the strengthening of governance regarding science, technology, and innovation.

It is SENACYT's fourth such strategic plan and addresses the shortcomings of previous guidelines, the first of which was formulated in 1998. Unlike its precursors, which considered each of the country's economic areas separately, the new plan lays out a more holistic and integrated approach to demonstrating how science and technology will be used to push forward the country's development goals. "We have taken a completely different approach and our objective is to use science to support the sustainable development of equity, and central to this goal is health and education," explains Jorge Motta, National Secretary of Science, Technology, and Innovation.

In formulating the plan, SENACYT drew on global research linking scientific development with a reduction in poverty and an improvement in living standards. Vital to the success of the plan, and indeed one of its five key pillars, is the development of science skills and competencies across all levels of education, including professionals in the industry. "In or-

der to promote the development of the science and technology sector, Panama needs to raise the level of human capital of its teachers," said Motta. The plan seeks to increase the number of projects and programs dedicated to research both within and outside of schools, as well as foster a culture of R&D in Panama.

Elaborating on the plan's final pillar of improving the system of governance around science, technology, and innovation, Jorge Motta explained, "What we would eventually like to see is all of the government entities creating an office dedicated to science and technology within their organizational structure. We cannot think that by just giving money to SENACYT, science has already been taken care of." Ensuring that science and technology are embedded in all facets of government is a key part of the plan's recommendations. In addition, Panama should by 2019 at least reach the region's average spending on R&D of 0.7% of GDP, up from 0.1% in 2015.

Beyond just a five-year roadmap, the strategic plan also comprises a 25-year National Policy. To assess the success of the policy by 2040, the government will measure its impact not only on indicators directly related to its implementation, but also the degree to which it has influence over other social, economic, and cultural indicators, including the Global Innovation Index, GDP per capita, employment rate, the Gini coefficient, educational enrolment, and life expectancy.

Continuous revision and updating of the plan's programs based on trial and error will ensure that it remains a relevant tool for decision-makers and allows SENACYT to monitor its progress. It is likely that an evaluation of the plan will take place in 2017. By 2019, the plan's vision is to consolidate Panama's competitive position within the region. ✖



JORGE R. AROSEMENA
President of the City of Knowledge Foundation



IRVIN A. HALMAN
General Administrator, National Authority for Government Innovation (AIG)

INNOVATION

Human capital and government initiatives make Panama a leader in innovation in the region.

How has your innovative approach benefited the country in terms of connection and communications?

JRA The City of Knowledge has opened Panama up to diverse scenarios that go beyond international trade and the Panama Canal. The City of Knowledge helps link Panama to globalized fields, helping it benefit from its great geographical position through connectivity and state-of-the-art communications facilities. The added value of being a City of Knowledge is that you share knowledge among peers, contrary to the old concept that if you knew something, you would hide it and develop it in private. Synergy among universities, high-tech companies, as well as international organizations become an added value. In that context we have brought in international universities that work with local universities and institutions, creating a platform for the transfer of knowledge within the system.

IH AIG uses a three-pronged approach. We have increased connectivity for the population through 1,156 Wi-Fi hotspots. This has allowed citizens, especially in rural areas, to connect to government services, education, and small businesses. We are expanding that program and increasing coverage by at least 30% in its new version. This is one of our leading projects for 2016, and we will soon have the tender to establish a multi-operator network that will increase coverage and bandwidth for more applications in education, small business, government services, agriculture, and logistics. The network was used primarily with laptops, and now about 80% of the network is being accessed through mobile devices, so we also have a parallel plan to develop more mobile applications for government services. Each agency within government will develop its own applications with AIG's support. We recently launched Panama Apps, a mobile app that catalogues all of the official apps into a single trustworthy source for installing government apps. This is a first of its kind in the region and perhaps even in the world.

What are your goals for 2016?

JRA In this particular year two initiatives will be getting under way, among others. The Centre for Advanced Medical Simulation Systems at the University of South Florida, the largest simulation-training center in the US, is going to help us set up a similar center in the City of Knowledge. Agreements have been signed by SENACYT, the Ministry of Health, and the head of the Social Security System. We want to create a replica model for Latin America and experts are already reviewing the documents to establish it here. This should be implemented by the end of this year. AIG will be building a new facility here and there is another project for the creation of a center to train meteorologists with the support of the Panama Canal authorities, the Ministry of Environment, CATHALAC, Universidad Tecnológica de Panama (UTP), and ETESA with support from The National Centre for Atmospheric Research (NCAR) located in Boulder, Colorado.

IH We will offer new e-government online transactions in 2016, having approximately 100 that are nearly ready to be rolled-out through the agencies. We will also make available a platform for open government, new mobile apps, a new generation of the government cloud, and new functionalities for the voice and data telecommunications network for the government, and continue to advance in the national digital agenda for modernizing the state. We plan to consolidate the discipline we are achieving with this government in the way we procure technology, fostering healthy competition. We are making sure that all of our tender processes remain as transparent and as open as possible for government suppliers as we acquire the most appropriate technology that is required by individual agencies. We are looking forward to Panama being one of the leading countries in e-government, as this is a key factor for remaining in one of the top places in the region in terms of competitiveness and attracting FDI. ✖



PICTURE *perfect*

TBY talks to **Elsa de Sucre**, President of Canon Panamá, on 50 years in Panama, human capital, and goals for next year.

Next year is Canon's 50th anniversary in Panama. What are your reflections on this landmark and how it be celebrated? Our reflection on this landmark is our commitment to continue with the development of new technologies, new business domains, new business models, and new lifestyles for our customers and partners. Our guidance behind the 70 years of Canon history is based on our corporate DNA, respect for human beings, emphasis on technology, and maintaining an entrepreneurial spirit. It has not been easy, and we have seen large and well-known companies disappear over time because they stayed behind changes; companies that adapt to business changes and listen carefully to the market and customers' needs are the ones that survive. We are not planning a major celebration, because we are moving into our new installation right now, in which we have invested tremendous amount of money to improve our efficiency in the workplace. We are in a new facility because we have been growing significantly and added new key staff. We also need to enhance our

image improving our building and location. Our goal is completely to focus on satisfying our customers. We want our customers to come and see our machines and solutions for themselves.

To what extent have your sales activities been impacted by the economic climate in the region over the past year?

The economic climate is important in our life and in all business environments. The Panamanian economy has shown strong increases compared to the other countries in the Latin American region. As our economy is based on services due to our geographical position, what is happening in the rest of the world affects our business. Different external factors such as the slowdown in the economies of North America, Europe, China, and the rest of Asia, the exchange rates, and the slowing down in business of two major business partners in the Colon Free Zone, in Colombia, and in Venezuela, mean that trade and transit through the canal have been impacted negatively. All of these factors affected the business climate in our country. We are facing some internal issues that the government needs to address in order to guarantee continued economic growth, such as security, education, health, infrastructure, and transparent management of all gov-

ernment institutions in order to show transparency at all levels. This year our expectation is to grow our business and increase our operational efficiency. We are optimistic and are taking into consideration the new strategy of the government, which calls for executing more than 2,800 projects with an investment of \$4.532 billion.

How does Canon foster the development of human capital in Panama?

Investing in training is one of our main strengths. Working on advocating our talent is one of the points where we pay a lot of attention. Developing new trends to improve productivity and reduce costs is what we seek with the solutions we offer to our customers, and this is the reason why we require constant training. When we hire, we are always looking for talented people with the right profile, and if we see improvement opportunity we do not hesitate to make the investment to improve the skills of our staff. We have our training program with our internal, well-known Canon Academy and we are constantly training our staff. Education is one of the main challenges for our government in Panama.

What are your goals and expectation for the year ahead? Our goals and expectations

are to be the number-one company in all product lines, and we want to achieve double-digit growth. We can create the best technology that can support businesses and people's lives. Our focus is on maintaining a win-win relationship with all of them. In the coming years, we will keep working with and growing our business partners and customers to continue, as indicated, our win-win relationship with everyone and contribute to society with our products. ✖

BIO

Elsa de Sucre has over 38 years of experience working for Canon Panamá. Before her current position, she had taken on various challenges in the international operation of Canon Latin America. Today, she is also the Director of Human Resources, General Affairs, and Legal. She firmly believes in the corporate philosophy of the company, "Kyosei," or living and working together for the common good.



MARIA CLARA
CHOUCAIR
*General Manager,
Choucair Testing*

Who are your main clients?

MC We are working in the banking sector with four of the biggest banks in Panama. We have clients in other sectors but these are more focused on short-term projects. From a business-centric testing perspective, we help our clients implement their strategy and that changes the mindset of the company. We have four vertical businesses in our company: Enabling Banking Advantage, Enabling Advantage, Solutions, and Readiness. What enables us is to attack each sector as we wish, and for Panama we decided that the banking vertical was the first to come.

HT We mostly work with privately owned banks that are fundamentally retail banks, but we also work with credit unions, mortgage lenders, and consumer finance companies. There are banks such as Banco Bogota that were founded 30 years ago that still use our software, as well as other banks that were established later and have grown with our systems, such



HERNANDO
TORRES
CEO, ASI Group

as Banisi. The credit union for the Panama employees is our client. Financiera Familiar and Multibank are among our many other clients. Some of our past clients are gone or have merged during the 31 years that we have been in Panama.

What are your expectations for 2016?

MC I want to build a deeper relationship with our clients to explore all the products here in Panama. I would like to keep contributing and help Panama reach its full potential in the IT sector. The country has many opportunities, and it is a place to do business.

HT This is going to be a growth year for the company. We have done a lot of good things in the last three years in terms of innovation, releasing new products, and updating our technology. We are now seeing the fruits of that coming along in terms of increased sales. We are going to see expansion this year. We are very conservative in the way that we grow because we do not

software SOLUTIONS

The country's IT sector is quickly developing and innovating other sectors along with it.

want to overcommit the company to a new direction just to fail. We are responsible in that sense, yet it is highly likely that we will see growth see this year and expansion into new territories.

How do you assess the skills set here when it comes to technology?

MC It is very difficult because if other countries want to compete then we have to compete with knowledge and not labor, because we cannot compete with India, which has a billion people in the workforce. Panama only has 3 million people, so we have to decide where to compete. It is not IT, but probably something within business that will be supported by IT, for example logistics. As a country Panama needs to decide what its competitive advantages are and put IT in place toward becoming better in that department. It is not IT for IT; it is IT toward an idea or strategy. We have to work to build better analysts, and that means better engineers who can take a problem and relate it to the math and science needed to solve it. It is difficult because knowledge is not about content; it is about learning, creating ideas, and applying them. It is good but also bad that the unemployment is almost zero. For example, in

teaching testing we need people that are constantly studying and that is very difficult. We also need people to stay with us for a long time so we can make a return on our investment. This is not easy, because people are always evolving and looking for different opportunities. It is good for the country but bad for business, especially this kind of business where we need people to learn with us as they do not teach this in school.

HT It is a huge challenge. There is great talent in this country, but the statistics show that not enough professionals are produced. There are over 2,000 jobs out there that nobody can fill, so we are attracting people from other countries. It used to be the case that only 10% of a company's employees could be foreigners, but this restriction has been opened up because the country does not produce qualified workers. I hope that this country starts producing more professionals in IT and in banking, because it is needed. The commitment from employees in an environment where there is so much demand becomes a little challenging. In addition, the law is protectionist, and does not leave any responsibility in the hands of the employee. The challenge is not talent per se; it is the availability, the fight around it, and the law. ✘

BROAD REACH

IN 2009, then-President Ricardo Martinelli announced a plan to connect the entire population of Panama to the internet. Martinelli's Internet for Everyone initiative along with the responsible agency, the Governmental Innovation National Authority (AIG), have made the country one of the more advanced in the region for broadband connectivity. As of 2014, 86% of the population has access to the internet. The AIG plans to increase that number to 100 by 2020 and to increase speeds to 100Mbps. Fixed broadband is almost entirely provided by four companies—the incumbent, Cable & Wireless Panama, controls nearly 90% of the fixed line network. Competing telecommunications company UFINET controls a nationwide fiber optics network and currently is the only company with a presence in geographic extremes. However, providing access to rural areas and to the 14% without access remains an issue.

A potential solution to this is expanding mobile broadband via wireless devices. In Panama, mobile phone prices are among the lowest in the region; 2012 prices were recorded at roughly \$12.60 per month. This is largely due to a highly competitive market, with four companies vying for the country's relatively small population of 4 million, and a market nearing saturation. Only 4% of the population—likely in rural areas—does not have access to mobile phones. As of 2012, approximately 20% of rural inhabitants does not have access to mobile services. With 75% of Panama's population living in urban areas, this means that one in five people of the 25% living in rural areas does not have access to mobile services.

The AIG's network of public Wi-Fi access points has helped reduce the digital divide and social exclusion throughout the country in rural areas. Initially, 655 Wi-Fi access points were made available in nine of the country's 12 provinces and by 2013, 1.3 million registered users were accessing the internet from 1,105 access points and exchanging, on average, more than 180 GB of content. The AIG plans to spend \$32 million on the project over five years. In attempts to close in on the remaining 14% of the population without potential access to the internet, the AIG has also established and funds some 300 Infoplazas, similar to internet cafes, in rural areas. These centers provide free Wi-Fi and about 10 desktop computers. The AIG has also placed 36 payphones in rural areas that offer 1Mbps of free Wi-Fi; the agency has plans to double both the number of payphones and the speed of connection. Together, these efforts bring a fixed broadband connection to 80% of the population.

In 2010, mobile broadband overtook fixed access, and the following year Panama achieved the third-highest level of mobile broadband penetration in the region. 2G and 3G are available in most cities, with 3G expected to surpass 2G by 2018, taking up 73% of all mobile subscribers. However, many of the country's rural and sparsely populated areas have yet to receive coverage. Now that the country's four mobile operators have been granted licenses to provide 4G LTE, the mobility aspect of these services may bring broadband access to rural areas.

Mobile broadband remains a challenge for providers and 20% of the rural population lacking access to any mobile services. ✘

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INTERVIEW



read ALL OVER

TBY talks to *Néstor Altuve*, General Manager of Capital Financiero, on audience demographics and expansion plans.

Who is your audience?

Previously, 80-90% of our readership at Capital Financiero was made up of top executives. However, it now consists of many mid-level executives who read our newspaper, particularly women in senior- and middle-management positions and people between 28 and 34 years old. Our subscriptions are increasing and our female and young readerships are becoming increasingly important. Senior- and mid-level executives make up approximately 50-60% of our readership today. Students in the past did not buy the newspaper, but now we connect with this demographic by working through social media and attending events. The newspaper's model is based 95% on physical subscriptions, with 6,000 paper copies going to specific subscribers in various industries.

What is driving readership in this younger demographic?

Capital Financiero is a strong brand in Panama. Moreover, younger people are increasingly in positions of power in Panamanian businesses. The reason for this change is that younger people have the required skills because of better educational opportunities today and the digital transformation that has taken place. This is the principal

reason. Younger people can be seen in any kind of office in Panama, so this trend is simply representative of what is happening in the country in general. We have the combination now of older and younger readers, which is a perfect mix. The lifestyle of our audience has changed and multimedia represents a big percentage of our business. However, the future for us is not only online, we need to establish complementary platforms.

Is Capital Financiero distributed internationally and do you have any plans to publish in English in the future?

Panama City is our principal area for distribution and around 90% of our overall distribution is in the larger cities across the country. In 2016, we are planning to begin expanding, with the first step being to publish a newsletter in English. The second step will be having all of our supplements in English. We are finding that there is demand from businesses for information about Panama in English, and Capital Financiero needs to facilitate communication between Panama and the rest of the world. Furthermore, Panama City has become a cosmopolitan hub that attracts English speakers and they need access to this same information.

How are you integrating events into the newspaper's ecosystem?

Capital Financiero has traditionally held forums over the last 15 years, but we

IN NUMBERS

50-60%
readership are middle
and senior executives

have changed this toward events as a broader concept. We now have 12 events per year, covering energy, telecommunications, entrepreneurship, education, talent, banking, logistics, maritime, environment, economic diversification, and business transformation and development. We have one event per month, usually with 200-300 people in attendance. Our forums used to be attended largely by our subscribers and by general managers. Now our events are larger with a wider appeal, so even students and middle management attend. In 2016, we intend to have more events with higher-profile speakers.

What goals do you have for the newspaper, and what will be the main stories to look out for in 2016?

The media business is like a shopping mall; it is not only digital content, it is all kinds of products. We do need to increase the volume and quality of digital content. Capital Financiero has traditionally been known for its high-quality output and top-rate journalists. However, we need to combine this expertise in the paper with the whole ecosystem.

In 2016, we are planning to change the editorial and content management system for the web so that it works well online. Commercial advertising is another area that has changed for newspapers. Clients can advertise not only in the physical newspaper and its supplements, but also digitally. One topic is that Panama's GDP is staying above Latin American and world averages. Oil prices are also an important issue for 2016. Panama will experience healthy growth in the coming year. Panama is not just about the canal and copper, and that our construction sector continues to perform well is evidence of this. ✖

BIO

Néstor Altuve has been a leader and co-leader in many projects for modernization and transformation of digital media organizations in Venezuela. He has over 30 years of professional experience in business and finance, over 17 years of professional experience in media in the areas of planning, business, finance, strategy, process of publishing, and multimedia processing, and has more than 10 years dedicated to comprehensive strategic analysis of the media industry.



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TBY talks to Julio González Pereira, Director General of the Transit and Terrestrial Transport Authority (ATTT).

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Panama is growing as both a tourist destination and a point of connectivity for the region and the world.

100

The expansion of the Panama Canal will introduce both gains and challenges for the maritime industry.

Transport & Maritime

REVIEW

The year 2016 is a monumental one for Panama's transport sector, with the completion of expansion works on the Panama Canal, the opening of the new terminal at Tocumen International Airport, and the expansion of the Port of Balboa, already the leading container port in Latin America.

ON A WAVE

The transportation and logistics sector is the pillar of the Panamanian economy. The sector contributed 19.2% to the country's GDP in 2015, up from 18.6% in 2014, and is worth—pre-Panama Canal expansion—\$6.9 billion to the domestic market. With the opening of the widened Panama Canal, transport is set to become one of the fastest-growing sectors in the economy, giving a boost to other industries from financial services to manufacturing and agriculture. This forecast growth is already on the back of YoY expansion of 17% between 2007 and 2014. The transport, shipping, and logistics industries are overseen by the Ministry of Transport and also a dedicated Ministry for Canal Affairs and Metro.

In 2014, the government announced a \$19 billion investment plan, the Strategic Plan 2015-19, which among its varied objectives sees transportation and an integrated system for the benefit of all at the heart of the Plan. Part of the plan sees the



Image: Tocumen

Transportation is synonymous with Panama in the minds of many, thanks largely to the Panama Canal, through which an ever-increasing percentage of the world's shipping passes.

government investing \$3.2 billion in developing the logistics sector. Panama, with its expertise in shipping and trade, and its increasing role as a hub for the region and the Americas more widely, is a logical logistics center. Yet the country falls short of such comparable international centers as Dubai, which has successfully integrated logistics alongside its larger ports and airports infrastructure and developed the sector on the back of these activities.

The year 2016 is a monumental one for Panama's transport sector, with the completion of expansion works on the Panama Canal, the opening of the new terminal at Panama City's Tocumen International Airport, and the expansion of the Port of Balboa, already the leading container port in the Latin Americas. It is the canal, though, that grabs the headlines, thanks to the sheer scale of the widening (doubling capacity immediately), and its continued importance to the world's international trade.



Image: Alcaldía De Panama

PANAMA CANAL

The Panama Canal opened in 1914, the world's first ocean-to-ocean waterway and one of the largest and most complex engineering projects ever undertaken. At the time of its inauguration, the Panama Canal was the largest engineering project ever undertaken and was a major boon to the economy of the US, which played a leading role in its construction. Its 77km pass through lock-controlled stages at differing heights above sea level, rising to a not inconsiderable 36m above the ocean inland. The canal transformed the world's sea trade, and had been acclaimed by the American Society of Civil Engineers as one of the seven wonders of the modern world. Welcomed around the world as an 8,000km shortcut, omitting the need to circumvent Cape Horn and its treacherous seas, the canal in 2015 gave passage to 5.2% of the world's maritime trade. Two years on from its centenary, and the biggest expansion in its history is due to be completed at a cost of more than \$50 billion, including an initial construction phase costing \$6 billion. More than 47 million cubic meters of earth and rock have been excavated to build the 218-meter wide trench. The expansion is, in fact, a new, third lane of the canal with its own series of locks, and not a widening of the existing waterway per se. Six new locks or locking chambers will have been added to the canal and opened by 2016. These new supersized locks will allow Cape-size bulk ore vessels, big liquid natural gas (LNG) carriers, liquid petroleum, and bulk chemical

tankers to cross from America to Asia, where the demand is the greatest.

The canal is truly a conduit for the world's trade: 14,745 vessels passed through the canal in 2014, each with an average journey time of 6.5 hours. The shipments serve more than 140 maritime trade routes, which converge on the Panama Canal and link to 80 countries around the world. The US is the greatest beneficiary, with around 67% of cargo passing through the Canal either destined for or originating from the US. China is in second place, with a 22% share of shipping activity. Chinese shipments accounted for 48.42 million tons in 2015 and Chinese trade with Panama is one of the reasons for the latter's stellar growth in recent years, so there is understandable concern in Panama that the cooling of China's economy will reduce sea trade just at the point when Panama is hoping to receive lots more of it. However, the government does not expect trade to tail off unless there is an unexpected recession in China.

The Panama Canal is managed, regulated, and licensed by the Panama Canal Authority (ACP), an arm of the Ministry for Transport and Shipping. The ACP first made the case for a new canal lane in 2007, planning a wider and deeper canal for ships holding up to 13,000 containers (at present the largest vessels can carry a maximum of 5,000 containers each). The expansion cannot open soon enough—Panama's shipping hub is exposed to international competition as never before. The Chinese investment in a Nicaraguan canal



**ALFONSO
PENEDO**
*Senior Vice
President,
Greyhound Lines &
General Manager,
First Transit*

How is pirate transport being tackled?

We need to provide a good and competitive service, and when that happens things will fall into place. Transportation provides a lot of work for a lot of people and we will have to bring all the players together. A lot of these so-called pirates could operate more efficiently if they had the right structure and economic incentive to do so. Right now, they are operating within an already confused structure. If they could work in an authority, like we are planning, it would incentivize a business model that does not cut corners and instead provides for maintenance of vehicles, good drivers, and safety. It is a challenge but it is not impossible.

What other countries is the group interested in?

Cuba is a natural attraction, as it has no infrastructure and no modern transportation systems. Obviously prospects will depend on how the election goes. South America, in general, is interesting, and there are some contracts coming up in Colombia that we might be considering. Mexico and Panama are big steps for a company like First Group. Looking further afield, the group is also venturing into India.*

and big increases in shipping via the lock-free Suez Canal are both signs that, on the global map, nothing can be taken for granted.

PORTS

The Port of Balboa is the leading container port in Latin America, benefitting from its super-strategic location on the Pacific side of the Panama Canal. Following the canal's expansion in 2014, the port has invested in Panamax-compatible cranes and an ability to receive and handle 15,000-TEU vessels. Spreading over 182ha, the port's centerpiece is a 2.27-km quay with an onshore depth of 17m. In 2014, the port processed more than 3 million TEUs, accounting for more than 50% of the country's total container processing for the year. Puerto Armuelles is a deepwater port on Panama's Pacific coast with 217 storage facilities and is part of a free trade zone established in 2001. A major road expansion leading to the port is due to be completed in 2016. The port is particularly important for exports of bananas and oil.

RAIL

Railways in Panama are overseen by the Panama Canal Railway Company (PCRC), set up in 1974 to replace the Panama Railway. Construction began on Panama's first railroad in 1850, and the railway remains the oldest stretch of transcontinental line in the world. The first train ran from coast to coast in January 1855, albeit at the loss of 12,000 construc-

tion workers' lives. The railway runs alongside the canal and passes through difficult and uneven terrain. Today, the PCRC's main line reflects trade and industry, and runs from Panama City to the Colón Free Trade Zone.

On a smaller scale is the Panama City Metro, which came into being in 2014 and is already turning a profit. The first line stretches 15km and serves 14 stations across the western districts of the city. The metro forms the center point of a National Master Plan for transportation across Panama City. The plan sees two more lines coming into service by 2017, and the creation of a light rail line, or tram. Ultimately, the metro is planned to expand to eight lines and include a high-speed branch to the Tocumen International Airport by 2040. Three of the lines will be overland, or tramway, lines. Trams, or streetcars, first came to Panama in 1893, but were phased out in 1941.

ROAD



Panama's highways are run by the Ministry of Transport. The 15,326-km long network received \$3.4 billion in investments between 2010 and 2014, resulting in an overhaul of the nation's roads and related infrastructure. Outside Panama City, the largest investment was in Chiriquí, which received \$262 million for the upgrading of two highways from David to Boquette, and from Paso Canoas to the strategic town of Port Armuelles and its deep water container port. The investment is indicative of the government's commitment to developing

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a fully integrated and joined-up transportation system that it sees as being crucial to the future growth of the economy, rebalancing a historic emphasis on the Canal—often at the expense of other transport sectors. The most important inter-city highway in Panama reinforces the link to commerce and trade running from Panama City to Colón.

AIR

The aviation sector contributes 4.2% to Panama's GDP and employs 43,500 people (2015). The long-awaited expansion of Panama City's Tocumen International Airport, the busiest in Central America, is due to open in 2016. The new terminal will bring a much-needed doubling of capacity and will mark the end of a three-pronged redevelopment program over 10 years. This final stage will cost \$1 billion, and will see the opening of a third runway alongside 50,000sqm of redevelopment. These developments will ensure that the airport can adequately cater to the increased passenger numbers expected in the coming years, with a full capacity of 18 million. On the back of this, Copa Airlines announced in 2015 that it plans to add new destinations to its flights, and is investing in eight new aircraft, equivalent to a 10% increase in its overall capacity. At present there are 50 flight routes operated

The Panama Canal opened in 1914, the world's first ocean-to-ocean waterway and one of the largest and most complex engineering projects ever undertaken. At the time of its inauguration, the Panama Canal was the largest engineering project ever undertaken.

twice daily. Eight of these routes connect Panama City with cities of more than 10 million inhabitants. Panama's location in the heart of Central America makes it an ideal candidate to form a hub connecting South and Central America to the US and Canada and the Caribbean Islands. More than 56,400 flights took off from Panama in 2015, destined for 71 airports across 29 countries. Yet as far as the government—and the aviation industry—is concerned, this is just the beginning. Prepare for take-off. ✖



Tocumen International Airport's growing capacity strengthens its role as a key transport hub

Image: ACP



GREEN *light*

TBY talks to **Julio González Pereira**, Director General of the Transit and Terrestrial Transport Authority (ATTT), on implementing the new public transit plan, traffic safety, and dealing with illegal transportation.

The government recently announced a plan to restructure public transportation in Panama. What issues need to be addressed?

Panama's Strategic Government Plan 2015-2019 clearly identifies a number of weaknesses and areas that require improvement in our transit and transportation sector. These issues include traffic congestion, accessibility, and mobility in Panama's metropolitan area and weak institutional capacity to handle these challenges. During the past year and a half, we have been working on giving form to a plan to address these issues. This plan encompasses the modernization and organizational reengineering of the Transit and Terrestrial Transport Authority and a complete review of the transit and transport's sectors legal framework. One critical improvement area is public

transportation, where we are working toward the implementation of an integrated public transportation system for Panama's broad metropolitan area. Another key area is cargo transportation, which is particularly important at this moment in time due to the increased cargo volumes that are expected as a result of the canal's expansion. Our government has created a Logistics Cabinet, which is responsible for the strategic planning, development, and implementation of a master plan to promote Panama as a logistics center. The ATTT is part of this Cabinet and plays a major role in making sure that the issues regarding the land cargo sector are included and addressed in the master plan. Aside from this, the ATTT has set up a task force with representatives of the land cargo transport sector and other related instances to discuss operative issues and adopt measures to make this activity more efficient, cost-effective, and safe.

Where will modernization efforts be focused?

Public transport is the area that needs the most improvement and modernization. In recent years, there has been a need for a mass public transportation network, which did not exist previously. We just had old buses, which were known as the diablos rojos, or the red devils. The concession won by MiBus brought in better vehicles and improved the sector overall. The metro has also had a major impact with line one having recently been completed, adding an additional dimension and forming the backbone for the public transportation system in Panama. Line two is under construction. When complet-

Launched Integrated Strategic Plan for Sustainable Mobility (PIMUS)

ed, it is expected to transport 500,000 passengers per day. Line three will cover the west side of the metropolitan area. But before line three is undertaken, various other infrastructure projects need to be completed, such as the fourth bridge across the Panama Canal. It is important to keep in mind the geographical characteristics of Panama City, which has natural barriers that limited its expansion. Having the Pacific Ocean to the south and the Panama Canal to the west, the city was forced to grow eastward in a rectangular fashion. Presently, there are only five main arteries in Panama City including northern and the southern highways, which are paid, to handle the flow of around 900,000 vehicles.

How are you addressing the issue of traffic safety?

We are going to schools, both in urban and rural areas, and universities to talk to students and the population. We are using social media to increase awareness of road traffic safety. Public servants receive training on safe driving, and we are offering certificates. We are also teaching drivers to be aware of pedestrians and cyclists to respect road rules and speed limits, and to understand the importance of seatbelts, for example. In short, we are covering

every single aspect and factor that relates to traffic safety. In 2016, we will also reinforce our control and law enforcement capacity by increasing the number of inspectors and traffic police units on the roads.

How are you tackling illegal transportation?

We are taking measures to overcome this by requiring drivers to have the right documentation and urging people to choose legal and safe transport rather than illegal options. In 2016, some of our main goals include the restructuring of the institution and concessions of collective public transport operations. Independently of what I just mentioned, there are challenges to overcome in both public and private transport. We have to reduce the "red spots" in traffic, as well as traffic on the roads in general. We need to increase road safety through education for drivers and also pedestrians and cyclists. ✖

BIO

Julio González Pereira is Director General of the Transit and Terrestrial Transport Authority (ATTT). He has a degree in law and political science with further studies in procedural law and education. He is currently a Member of the Board of Metro de Panamá S.A. He has occupied various public posts, including Legal Advisor at the National Audit Office and Regional Director of the Public Register in Veraguas.

COME ONE, COME ALL

A number of new airlines are coming to Panama's Tocumen Airport this year, further consolidating the country's position as the so-called Hub of the Americas.

ITS EXTENSIVE NETWORK, in large part thanks to the presence of Copa Airlines, has allowed Tocumen Airport to attract increasing attention from countries around the world that are hoping to strengthen trade and travel links with Central America. Emirates Airlines, Turkish Airlines, and Lufthansa will be the first three new airlines to begin operations from Tocumen Airport in 2016.

In 2015, Emirates Airlines announced its decision to offer a new direct service from Dubai to Panama City. Initially set to commence on February 1, 2016 but later deferred to the end of 2016 due to delays in codeshare approvals, the new route will be the longest non-stop flight in the world, lasting 17 hours and 35 minutes in its westbound direction. It will be operated by a Boeing 777-200LR with a capacity of 266 passengers, of which eight will be in first class, 42 in business class, and 216

in economy, with additional capacity for up to 15 tons of cargo. The new flight route consolidates efforts to strengthen bilateral relations between Panama and the UAE. The two countries cemented ties following a visit from the UAE's Minister of Foreign Affairs earlier in the year, during which a joint cooperation committee on trade and investment was created. The new air link opens the door to increased tourism and trade opportunities between the two nations, with Panama already established as a key importer of pharmaceutical products, machinery, metal rods, and electronics from the UAE. The arrangement is also a strategic move for the latter, which foresees its entry into the rest of the region through Panama.

Turkish Airlines similarly began operations from Tocumen in May, with three flights a week from Istanbul to Panama. Westbound, the flight will stop over in Bogotá but flies di-

NEW FLIGHT ROUTES WITH MAJOR AIRLINES AND THE ADDITION OF A SECOND TERMINAL AT TOCUMEN AIRPORT ARE FURTHERING PANAMA'S CLAIM AS THE 'HUB OF THE AMERICAS.'

TOCUMEN AIRPORT

Founded in
1947

6
remote positions

7.2
sqkm

34
gates

9.5%
projected yearly
traffic increase

86
destinations
in 34 countries



TOCUMEN TERMINAL 2 (T2) EXPANSION

\$80
million project

2.6 km
new roads laid

800
direct jobs

5,000
indirect jobs

Began
construction in
2013

Initial opening
expected in
Dec 2016

85,000
sqm

20
new gates



Fully
operational in
2017

8
new remote
locations

rectly from Panama to Istanbul. Lufthansa's direct flight between Germany and Panama commenced in March 2016 following the signing of a codeshare agreement with Copa Airlines. The airline has stated that its decision to fly to Panama is based on the latter's status as a gateway into Central America and the Caribbean. Starting with five flights a week, the airline plans to increase this to a daily service to cater to high demand, particularly from corporate clients. Together, the three new airlines are set to contribute significantly to Tocumen's 9.5% forecast annual traffic increase. Speaking on the causes of increased interest for new direct routes to Panama, Joseph Fidanque III, General Manager of Tocumen International Airport, reiterated the message of the airlines, stating, "The number one reason is that this is a hub from which people can continue on to smaller cities in the region. Tocumen Airport is a hub, but the country itself is a bridge to the Americas." Panama has indeed managed to establish itself as a prime alternative to increasingly congested US hubs

such as Miami and New York. "We are not replacing any of those destinations; we are complementing them. Panama is filling a gap within this region of the world," Fidanque continued.

Between January and November 2015, Tocumen airport saw 12.1 million passengers, of which 4 million were transit passengers. In order to maintain competitiveness, Tocumen Airport has embarked on a number of expansion projects, the latest being the construction of a second terminal, due to be completed in December 2018.

Panama currently has ongoing negotiations with India, New Zealand, Japan, and Austria to establish aviation agreements that will allow airlines in those countries to establish flights to Tocumen International Airport. Panama has signed over 26 such agreements and maintains aviation relations with a further 36 nations. Additionally, it has established six open skies agreements with Peru, Chile, the US, Guatemala, Curaçao, and Nicaragua to facilitate air travel between these nations. ✖



	EMIRATES AIRLINES	TURKISH AIRLINES	LUFTHANSA
Commence	End-2016 <i>(tentative)</i>	May 2016	March 2016
Flight frequency	Daily	3 weekly	5 weekly <i>(will eventually be daily)</i>
Total flight time	17h 35m	16h 50m	11h 20m
Route	Direct from Dubai to Panama City <i>(longest flight in the world)</i>	Istanbul to Bogotá, Bogotá to Panama City, Panama City to Istanbul	Frankfurt to Miami, Miami to Panama City, Panama City to Frankfurt
Aircraft model	Boeing 777-200LR	Airbus A330-200	Airbus A340-300
Passengers	266	247	298

B 2 B



PEDRO HEILBRON
CEO, *Copa Airlines*



JOSEPH FIDANQUE
III
General Manager,
*Tocumen
International Airport*

connectivity

Panama is growing as both a tourist destination and a point of connectivity for the region and the world.

What makes Panama an ideal tourist destination?

PEDRO HEILBRON Panama's relatively small size is an advantage for short-term visits, as it gives time to visit the essential touristic areas, such as the Panama Canal, Casco Viejo, San Blas islands, and more. In addition, Panama also offers multiple shopping centers to people interested in purchasing at low prices. Meanwhile, others might be interested in the many alluring beaches. This combination motivates people to consider Panama as their next destination.

JOSEPH FIDANQUE III We have a lot of opportunities in beaches and conventions. That is the number-one opportunity that Panama must continue to leverage. That means Panama has to finish building a convention center, of which it is in dire need. Everything around the canal is important as well, as it remains a wonder for people even today. Panama is also an important shopping destination,

and this should be another area of focus for the country.

What is the significance of Panama as a hub for travel both within the Americas and internationally?

JF The number-one reason is that this is a hub from which people can continue on to smaller cities in the region. Travelers from the Far or Middle East can fly direct via Emirates and transfer through Panama to anywhere in the region, from Costa Rica to Nicaragua and so on. Because of security and many other complications, it is much more difficult to travel through US cities and the airports there are congested. It used to be the case that passengers had to fly through the US to go to Europe, but that has changed over time. KLM now brings over 400 passengers a day from Europe. A significant number of these remain in Panama, while the rest go to other cities in the region. If we did not have this connectivity and number of flights, we would not

have this amount of business, so it is a blessing. Tocumen Airport is a hub, but the country itself is a bridge to the Americas. People come to do business here. Many regional companies have benefited from the strong logistics sector here, which is a strategic asset for the country. This is why new airlines such as Emirates and Lufthansa decided to come and why there are others in the pipeline. We have the potential for more from Europe. The important approach is to connect all hubs. Dubai is a hub, so it is an important alternative. Another advantage of Panama is its stable climate, which is rather important for ensuring timely performance and avoiding delays.

PH Panama has a clear mission to be a connecting point of the region, as with the Panama Canal, for the world. In our case, we connect the Americas by having 76 destinations in 31 countries throughout the continent. We have a clear business model. We have been continuously adding new destinations

and our new additions during 2015 and 2016 including Belize, Villa Hermosa, Puebla, New Orleans, Holguin, Rosario, and Chiclayo. We continue to make Panama the leading connection point for the Americas and the leading hub in Latin America. Panama is the most convenient point to connect to the Americas through our "Hub of the Americas" program, which efficiently connects our passengers from their origin to their destination. That strength and differentiation factor gives to Panama a great opportunity to market itself to all of those who come for a vacation or to break up their trip and stay a few days. Of course, we have a large number of passengers who are on business and just need to get to their final destination as quickly and directly as possible, but this is again an opportunity to market Panama to those passengers. It also depends on what Panama is going to sell them; Panama has many attractions and if it can make itself attractive and market itself properly, we will capture more of that traffic. ✕



UP & AWAY

TBY talks to **Hugo H. Guiraud V.**, President of Mapiex, on industry trends, Panamanian human capital, and plans for the future.

What is the history of Mapiex?
I founded Mapiex in 1981. We started selling aircraft parts and providing charter flights. Today, 34 years later, we run a complete FBO in Panama with services at eight different local airports. Our services include aircraft part sales, an aeronautical repair shop, air charter, ground handling, landing and over flight permits, fuel supply, and in-house customs and immigration services. Mapiex Group is a family business and continues to grow.

What are some other examples of clients that you serve?
We have had the opportunity to provide outstanding services to important customers such as the world's most important and recognized businessmen, several presidents, famous people in the music and film industry, and many

other important personalities from all around the world. We have been privileged to serve these clients.

What are your recommendations for using an FBO in Panama?

A large number of private flights prefer the Marcos A. Gelabert International Airport because it is more comfortable and much quicker. In our facilities, passengers and crew can go directly from the plane to the VIP lounge area, where they immediately receive customs and immigration services. We are also located next to the main street and have our own exit door, so customers can leave shortly after their arrival. We also recommend the Panamá Pacífico International Airport, as long as the weather conditions are appropriate, because it is also close to the city and we can give both crew and passengers the same services, making their stay as short and comfortable as possible. Tocumen International Airport is our best-known airport of entry for airline passengers but it is not our first choice for FBO services. Tocumen has a lot of traffic and private airplanes usually have to go to reboot the platform, therefore it is not comfortable for the customers because they have to go through the same route and procedure as a regular airline passenger to pass through customs and

immigration. We also offer services in the Tocumen Airport, although it is not particularly comfortable for clients.

What trends have you noticed in the aviation industry in Panama?

In the last few years, Panama's development has increased the aviation industry. In our particular case, we have had continuous growth in our private and corporate flight services. Mapiex currently has more than a 73% market share for FBO ground-handling services of all private airplanes attended in Panama.

How do you assess the human capital in the industry in Panama?

We are proud to say that we have over 100 Panamanian employees. We are committed to having the best instructors in the aviation industry and maintaining a continuous and rigorous training program for our employees.

What are your plans for expansion?

We are currently working on the following three new products as short-term expansion projects: providing our new FBO ground handling services at new airports in Cuba; services for Pratt & Whitney (an American aerospace manufacturer); and services for Turbomeca en-

IN NUMBERS

More than
73%
market share of all private and corporate flights in Panama

FBO services at
8
airports in Panama and 9 airports in Cuba

gines. We are also working on increasing and developing our services at Panamá Pacífico International Airport.

How will you stay ahead of the competition?

We have always been focused on improving and expanding our range of services. Our expansion plans are based on maintaining our operational safety standards and providing the best service. We have been the market leaders in our services in Panama and we keep updated in our industry to ensure the delivery of leading-edge solutions to our clients.

What are your expectations for 2016?

Some of our services may be affected by the economies of other countries this year, but this is a cyclical trend. It will be an interesting year for Mapiex Group, but our expectation until now is to continue growing, as we have so far. ✖

BIO

Hugo H. Guiraud V. is a Panamanian airline transport pilot and businessman. He founded Mapiex Group in 1981 and has been an influential figure in Panama's aviation industry ever since.

PANAMA

SHIP REGISTRY

Heading towards one hundred years of excellence!



- In 1917, the open Ship Registry of the Republic of Panama was created.
- The first merchant ship registered in the Panamanian Registry was the SS Belen Quezada (1141 tons).
- With over 8,000 ships, which comprise more than 218 million GRT, Panama has the largest fleet worldwide.
- Panama Ship Registry is supported by a network of over 200 flag inspectors, more than 64 Panamanian consulates and 9 technical offices strategically located.
- Currently, Panama is a cooperating member of the Tokyo MOU and it is in the White List of the Paris MOU as well.
- More than 10 billion US dollars guarantee the Panamanian naval mortgages.



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Shipping is big business in Panama and has a history as old as the country. Inextricably linked to the canal and its imminent expansion, Panama's home-grown shipping industry is getting a boost from a series of port upgrades across the country.

Review MARITIME

PORTS OF CALL

Panama is a major player in the global shipping industry—in 2015 5.6% of the world's maritime trade passed through the country's canal alone. Moreover, Panama's location, mid-way between the Americas and bridging the Pacific and Atlantic oceans, has given the country an extraordinary opportunity to develop a network of sea ports and logistics centers dedicated to handling cargo from all over the world. Panama's state ports are managed by the government and the Panama Maritime Authority (PMA). These ports are increasingly being joined by new, privately run ports, often managed by foreign enterprises investing in, and benefiting from, the country's free trade zones. In 2016 there are 28 seaports around the country, many of which have undergone substantial upgrades and expansion ahead of the opening of the wider Panama Canal. Of these, five ports dominate the world of Panamanian shipping: the Manzanillo International Terminal, Colón Free Trade Zone and Container Terminal, Cristóbal Port, the Port of Balboa, and PSA's Panama International Terminal.

The sector is expecting to see surging growth from 2017 on the back of the re-opening of the Panama Canal mid-2016. Container volumes at Panama's ports totaled just over 4 million 20-foot-equivalent units (TEUs) during 1H2015, up 4.4% from the same period in 2014. The maritime industry will be expecting to better this performance considerably over the coming years and is looking to a swathe of investments and upgrades to pay off as activity in the canal picks up once more.

MANZANILLO INTERNATIONAL TERMINAL (MIT)

This strategically located port sits on the Panama Canal just inland from its Atlantic opening in the province of Colón. Manzanillo is the third largest container port in Latin America and is part of the Colón FTZ. The terminal's total area is 520,000sqm, with a container storage capacity of 37,000 TEUs, and a container repair yard with 15,000sqm, including 1,300sqm of undercover repair facility and connections for 1,145 refrigerated containers. MIT has been voted among the world's top-10 most efficient ports by industry insiders, and its terminal named "Best Container Port in the Caribbean" for two years running. In February 2015, MIT cautioned that a downturn in several Latin American economies in 1H2016 would likely impact its performance. Container volume in 2H2015 was already down 1.8% on 2H2014.

COLÓN FREE TRADE ZONE (CFTZ)

CFTZ is a specialized zone for re-exporting merchandise, especially to the Caribbean and Latin America. For a specialist port, it is vast, and the largest free port in the Americas, covering more than 2.4sqkm. It is the second largest port in the world. Yet it increasingly exports to Asia, North America, and Europe in large quantities. Asia, in particular, accounts for a growing proportion of the CFTZ's imports, making up 67% of all imports to the zone in 2014. Established in 1948 on the back of a government ambition to attract regional trade to

Panama and capitalize on the country's strategic siting, the port expanded rapidly, coming to symbolize Panama's outward-looking model of government and its liberal and international approach to trade and business. Today the CFTZ is home to 1,949 companies and receives more than 250,000 visitors on business each year.

CRISTÓBAL PORT

The port at Cristóbal is one of the oldest in Panama and has been commercially active for more than 150 years. Since 1997, the port has been managed by the Panama Ports Company (PPC). The port of Cristóbal is located in Limon Bay at the southwestern part of Colón City and at the Atlantic entrance of the Panama Canal. Its strategic location connects this seaport with the most important maritime routes of the Caribbean and Atlantic Ocean. It is one of the most valuable ports alongside the Colón Free Zone. With a handling capacity of over 2 million TEUs, Cristóbal port has road access to the CFTZ and a railway on-dock that allows easier container movement, with a total of three container berths, 16ha dedicated to container storage, 11 quay cranes, and 36 RTGs. The expansion plans include the acquisition of 10 extra Panamax and post-Panamax cranes, and an extension over 3,700m of quay.

PORT OF BALBOA

On the Pacific entrance of the Panama Canal sits the Port of Balboa. Balboa has an ideal location to grow as a hub for cargo, connecting major liner services from the Far East and North America to the west coast of South America and the Caribbean. The seaport has been expanding its capacity since its privatization, handling 2.76 million of TEUs in 2014. Balboa has a total operating area of 30 ha for container storage and houses five container berths. Since 2015, and in readiness for the expansion of the Panama Canal, the port has operated 25 Panamax and post-Panamax quay cranes, and 51 RTGs. Containerized cargo represents 92.8% of the total container movement while the rest is for the local market. A freight railway links directly to ports in Colón FTZ. Balboa also receives and dispatches dry and liquid bulks as well as specialized cargo, and

managed 2,184 reefer connections in 2015. Balboa is aiming to handle 4 million TEUs by the end of 2016, an increase in activity from 2015 of 3.4%.

PANAMA INTERNATIONAL TERMINAL

PSA's Panama International Terminal is the youngest port in Panama, opened in 2010. Owned by the Port of Singapore Authority (PSA), the company announced in 2015 a major expansion of the port and an investment injection of \$450 million over 2016-17. The construction works will see the port's terminal capacity increase from 450,000 TEUs per year to over 2 million TEUs per annum. The new port will be equipped with 11 quay cranes, each having a reach of 24 rows and a berth of 1.1km. The modernized and upgraded infrastructure will give the port capacity to handle vessels containing 18,000 TEUs. PSA International's hope is that this will encourage more shipping companies to use Panama and the Panama International Terminal as a hub for their international business in the region. The PSA's works are scheduled to coincide with the opening of the expanded Panama Canal in June 2016. ✕

In 2016 there are 28 sea ports around the country, many of which have undergone substantial upgrades and expansion ahead of the opening of the wider Panama Canal. Of these, five ports dominate the world of Panamanian shipping: the Manzanillo International Terminal, Colón Free Trade Zone and Container Terminal, Cristóbal Port, the Port of Balboa, and PSA's new Panama International Terminal.



Image: Rob Stokes



SMOOTH *sailing*

TBY talks to **Jorge Barakat Pitty**, Minister of Maritime Affairs and Administrator of the Panama Maritime Authority, on international cooperation with the Panama Canal and supporting Panamanian socioeconomic growth.

What is the role of the Panama Maritime Authority in safeguarding Panama's maritime interests, and how has the organization evolved since its inception? According to the legal mandate from the national Charter, the Panama Maritime Authority is called upon to be the regent body of the maritime sector and also the leader of the National Maritime Strategy. Our country manages the world's largest ship registry through this entity, with over 8,000 registered merchant vessels that account for 218 million in gross tonnage and

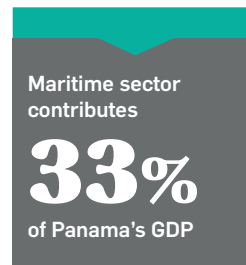
BIO

Jorge Barakat Pitty holds a degree in law and politics from the University of Panama and a master's in negotiation, mediation and arbitration from the Latin American University of Science and Technology. In the public sector, he worked at the Maritime Court of Panama from 1999-2003 and was Deputy Administrator of the Panama Maritime Authority from 2009 to 2011. In the private sector he has held positions such as Legal Assistant in the Litigation Maritime Area, Advisor Ad-Honorem on Legal and Consular Affairs at the Consulate of Panama in Ottawa, Canada, and is a founder member of the law firm Barakat-Pitty & Associates.

represent 18% of the world fleet. Subsequently, our registry has more than 300,000 licensed seafarers worldwide working onboard these vessels. The staff and I are permanently committed to the safety of people at sea, safety of navigation, and the protection of the maritime environment. We oversee the local concessions provided to international players managing our port infrastructure, which is the most efficient in the Americas. The national maritime sector and the PMA are forecast to grow every day. Therefore this administration has believed, since the beginning, in the principles of capacity building and technology transference; these are the keys to success. I personally support the continuous training of our staff in all fields concerning maritime issues, either locally or through international courses given by organizations to which we belong, such as IMO.

What are the authority's most important goals and challenges? The biggest challenge is to encourage maritime and logistics development throughout the nation. The goal is to develop the potential of the canal and the major ports. Future port developments are going to take place not just in the city, but all around. We are working with international organizations such as the Corporacion Andina de Fomento (CAF) and the Development Bank of Latin America to develop ports like Puerto Armuelles in Chiriqui, highlighting the importance of being transparent in all the steps that entail these kinds of concessions. We want this to be open to in-

IN NUMBERS



out any distinction measures. In this respect, our country maintains an excellent relationship with our neighbors and the government actively participates in regional and international forums around the world, which allows the PMA to have mutual cooperation with many maritime nations.

What are the pillars of Panama's maritime strategy moving forward?

Panama's maritime strategy promotes the sustainable development of the maritime-logistics cluster to support Panama's socioeconomic growth and consolidate it as the main offshore platform for the Americas by improving processes between the public and private sector. All the aforementioned, supported by a strengthened and qualified human resources pool, are key parts of all business.

What contribution will the maritime sector make to the country's GDP and what are your expectations for 2016?

According to statistics provided by the Panama Chamber of Shipping, the maritime sector as a whole makes up 33% of Panama's GDP, and we expect this figure to grow next year as we continue to integrate the complete logistics platform of the country. Panama inspires a lot of confidence for the future expansion of the canal. Definitely, our country is ready for all the changes that will come due to the soon-to-open Panama Canal expansion. The ports are ready and the PMA is prepared to take on this increased level of activity in the maritime sector. ✖

vestors around the world that are looking into these projects. The main objective of the PMA is to be trustworthy and to give all the assurance that legality will lead the process.

How do you cooperate with other countries that share the waters surrounding Panama and other maritime organizations around the world?

Panama has a tradition of maintaining neutral and peaceful relations with other countries, as witnessed by our Panama Canal Neutrality Treaty, which guarantees safe passage through the canal of vessels from all countries with-

INCREASING COMMAND

Despite billion dollar expansion projects underway in the country's existing ports, the inauguration of the Panama Canal expansion in 2016 to allow for the passage of larger container vessels is expected to double its capacity and has prompted the Panama Canal Authority (PCA) to give the go-ahead and initiate the prequalification and public tender process for the design, construction, and operation of a new container port in the Western district of Corozal.

THE CONCESSION FOR PANAMA'S latest high-impact strategic project, the Port of Corozal, includes the construction of a wharf, container yard, and warehouses, as well as other supporting infrastructure within a 120ha area under the jurisdiction of the PCA. The construction, expected to begin in 2016, will be split into two phases and last until 2018. Once completed, the new transshipment container terminal will have the capacity to handle more than five million TEUs. The contract is set to consist of a renewable 20-year concession.

Immediately following the initiation of the prequalification process in November 2015, the project attracted interest from 13 international companies, including Panama Ports Company (PPC), which had initially opposed the project. PPC had previously expressed concerns about the implications of the new Port of Corozal on the safety and efficiency in the canal, saying that it would reduce business for existing ports, such as Balboa and Cristobal, which it has operated since 1997. However, the PCA has emphasized that the Port of Corozal will operate under the same rules and legal framework as the existing ports on both the Pacific and Atlantic side. Evergreen International (Taiwan), Hyundai Engineering & Construction (Korea), and APM Terminals (the Netherlands) have also expressed interest in the project.

A bill ensuring that the future port concessionaire enjoys the same tax benefits as the other port operators has yet to be passed by the National Assembly. Port operators in Panama are exempt from paying all import tax on

the machinery, raw materials, vehicles, or other supplies related to the construction and management of their ports. It is hoped that an official legislation could be passed in January 2016, and the tender process finalized by June 2016 so that the work on the terminal can begin.

According to the PCA, the new port will allow Panama to exploit new commercial opportunities brought about by the canal expansion. In addition, the authority has estimated that the project will provide 1,300 direct jobs during its two years of construction, and a further 2,600 to manage the project during the first phase. It is estimated that approximately 3,800 additional direct jobs will be created upon commencement of the second phase.

The Corozal project will be the first of its kind in the region, with a guiding design principle being the creation of a sustainable 'green port.' According to the PCA, this will entail using the most efficient technology to reduce the impact on the environment during construction, and limiting emissions of greenhouse gases from its long-term operation. This includes the use of electrically operated cranes and terminals. Furthermore, measures will be taken to control air quality, water, noise, and waste in order to protect the surrounding community from harmful environmental impacts.

The new port of Corozal will increase the contribution made by the Panama Canal to the economy, which amounted to \$9.6 billion between 2000 and 2014. The new port is set to further consolidate Panama's position as an international logistics hub. ✖

WIDE HORIZONS

Panama has for many years been conscious of the need to upgrade its canal in order to remain competitive. The call to expand it dates back to 1939, but efforts had been suspended due to the Second World War and later by the US invasion.

The project, carried out by the consortium Grupo Unidos por el Canal (GUPEC) made up of Sacyr (Spain), Impregilo (Italy), Jan De Nul (Belgium), and Constructora Urbana (Panama), began in 2009 following approval by 77% of Panamanian citizens in a 2006 referendum. The project's initial estimate was \$5.250 billion and was scheduled for completion in October 2014. However, disputes with the contractors, cost overruns, and leaks discovered during testing have led to its inauguration being repeatedly delayed, initially to the end of 2015, and most recently from April to June 2016. Construction of the new third set of locks is now set to be finished by May, following which testing will be carried out before the inauguration takes place.

The expanded canal will allow the passing of much larger "Post-Panamax" vessels and has wider implications for international trade, allowing ships from Asia to reach the US two weeks faster than through the alternative Suez Canal route. It also allows Panama to take advantage of new opportunities created by the recent entry of the US into the LNG export market. Jorge L. Quijano, Administrator of the Panama Canal Authority, said "We are looking at progressively processing up to three Post Panamax LNG vessels a day by 2020." A record 340.8 million tons were processed during FY2015, and shipments through the canal could rise to 360 million tons in 2017.

A number of projects to provide the necessary additional capacity, including port expansions and the new port of Corozal, have been spurred by the canal enlargement, with positive spillover effects for foreign investment and employment. The expansion also called for a new third bridge over the canal.

The Panama Canal, which was handed back to Panama in 1999 following the signing of the Torrijos-Carter treaties, today accounts for a third of the country's GDP, when taking into account the entire maritime and logistics industry.



TBY talks to **Jorge L. Quijano**, Administrator & CEO of the Panama Canal Authority, on the Panama Canal expansion, its management, and the benefits it will bring.

BIO

Jorge L. Quijano is the CEO of the Panama Canal Authority. He is a graduate of the industrial engineering school of Lamar University in Beaumont, Texas, and holds a Master of Engineering Degree in Industrial Engineering and Management. Quijano began his professional development in the Texaco Oil Refinery in Panama, where he worked as a Process Engineer and Product Forecaster. He started his career with the Panama Canal in 1975 and became Maritime Operations Director in 1999. In September 2006, he was designated to manage the Panama Canal's \$5.25 billion expansion program and was appointed Executive Vice President of the Engineering and Programs Management Department.

EXPANDING OPPORTUNITIES

Why was a dedicated authority, separate from the government, established to manage the canal?

This organization evolved from the fact that the US managed the canal as a public utility for the better part of 85 years. The Panamanian people wanted to make sure that the canal would operate outside the political sphere and therefore decided that it needed to be totally independent both financially and operationally, unlike the other government institutions. We resorted to a constitutional amendment, which took place in two different legislatures in 1993 and 1994. The success of the Panama Canal has had to do with this marked independence from government rooted in the constitution, but contingent that it would be operated safely, uninterrupted, efficient, and that it must be profitable.

What spillover effects will the expansion of the Canal have?

The spillover effect has already been felt. The construction of a project of this magnitude requires many workers to mobilize to the project, both from different areas of Panama and abroad. At peak of the construction some 14,000 workers were being employed on the many Panama Canal Expansion projects. This significantly increased consumption in goods and services including housing in Panama. We have already spent about \$5 billion on the project, much of which has been pumped into Panama's healthy economy. Moving forward, the expansion will not only allow our present customers to benefit from the economies of scales

provided by the larger vessels that will soon be able to transit the canal, but it will also allow the canal to exploit opportunities for growth in other sectors.

What opportunities will the new port of Corozal provide and why is this project so important?

Additional port capacity is needed on the Pacific side to attract more container trade to Panama. We have an area of 120ha in Corozal that can be developed into a transshipment container terminal. By having additional port capacity on this end we should be able to attract one or two additional services of the container trade. Just one container service per week means 104 vessels per year, or \$70-80 million additional business for the canal itself, in addition to an expected \$25 million in initial revenue that would come from the terminal concession. That is part of our new diversification strategy, as we are concentrating mainly on those activities that add to Panama's logistics strength on account of its favorable geographical position. We also see opportunities that go beyond the container terminal—we have reclaimed a considerable amount of land which was contaminated with unexploded ordnance left by the US military and which we cleared to make it suitable for the new locks and channels. We are currently working on a master plan for the first 257ha, which we want to develop into a logistics park, another business that we would target for concessions. This would promote more use of the port on the west bank and add value to PSA's port that is now un-

- New locks to be operational by end of 2Q2016
- First expansion attempt in 1939
- Transfer of the Canal to Panama on Dec 31, 1999

dergoing an expansion on account of a land concession awarded to it by the Panama Canal to add two post-Panamax berths.

What are your expectations for 2016?

Our outlook is that 2016 will probably be similar 2015. We are finishing the third set of locks, and our expansion should be operational by the end of 2Q2016; every effort is focused on not missing that deadline. This of course is not entirely in our hands since we dependent substantially on our contractors' ability to execute. With regard to contractor claims, they will take some time to resolve, and we have a strong team that represents us well in these processes. In the meantime, we are concentrating on getting the construction completed with the required quality, and to begin to see our customers making use of our new locks and channels. The pressure is on us, both locally and from abroad. This project is the largest expansion of the Panama Canal ever—it will be done when it is done, and we want it done right. ✖



ROBERT J. BOYD
III
*Chairman,
Boyd Steamship
Corporation*

How will the expansion of the Panama Canal impact trade flows and volumes?

ROBERT J. BOYD III It will affect trade volumes with three new carriers of specific products, namely iron ore, coal, and steel. Finally, there will be both LNG and LPG, while oil will be running via pipelines. We will continue to be out there with the clients. The shipping firms are international, which means we have to travel to get to our clients. Panama has a third set of locks coming online soon. We have three or four businesses that look at which types of ships go through the canal, how much it costs, and that type of information. That type of service involves the ship and its needs, such as parcels, money, spare parts, or transportation. We give them a quote based on how much they will need to pay, as well as taxes, transportation, hotels, and other such things. With the new locks comes a whole new level of industry with more shipping and tanker traffic. The demands of the new carriers are different from smaller shippers, and we are preparing services to cater for this. We are able to offer them a different type of product than they are used to.



VIKASH DEEPAK
*President, Panama
Maritime Chamber*

VIKASH DEEPAK The expansion of the canal is a game changer because bigger ships will be able to pass, increasing the consolidation of cargo and efficiency. The canal is looking for ways that shipping companies and cargo movers can become more efficient and streamline their revenues. Right now the main trade route of the Panama Canal is between the east coast of the US and China. This is going to become even more efficient, which will help the cost efficiency of the overall dynamics. Gas trade is something the canal is looking at as a game changer in the near future. All of these things open a wide amount of opportunities, especially for the port sector, which can take advantage of bigger vessels and opportunities to become transshipment hubs. The canal is not necessarily going to have more vessels, but it will have more cargo, which opens up other arrays. We can capitalize on not just storage and redistributing, but also by providing value added services. There is a lot of work to be done, but the expansion of the canal opens up many opportunities that we are excited about.

What are your expectations and plans for 2016?

RJB I expect 2016 to be a confusing year for the sector. In terms of challenges, 2015 has been the driest year over the past century, and we are now looking at a third year of drought due to the El Niño current coming through the country. The new locks will also use water gravity and will save a lot of water in doing this. This will create much more traffic, and as a result there will be more restrictions put into place. The drought has reduced our water supply, and that will restrict the draft and the amount of cargo that can pass through the waterway. We do not know when they will open the new locks, and ship owners will not know when to bring the larger Post-Panamax ships to the country. Major shipping and liner companies have to be able to plan six months ahead. There is also the issue of labor relations, as the Panama Canal has numerous engineers working to get as many vessels as possible through on a given day. They have a monopoly on the corridor because they are the only option. This past year was challenging because we provide services for different industries.

shipping SERVICES

The expansion of the Panama Canal will introduce both gains and challenges for the maritime industry.

VD There is an upcoming logistics summit that looks at life after the expansion of the canal and the question of how Panama will be situated in the logistics sector. We have high expectations of becoming a hub of logistics, and the expansion of the canal brings us closer to that. The event will cover how the external world sees us as a logistics hub, what it thinks it can do here, and how we as Panamanians and business people can take advantage of certain situations and learn from what the country has to offer. We are also involved in a Panama Maritime event in 2017. We have various events throughout the year, including the Bunkering Summit. We have many events and ongoing education seminars in the chamber. As of 2015, the direct and indirect impact of the maritime industry on GDP is about 33%—this is including the canal and the consolidated logistics sector. We also depend on world trade and global macroeconomic forces, such as currency flows and oil prices. It will not be a great year, but by next year we will bounce back, as emerging economies around the area trade and regulations increase. ✘



TBY talks to **Maximiliano E. Jimenez Arbelaez**, Managing Director of the Georgia Tech Panama Logistics Innovation & Research Center, on boosting the logistics sector and upcoming opportunities in the sector.

TRICKS *of the trade*

What is Georgia Tech's role in raising the level of education in the logistics sector?

Improving education is one of our main objectives. Mostly, our contributions are at the academic and professional levels. At the academic level, we collaborate with industrial engineering and logistics schools, meeting with professors and conducting workshops on topics such as curriculum, new approaches, and techniques. We established—with the support of the Secretariat of Science, Technology, and Innovation—a dual master program in supply chain engineering, which provides scholarships to qualified students at the Technological University of Panama and the Universidad Latina de Panama. In 2015, as part of their capstone project, students in this program analyzed the flow of the Metro Bus, which involved conducting a public survey, gathering GPS data, and analyzing timetables, stops, bottlenecks, and passenger numbers. At the professional level, we offer two certification programs: the Lean Supply Chain and Supply Chain Management. We also have a Breakfast and Learn program where we cover state-of-the-art subjects targeted at the private sector and the academic sector, respectively.

Can you tell us about your new partnership with National Institute of Vocational Training for Human Development (INA-DEH)?

A study by the Inter-American Development Bank (IDB) identified a weakness in technical-vocational education in Panama. We recently started collaborating with INADEH

on a program called Supply Chain Fundamentals, oriented toward entry-level individuals who intend to work in the supply chain and logistics field. This program, consisting of nine courses, was designed by a consortium of eight universities in the US, one of which was Georgia Tech. This program was offered to us at Georgia Tech Panama, and we translate the courses for INADEH and will help them integrate this program into their regular training programs. In this line, we have just signed a MoU that opens the possibility of further collaborations.

How do you foresee the canal expansion affecting trade flows and volumes? What new opportunities will this create for Panama?

The expansion of the canal represents a paradigm shift in the maritime industry; we are abandoning conditions that have existed for many years. It is difficult to predict what will happen in the near future in terms of flows, trade, and services provided to the ships that pass through the canal and the impact on the value-added services to cargo. In terms of value-added services, the expansion has made available about 1,200ha that could be used for warehousing, consolidating cargo, and other services related to postponement of merchandise, including light manufacturing. The integration of the local supply chains of producers, agricultural and industrial, with global supply chains is another opportunity that needs to be discussed. Both sectors are not performing well and work practically in isolation of the booming

- Partnership with the Logistics Cabinet
- Master's and professional-level training

logistics sector, especially the manufacturing sector. The integration of these two sectors into the logistics sector will contribute to extending the benefits of international trade.

What are your expectations for Georgia Tech Panama in 2016?

We are now part of the Logistics Cabinet, which means we are more involved in supporting government strategies, policies, and regulations. We will continue our work with maritime and land transportation stakeholders and will increase our presence in the area of air transportation. We expect to continue strengthening the center's relationship with universities and start working more directly with the private sector in 2016. In this direction, we have become members of various private sector organizations such as chambers of commerce, including AmCham, as well as the Maritime Chamber of Panama, where we participate in their respective logistics committees. Even though the government regulates and facilitates business activities, actual competitiveness rests with the private sector. ✖



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With completion due next year, construction of the third bridge over the Panama Canal is in full swing.

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After the successful completion of Line 1 of the Panama City Metro, the project for Line 2 has already hit the ground running.

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The geographical limitations of Panama City have inspired developers to think outside the box.

Construction & Real Estate

REVIEW CONSTRUCTION

Panama's construction scene is booming, with plenty of opportunities for fresh investments on the back of new infrastructure projects up and down the country. Many of these are strategic developments linked directly or indirectly to the newly expanded Panama Canal. The challenge for the construction industry will be to sustain its momentum post expansion.

BRICK BY BRICK

Construction is a dynamic and important part of Panama's economy, contributing 14.5% to GDP in 2015 and adding \$5.1 billion to the national economy that year. The Panama Construction Chamber (PCC) reports that the sector expanded by 10% in 2015, slightly slower than the 14% growth in 2014. But despite the slight downturn, construction is one of the fastest growing parts of the economy, outstripping national growth, and is riding a wave of opportunities both during and after the monumental project to widen the canal and the many upgrades and infrastructure projects that accompanied it.

Due to its geographical position and its history of trade and shipping, Panama has a strong history of construction and infrastructure and is a regional leader in the field. Since 2014, much of the additional growth in the sector has come from real estate and housing developments, particularly as cities such as Colón are redeveloped with



Image: Everything I Do

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new transportation links to ports and industrial free zones. The \$800 million redevelopment of Colón is seeing the construction of 5,000 new homes currently underway, and new road and rail links to the internationally renowned Colón Free Trade Zone (CFTZ) close by. The ambitious project was announced in October 2015 and it is hoped the entire area will benefit from the renewed infrastructure and links to the mighty CFTZ.

In the 1H2015, the value of building permits, construction projects, and repairs in Panama rose to \$565 million, an 18% increase from the 1Q2014 figures. Residential construction was up 10.4% YoY, and non-residential construction saw a 23.6% growth from 2014, largely due to infrastructure projects linked directly and indirectly to the Panama Canal. Panama City saw the greatest increase in the value of building permits, additions, and repairs, with a 30.1% increase from 2014. Other cities with a

notable increase were Colón, up 18% on the previous year, and Arraijan, up 3.2% YoY.

Over the course of 2015, the number of building permits issued rose by just under 6%. Building permit requests were worth \$448.5 million for non-residential projects and \$407 million for residential projects. The majority of permits were issued for works in and around Panama City, where they totaled \$591.4 million in 1H2015, up by 6.8% YoY. In Arraijan, building permit issuance rose by 7.7% from 2014, totaling \$81 million, while the redeveloped city of Colón experienced a 7.7% increase, or \$58.2 million over the same period.

PANAMA CANAL

The expansion work represents the largest construction project on the canal since the historical feat of engineering that led to its opening to (and transforming of) world trade in 1914. Construction in Panama has been dominated by the Panama Canal's widening project for almost a decade. Studies have highlighted construction's clear advantage

over other sectors linked to the canal work. More than a hundred years on, and the canal is once again dominating the construction sector of the country. For every dollar invested in the canal, 64 cents are generated in additional construction projects in Panama. The expansion, which involves the creation of a new shipping lane and series of locks, will double the canal's capacity. The project has been a once-in-a-lifetime opportunity for the country's construction industry and is, with a total cost of \$5.3 billion, the most significant construction project in Latin America. Panama's dreams of becoming a first-world economy rest on the canal's expansion and subsequent success in attracting the world's shipping.

Grupo Unidos por el Canal (GUPC) is the contractor responsible for the design and construction of the Third Set of Locks (as the expansion project is also known). GUPC is a consortium of 11 separate and specialized companies. Among these, Sacyr Vallehermoso is an international leader in the construction of water projects such as hydroelectric

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We take care of the administration of the panels



plants, dams, and locks. Jan De Nul Group is a dredging company, probably the leading marine construction company in the world, whose portfolio includes Chek Lap Kok Airport in Hong Kong, Palm Jebel Ali in Dubai, and Berendrecht Lock in Antwerp, Belgium. CUSA Urban Construction is Panama's biggest construction specialist company and includes Fuerte Amador among its subsidiaries.

The bulk of the construction work has been focused around the deepening and widening of the Atlantic and Pacific entrance channels, including a new approach channel for the Atlantic Post-Panamax locks, the addition of three water saving basins per lock chamber at the Atlantic Post-Panamax locks to raise the maximum Gatun Lake operating water level, and the widening and deepening of the navigational channel of the Gatun Lake and the Culebra Cut. The construction work was initially planned to take place over seven years, with an additional YoY investment planned to be between 4-8% of the GDP. Such is the importance to the project that some aspects of the industry actually contracted in 2015, as the pace of work on the canal slowed nearing completion.

CEMENT

Cement and clinker production is central to the construction industry in Panama, and as a result Panama is not reliant on costly imports, but can sustain its domestic growth from home. Despite the fact that construction—and hence the cement industry—has been booming since 2010, production of ready-mix concrete actually fell by 22.2% in 2015 and gray cement fell by 2.6%. The decrease in demand can largely, if not entirely, be attributed to the work on the canal reaching its final phase. So an exceptional order book over the past eight years has led, finally, to an exceptional leveling-off as the supply chain rights itself. Despite this one-off anomaly, cement is enjoying a boom period, and Panama's infrastructure projects show few signs of slowing down once the canal is open. The sector is dominated by two giants of construction: Cemex and Cementos Argos.

The expansion work represents the largest construction project on the canal since the historical feat of engineering that led to its opening to (and transforming of) world trade in 1914. Construction in Panama has been dominated by the Panama Canal's widening project for almost a decade. Studies have highlighted construction's clear advantage over other sectors linked to the canal work. More than a hundred years on, and the canal is once again dominating the construction sector of the country.

Cemex entered the market in 1994, acquiring a 95% stake in Cemento Bayano for \$59 million, and since then the company has invested at least \$335 million in plants and projects, gaining a reported 70% market share along the way. Today, it has a cement production capacity of 0.5Mta, all destined for the domestic market. The company has an ongoing expansion plan for its Bayano plant, and will invest a further \$200 million in the enlargement of the plant during the next two years. The expansion project, in line with the industry's expectations for growth, includes the construction of a new kiln line and will see clinker production increase from a current 0.45Mta to 1.6Mta by 2018. Cemex has played a pivotal role in the canal's expansion, overseeing and constructing two separate locks, and access channels to the new locks, with widening and deepening work for a series of navigational channels. Cemex owns three cement plants in Panama, along with 14 ready-mix plants, four aggregates quarries, and three land-based distribution centers.

Arch-rival to Cemex, Cementos Argos is the fifth-largest construction company in Latin America. In Panama, Cementos Argos operates a grinding unit in Quebrancha and a new clinker import terminal, Bahia las Minas, near Colón. Cementos Argos has a 16% market share of the Panama construction industry. ✖

NEW *connections*



TBY talks to **Ramón L. Arosemena Crespo**, Minister of Public Works (MOP), on the fourth Panama Canal bridge and improving accessibility to rural areas.

What are some changes that have allowed the MOP to carry out its mission more efficiently? This administration has worked hard to comply with strict building standards. One of the main objectives is to achieve the highest quality standards for our civil work. We acquired new equipment to streamline the functions of the MOP and employed the equipment and technology to meet the transportation needs of communities, especially in areas that are difficult to access. With this new equipment, the MOP will expand and strengthen its machinery fleet, and we can effectively support the construction of roads and dredging of rivers and streams, channeling rivers, street maintenance, and other urgent activities. The MOP conducts its bidding processes transparently and all companies can participate fairly, offering competitive market prices. We will proceed with the construction of the Agua Fria-Santa Fe-Canglón-Yaviza Road, which will benefit over 48,300 inhabitants in Darien. We will move forward with the design and construction of vehicular bridges over Potrero River in Arraiján district. We provided technical assistance for the management project of the fourth bridge over the Panama

Canal and are currently conducting the bidding process for the design and construction of this ambitious project that will benefit more than 1.7 million people. We continue to manage tender processes to develop new works, with projects such as the study, design, and repair of rural roads.

What is the importance of the Nueva Red Vial de la Ciudad de Panamá project?

The purpose is to create a vial platform to effectively distribute the nearly 600,000 vehicles that pass through the downtown area of Panama City daily and serve as a base system for the Metrobus and Panama Metro. In this sense, we move forward with continuity projects, of which some have been completed, such as the viaduct of two lanes at the intersection of Via Centenario with Avenida Santa Elena and the one-lane viaduct at the intersection of Via Cincuentenario with Avenida Diego de Almagro. Approximately 100% of the repairs and expansion of the Amador Causeway is now completed, including upgrading and expanding four Amador Causeway lanes, and a landscaping study to preserve the recreational and tourist destination. The rehabilitation of the superstructure and substructure of the Bridge of the Americas is now 88.88% completed. The MOP recently opened a bidding process to contract the design and construction of the widening of the Omar Torrijos Road between Corozal and the Centennial Bridge.

Fourth bridge over Panama Canal is a flagship project

How is the MOP working to improve the quality of life in rural areas?

One of our main goals is increasing the connectivity of all the communities around the republic via efforts to optimize the economic and social development of people. We run various projects within the country, including repairs to the Puerto Armuelles Internal Road in the district of Baru, Chiriqui, which will provide greater security and accessibility to the public and help with the government's efforts to revive the banana zone. This 36,153km work includes the design and construction of 17 vehicular bridges over streams or channels, of which 13 will be placed on the existing alignment and four on a new alignment. We will incorporate the communities of northern Veraguas in the country's development by implementing the construction project of the Guabal-Rio Luis-Calovébora Road for the benefit of over 17,000 inhabitants. Repairs to the Cerro Camino Somboret-Chichica Road, and the design and construction of the Chichica-Cerro Miel-Peña Blanca-Llano Tugrí Road, will improve access for inhabi-

tants of the Ngäbe-Bugle region and help to improve their health, education and housing situation. We continue to conduct repairs to the Las Pisas-Llana Arriba-Pitaloza-La Mesa Road, which will facilitate access and strengthen production of cassava, yam, corn, tomato, and orange, among others. Currently, we are working on the expansion of the Sabana Grande-El Hattillo in the district of Pese. We will continue with construction of roads this summer to facilitate access to basic services, especially for the less well-off, promoting balanced social development. ✖

BIO

Ramón L. Arosemena Crespo was born in Herrera Province. He studied at Jose Daniel Crespo Secondary School in Chitré, Herrera. He is a civil engineer, certified in Georgia and Florida in the US. He is currently President of the American Engineering Group, founded in 2001 in Miami. He has over 28 years of experience in the construction of bridges, motorways, and toll systems for the Department of Transport of Florida, as well as in administration and inspection of civil works. He is a member of the American Society of Civil Engineers.

BRIDGE OVER HUNGRY WATERS

With completion due next year, construction of the third bridge over the Panama Canal, known as the Atlantic Bridge, is in full swing. The project is a requirement of the Panama Canal expansion and has been designed to allow passage of New-Panamax container ships following the inauguration of the expansion later this year.

THE PROJECT INVOLVES THE DESIGN

and construction of a four-lane vehicular suspension bridge with a total length of 1,050m, spanning a central width of 530m across the canal and measuring 212.5m in height. It will be the world's longest concrete cable-stayed bridge when completed in 2017, and was 44% complete as of January 2016. The Atlantic Bridge adds to the two existing Panama Canal bridges: the Bridge of the Americas, inaugurated in 1962, and the Centennial Bridge, inaugurated in 2004, both of which are located on the Pacific side. At 75m above sea level, the Atlantic Bridge will allow the largest container vessels to pass through uninterrupted by vehicle crossings. The project also involves the construction of viaducts on either side of the canal and highway infrastructure to connect the bridge with existing roads, a \$395.7 million contract that has yet to be awarded. The bridge will be constructed entirely out of reinforced concrete and will be located 3km north of the Gatun locks, near the city of Colón.

The design, which commenced in June 2011, was carried out by a consortium made up of China Communications Construction Company and consulting firm Louis Berger Group. The latter was also involved in the construction of the first two bridges over the canal. The \$366 million construction contract was granted in 2012 to Puente Atlántico S.A., following a tender process in which consortiums Acciona-Tradeco and Odebrecht-Hyundai were also prequalified.

Puente Atlántico S.A. is owned by French civil engineering firm Vinci Construction Grands Projects, whose portfolio include the Normandy Bridge in France and the Confederation Bridge in Canada. The company offered the lowest bid, according to the official estimates of the Panama Canal Authority (ACP). Construction works, which began in May 2013, were briefly stalled in 2014 following a workers' strike led by the Construction Workers' Syndicate (SUNTRACS), which was demanding higher wages and a review of the security measures in place. Despite the setback, the strike ultimately has not pushed back the forecasted completion date of 2017.

Last October, the ACP announced that it was raising \$450 million on the international bond market to finance the completion of the project. The 20-year bond issue is the ACP's first offering on the international market and was assigned a rating of A2 by Moody's, above the Government of Panama's country ceiling of A3, which according to the rating agency reflected the importance of the canal as an infrastructure asset to the country. The paper was placed in the US (71%), Europe (18%), Latin America (6%), and Asia (5%).

In addition to job creation during the construction of the bridge and its subsequent maintenance, one of the wider implications of the project is an increase in connectivity that is set to contribute to the overall economic development of the surrounding areas in communities such as Escobal, Cuipo, and Ciricito, benefitting approximately 77,000 people.

Plans for the construction of a fourth bridge over the canal, over which Line Three of the Panama Metro will eventually pass, are also already under way, and California-based T.Y. Lin was recently awarded the contract for Technical Assistance for Management by the Ministry of Public Works. Companies from the US, Brazil, Spain, Korea, Italy, and China have all expressed their interest in getting involved in the project, which entails six lanes for vehicles in addition to the third Metro Line, further enhancing the ongoing development of Panama's local transport infrastructure. ✖



ALL in one

BIO

Fernando Céspedes is an accomplished civil engineer executive with over 25 years' experience in the construction industry. Céspedes is currently President of Grupo Céspedes, a corporate construction and real estate development company. His executive achievements include constructing over 1,500 telecommunications towers, 2,000 houses, and many infrastructure solutions around the country.

TBY talks to **Fernando Céspedes**, President of Grupo Céspedes, on current projects, the housing sector, and plans for growth.

How has the portfolio of Grupo Céspedes changed in recent years?

When we first started, our core focus was mainly on infrastructure for government projects. Since then we have diversified into a whole range of services specializing in the construction industry and catering to all its necessities. Our business portfolio has shifted from a 60:40 government-private sector ratio to 80% private and 20% government. As a group, we have dedicated the last 20 years to improving the construction business in Panama, by raising its standards and offering better solutions to its every need. Our corporate group is divided into seven companies, offering a full range of construction, heavy equipment, engineering, quality control tests, appraisal, real estate, marketing research, and financial services.

What are some of your current projects?

As a construction company, we are developing a real estate project in Costa Linda, Juan Diaz for Bienes Raices Regency. We are also building the new warehouse for Grupo Primavera. Another project that makes us proud is the infrastructure of the Logistic Humanitarian Regional Center in Panamá Pacífico. As developers, we have an important project in Penonomé. After studying the market, we noticed that there was rising activity in Penonomé due to the mining industry, hotel proliferation, and the beaches. We detected an unattended need for affordable housing to host the labor force moving to the area. So last year we built 170 social housing solutions and this year we are building 500

more. We believe in Penonomé; therefore, we will continue to invest there.

How can the government incentivize investment in social housing in order to address the shortage?

The social housing market is very interesting, because there is always going to be a lot of demand. The problem is that developers do not bet on it, as it does not provide high returns. It requires a lot of knowledge in the buying and selling business, and any mistakes can be costly, making it a difficult market in which to survive in. The government has marketed the incentives of social housing well. The problem is that the process of getting the incentive back is very slow and bureaucratic. As a consequence, developers have lost faith in the incentives because it takes too much time to be able to count on it.

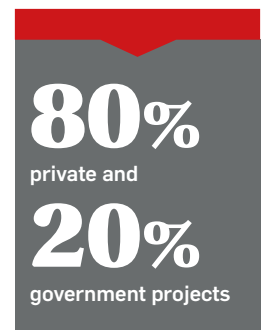
What are your plans for growth and what is going to drive the group forward?

We want to consolidate ourselves as a group and get people to know us and the wide array of services we can provide—as an appraisal company, as a real estate firm, and as a developer, not just as a construction company. We have been investing in other related activities for almost 50 years and recently added new companies and services to our group, always thinking in the best interest of our clients, coworkers, and the companies.

What are your expectations for 2016, and how will it compare to the previous year?

Overall, 2015 was a rough

IN NUMBERS



year, but this is not a reflection of the government. There is always a slowdown in the first two years following government transitions. We were expecting that and planned accordingly. I am still optimistic that we will have a good 2016. On the construction side, it will be our best year in about five or six years. This is what we have been working on and this year we are going to make it. For our appraisal company we have visualized new business opportunities, offering our services to financial institutions, brokers, law firms, and others. We are also widening our services portfolio with financial and quality inspections, a new line of business that we have not yet explored. There is a lot of competition in the appraisal sector, but we bring to our customers the fastest response, with innovative solutions and excellent service. ✖

B 2 B



JEAN-MICHEL
MORVAN
*Consortium GdE
Project Director of
Panama Metro, Alstom
Transport*



MANUEL OLIVARES
BLÁZQUEZ
*President of FCC
Construcción
Centroamérica*

PANAMETRO

After the successful completion of Line 1 of the Panama City Metro, the project for Line 2 has already hit the ground running.

What expertise will your companies bring to the consortium?

JEAN-MICHEL MORVAN The contract for Line 2 was awarded to us by the Consorcio Linea 2, composed of Odebrecht and FCC. Alstom is the leader of the electromechanical consortium GdE, comprised also of CIM, Sofratesa, Thales, and TSO. Within this consortium of French companies, we are responsible for the project management and for the electromechanical systems integration. For Line 2, we will also supply 21 metropolis train sets, as well as traction substations, including our proprietary reversible substations, Hesop, and the signaling solutions, Urbalis. In terms of expertise, Alstom has extensive experience in delivering complex turnkey projects, as exemplified by our work in Saudi Arabia, and we

are one of the leading suppliers of integrated mobility solutions. We can manage from the design phase up through its complete commissioning and validation. We are undoubtedly benefiting from the experience of Line 1 in undertaking Line 2, together with the expertise of our partners. We also have the advantage in completing Line 2 by maintaining the same teams as used in Line 1, and we are promoting local talent in Panama to positions of higher responsibility for Line 2. Alstom is a leader of integration because we have experience, proximity to the customer, and we deliver projects on time, which is central to our strategy. Through our implementation we can offer a proximity to the customer, and we build on that with our clients, Odebrecht-FCC, and Metro de Panama.

MANUEL OLIVARES BLÁZQUEZ We played an important role in the construction of Line 1 here in Panama. We bring with us extensive international experience, with projects such as Line 2 of the Lima Metro, Lines 4, 5, and 6 of the Riyadh Metro, and the Doha Metro, which we are also doing. Time management and keeping is very important, and we will draw from the experience of building Line 1 in order to finish on or ahead of time. The planning process was very important for this reason, and we try to follow the schedule day by day to make sure that we deliver Line 2 within the required deadline.

What are some projects in Panama that you hope to work on in the future and what are your expectations for 2016?

JM There is a feasibility study under way for a light-rail system between La Chorrera and David. Once it is confirmed, Alstom will certainly offer its range of solutions to support it; we want to be the preferred partner for all transport solutions in Panama. In 2014, we signed a contract for the maintenance of the signaling and train supply. The \$130 million

contract that we signed in November 2015 to supply additional trains to the Metro de Panama is further evidence of Alstom's long-term commitment to Panama. In 2016, we expect to carry out our projects at the required pace to eventually deliver them on time, fulfilling the expectations of our customers.

MOB Panama is currently in a transition period with a new government coming into office. There have been important projects such as Line 2, in which we are participating. FCC is looking at projects that are profitable and where we can add value, as that is our priority. There are some projects that are coming online that we will be involved in, such as water management projects, the third line of the Metro, and building the fourth bridge over the canal. We wish to be selected for some of these projects in 2016 and we receive the benefits that we expect. We are interested also in the new project of the First Technical Institute in Panama (ITSE). We want to contribute to the development of the infrastructure of Panama and have everyone's support to carry out our projects. ✖



FROM THE *ground up*

TBY talks to **William R. Herron Jr.**, President of Panamericana de Avalúos, on trends in the real estate market, staying ahead of the competition, and plans for the future.

How has Panamericana de Avalúos built and defended its reputation?

There are many factors, but I would like to think that it is based on character and moral principles. We like to say our work is our best presentation card, and this has been carried over to all levels of our organization. Today, I have a team of 48 dedicated and totally committed professionals, 18 of which are engineers and/or architects, including myself. We have an important role in the market as the only company whose appraisal reports are accepted by all banks as well as insurance and reinsurance companies established in Panama.

Who are your biggest clients?

Banks and insurance companies account for 50-60% of our work, with the remaining balance coming from local and multinational corporations as well as real estate promoters and individual customers. I entered this business because I felt at the time there was a lot of room for improvement in the sector. Real estate accounts for about 80% of our portfolio, while the remaining 20% comes from industrial concerns and construction equipment companies.

How do you stay ahead of the competition?

This is the day-to-day situation, and we never let our guard down. We are in constant development, always seeking ways to improve the service we offer, as we were the first company that enabled clients to download their appraisals. Because of the rigorous analysis of values and tendencies in the market that we maintain, our clients have the assurance that the value and results obtained reflect actual market conditions. We always try to follow up with clients once they have sold their property to learn the final sale price in order to review the accuracy of our work. Our experience shows that the resulting sale price is on average closer to our appraisal and not the client's initial perceived figure, and banks understand this.

What trends in the real estate market have you observed?

The behavior of the real estate market tends to be cyclical by nature about every 10 years, with reasonably steady growth. However, by the end of the last century until the first years of the current one, the market experienced a slowdown to the point that it was stagnated.

We were obtaining lower appraisals in 2001 for properties purchased in 1995 and 1996, much to the dismay of the owners. Until 2004 the market was slow; however, almost overnight in 2006 the market experienced unprecedented growth. A big percentage of that was due to the migration of potential buyers that considered Panama a good place to retire, while others from our neighboring countries that were experiencing political and economic turmoil moved to Panama, creating an impressive and more optimistic market demand with the speculation factor becoming an issue to be considered.

What are your goals and expectations for 2016?

We are here for the long term, and the construction industry is going to continue to grow strong, making the necessary shift to address the huge housing deficit in the middle and low-income segments. Speculation in land and materials is taking its toll, and it is unclear whether or not people will be able to afford properties. Another important point is that interest rates are low right now, but they will at some point in time have to go up. It should

be noted that with all of the speculation and price hikes taking place today, banks have been extremely cautious with regard to financing mortgages, requiring buyers to put up higher equity for their properties. ✕

BIO

William Herron holds a degree in mechanical engineering from Villanova University in Pennsylvania. He is an expert appraiser both in real estate and in machinery and equipment with over 35 years of experience. He is a member of institutions such as the International Real Estate Institute, the National Association of Real Estate Appraisers, the Panama Institute of Valuations and Expertise (IVAPPAN), the Panama Chamber of Construction (CAPAC), the International Who's Who of Professionals, the Panamanian Association of Real Estate Brokers and Developers (ACOBIR), and the National Cargo Security Council (NCSC).

B 2 B



GEORGE J. MORENO III
CEO/Principal, George Moreno & Partners



ANDRES MAHECHA U.
Executive Director,
Morphosis Panamá

What have been some highlights for your company recently?

GEORGE J. MORENO III We have been involved with Santa Maria Golf & Country Club in all stages since the beginning. We have also been involved in Panama Pacifico since the earliest stages, and we continue to design here. Panama Pacifico has the potential to become the perfect place. In front of Punta Pacifica we will also design Ocean Reef Islands. Good design sells, and the developments we have designed have the highest resale value in the country, which is rewarding for us. Another development is Alta Terra, which features 1,500 units, the first 100 of which have already been built. It is built and designed around a metro station that is on Line 2 and features all the desired qualities of design; it is walkable, it breathes, it is spacious, and it is connected to public transport through the metro. This is the future for Panama.

ANDRES MAHECHA U. In 2015, we constructed the first Cole Haan store in Panama. It is a top-of-the-line brand and was a nice project in Soho Mall. We worked with Lucky Brand, which is another company from the US. We also introduced Alex And Ani and Alrifai,

a company from Turkey, and kept working with important brands like Clarins, Thomas Sabo, and Pandora, among others. There are many companies and brands coming into Panama—it is a good market for entering Latin America because it is secure and everybody feels confident about the economy and the rules of the game. We have worked with many brands that choose Panama for their first store in Latin America. Last year was one of the greatest in the 10 years that we have been here, even though growth in Panama was half of what it had been in previous years. We expanded all related activities because there were new malls and commercial expansion, and we were working a lot on bringing in and developing new brands in Panama. In 2016, the economy is slowing down, so people are cautious and are thinking twice before making an investment. There are two new malls this year in Panama; therefore, we anticipate we will have a good 2016, though still not as good as last year.

What are your expectations for 2016?

GJM This is a historic year for GMP. We have never been simultaneously involved in so many designs and developments. We are waiting for our

permits and licenses to begin construction on many of our projects, but we expect all of those to be approved and resolved this year. We have high expectations that it will be a great year of timely production, and everything on the table right now with construction permits will begin within the year. It has been better every year since I took charge, and we have doubled over the last two to three years. Growth is huge, and our firm is once again a big player, as it has been in the last 60 years. We look at the long-term trends, not the immediate ones, and we stay true to our vision to attain the goals that we set for ourselves.

AMU Panama is going to keep growing, maybe not at 12%, but still at a good rate. I had some clients that reported a little reduction, but I guess this year we will continue with the commercial opening here in Panama City as well as other cities. This year is going to be the same for us as last year, maybe a little bit slower, but not too much and we are not too worried about that. Around 90% of our business is in the commercial area and the other 10% is in offices and residential. I project that 2016 will be the same, with 90% in the commercial area. ✖

architecture

Architects in Panama have the advantage of not only growing demand, but also a market that is poised to support strong growth for the foreseeable future.



Prices of property are skyrocketing in Panama though the country is in short supply of affordable housing for the average Panamanian.

Review REAL ESTATE

ROOM TO GROW

THE GROWTH OF THE REAL ESTATE sector in Panama over the last decade has been nothing less than remarkable. Instead of taking a breather, the market is moving full speed ahead and proceeding with a slew of construction projects to fill the growing demand in the residential and commercial sector. The real estate sector contributed \$8 billion to the GDP in 2015 and looks set to remain a key sector of the economy. Panama City in particular has a reputation as a safe place to live, work, and retire, and the country's upbeat economic growth and subsequent wealth creation, advantageous location, and rapid development have all combined to drive up demand for luxury condos, beachfront properties, and vacation homes as well as industrial and office spaces.

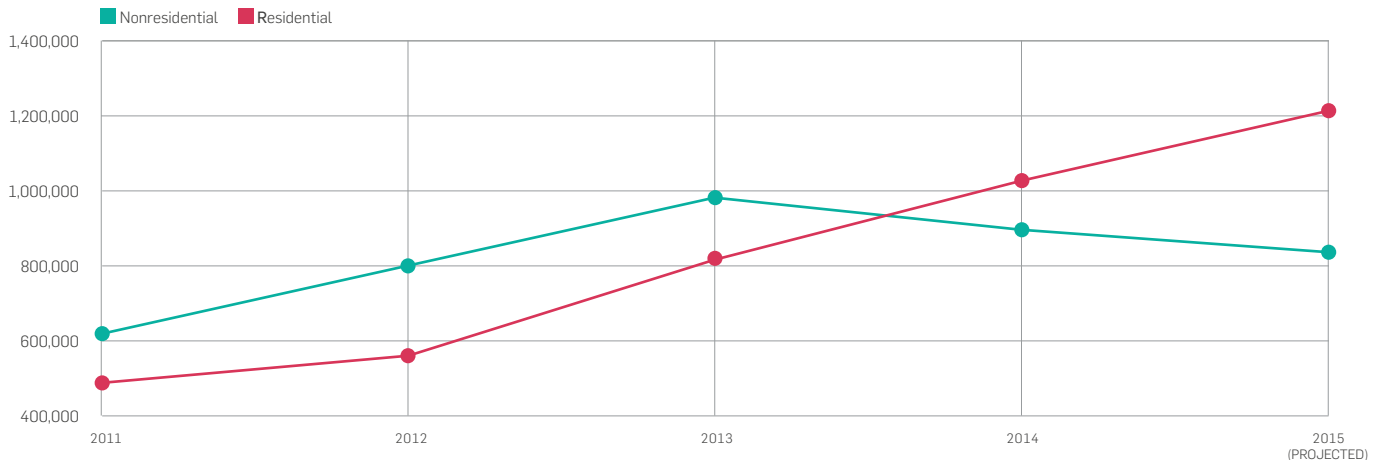
Private purchases of properties in 2015 were in excess of \$900 million and the National Board of Housing Developers (Convivienda) expects an increase of 3%, amounting to \$1.1 billion, for 2016. The construction sector in the country grew by 7% YoY in 2015 and expecta-

tions are similarly high for 2016 and 2017, with growth rates predicted to be 10.5% and 14%, respectively. In the month of January 2016 alone, there were 448 new buildings in the main districts of the country totaling \$161 million, mostly concentrated around the areas of Panama City, San Miguelito, La Chorrera, and Arraiján.

The majority of this construction is driven by foreign demand from the US, Canada, and Latin America, and the burgeoning luxury real estate market. Selected as a "city of the future" by real estate consultancy Knight Frank, Panama City was highlighted as offering a "high degree of economic and regulatory stability... high-quality transport and healthcare and a growing presence of global hotels brands." The company also noted that the number of high net worth individuals in the country jumped to 4,700 in 2014 and will grow to 7,000 by 2024. The large number of luxurious property developments popping up along the coast of the country is testimony to the growing demand

VALUE OF CONSTRUCTION, ADDITIONS, AND REPAIRS (THOUSAND USD)

SOURCE: THE NATIONAL STATISTICS AND CENSUSES INSTITUTE (INEC)





The bay-front Cinta Costera is a perfect place to get views of Panama's top real estate

Image: Alcaldía De Panama

from not just foreign investors, but wealthy Panamanians as well. There are estimates that the number of beachfront properties in the country will swell from 400 new units in 2015 to about 4,500 by 2019. In-demand luxury residential projects sell out before they are even completed. The majority of projects for which environmental impact studies were submitted in November 2015 comprised the construction of condominiums. Consequently, prices of apartments in downtown Panama City have increased almost 30% compared to 2008, with real estate developers all vying to provide buyers with exclusive services and amenities along with promises of stunning sea views.

The rampant growth of the real estate market, however, brings with it a set of problems for the country. A large proportion of the construction projects, concentrated mostly in Panama City, involve luxury projects but the country is in short supply of affordable housing for the average Panamanian. Average property prices in Panama City jumped by double digits in the more popular residential areas and by about 4-5% in other areas in 2015; according to Panama Equity Real Estate, the average price of brand-new apartments in the capital in 2015 was \$2,285 per sqm. Convivenda meanwhile reported that 76% of the homes sold in 2015 cost less than \$120,000, while 18% were between \$120,000 and \$350,000. The remaining 6% of homes sold for above \$350,000. Juan Antonio Clavería, the CEO of real estate

services firm The Group International, told *TBY*, “The most that 70% of our customers can pay [for homes] is \$79,000, which is why we are reconverting and have started doing smaller apartments.”

The government of Juan Carlos Varela has taken steps to tackle the issue and, in line with its focus on social inclusion in the country, has developed plans to invest in social housing, road works, new infrastructure projects, and sanitation. Its key targets with regards to the issue of affordable housing was summarized in its Five-Year Strategic Development Plan 2015-2019, which outlines, among other things, the need to construct social housing solutions, improve and revitalize certain neighborhoods, legalize informal housing, and assist with financing home purchases. The plan also noted the importance of passing incentives to encourage the private sector to play a larger role in constructing affordable low-cost housing options.

One such program, Techos de Esperanza (Roofs of Hope), is focused on constructing up to 35,000 houses to benefit 140,000 Panamanians, specifically those living in areas with the highest rates of poverty. According to Minister for Housing and Land Management Mario Etchelecu, the program was initiated with government resources but was tendered out to the private sector under a scheme in which the state donates the land and construction companies carry out the works. The minister told *TBY* the aim is to construct a total of 100,000 homes by 2019. In addition, in October 2015, work began on the City of Hope—the largest housing project in Panama City—involving the construction of 2,250 affordable homes complete with utilities over an area of 36ha that will benefit 11,250 people. Estimated to cost around \$137 million, the housing project in Vista Alegre, Arraiján, an underdeveloped and densely populated enclave, will be held up as a model for similar housing projects around the country to develop suburban areas and create new centers of economic activity beyond the capital. Minister Etchelecu told *TBY* that 99.9% of all the new housing projects under construction in the country are in the interior, which not only reduces urban migration to Panama City but aids in the development of cities like Santiago, David, and Colón. In addition to large-scale housing projects, the urban development plan also includes schools, health centers, and basic sanitation.

In a bid to provide further incentives for the private sector to drive economic growth, the government in April 2016 approved the Colón Puerto Libre Law. The law outlines incentives to encourage the construction of more residential and retail projects in Colón in tandem

with the ministry's efforts to redevelop, construct, and improve infrastructure in the country. Constructions of houses, hotels, schools, and health centers, as well as the restoration of buildings are exempted from taxes, levies, duties, and customs. The government has set aside \$800 million to redevelop the city of Colón and bring its infrastructure up to date. Brazilian company Odebrecht and its partner Cusa won a \$537 million tender in 2015 to conduct an urban redevelopment project in Colón that includes the construction of 5,000 homes in Alto de los Lagos, outfitted with the basic amenities. Similar to other urban development projects in the country, key facilities such as recreational areas, schools, and sport centers were also outlined in the tender.

In terms of office space, Panama City is one of the fastest-growing markets in the western hemisphere, driven in big part by high expectations of economic growth from the canal expansion. The number of office spaces has jumped more than four fold since 2009, with total office space in the city estimated to be 1.2 million sqm in 2015. Demand, however,

was not as quick to keep pace with supply; approximately 196,000sqm of new office space was delivered in 2015 but only 78,000sqm of office space was snapped up, real estate firm Jones Lang LaSalle reported. The disparity has resulted in a vacancy rate of 45%, among the highest seen globally. Although construction of office space continues unabated at the moment, rental prices are expected to remain steady in 2016 amid the bullish market.

The completion of the expansion of the Panama Canal in 2016 is also expected to have a significant impact on industrial real estate prices. In Panama City, over 300,000sqm of logistic warehouse space—including four large warehouses being built at the Panama Pacifico Special Area—is under construction. The area is being allocated for the distribution, packing and trans-shipment of the goods that arrive at the newly expanded Panama Canal. The widening of the canal has encouraged industrial developers to build new, modern, and efficient warehouses, and increased demand for warehouse and storage space on Panama's path to becoming a transport hub. ✖

The government of Juan Carlos Varela has taken steps to tackle the issue and, in line with its focus on social inclusion, has developed plans to invest in social housing, road works, infrastructure projects, and sanitation.



OFICINAS FÍSICAS

Oficinas privadas totalmente amobladas



OFICINAS VIRTUALES

Imagen corporativa, dirección comercial y número de teléfono personalizado para su empresa



structural INTEGRITY

TBY talks to *Mario Etchelecu*, Minister for Housing and Land Management, on tackling poverty, integrating the city with public transit, and expectations for the year.

The government announced the delivery of 92 homes under "Techos de Esperanza." How many people will this benefit and what are the wider implications of the program?

This project is focused on people that own their land but do not have adequate housing conditions, like a lack of basic sanitation. We initiated the program with government resources and have recently strengthened the project by tendering it out to the private sector. A total of 15,000 houses are currently being constructed by

the private sector. From May 2016, we will have put to tender a further 20,000, specifically in those areas that are most in need, such as those that have the highest rates of poverty.

How will the renovation of Colón attract private sector investment into the construction of new low- and middle-income housing?

There is an important investment on the part of the government to renovate urban areas in order to improve infrastructure and the availability of housing. We are in the process of approving the Colón Puerto Libre Law, which will stimulate the private sector to drive the country's economic growth. Whilst the ministry carries out a program of renovation, construction, and improvement of infrastructure as well as living and housing conditions, this law will propel private sector investment in Colón, incentivizing the construction of more retail and residential projects, casinos, and hotels. The government is also working hard to promote the tourism sector to make Panama not only a port for cruise ships passing by but a destination to visit in itself. The Colón Puerto Libre is an important part of this strategy.

What is the Ministry of Housing and Land Management's role in creating new centers of economic activity outside of the capital to tackle the issue of mobility?

Right now the plan we are executing is for the construction of 31,000 homes; our aspiration is to reach 100,000 and before the end of the year we have to begin the construction of the first 50,000. Around 99.9% of these are in the interior of the country, such as in rural areas. This is not just helping Panama City in terms of reducing urban migration, but it also is helping cities like Santiago, David, and Colón, where people are moving in search of opportunities. The government has a large-scale plan to bring not only new housing to these regions, but also health centers, schools, and basic sanitation. All this is being carried out by local labor force, further incentivizing staying there, taking advantage of the new opportunities that are being created.

How will the new Metro lines influence the location of urban development projects, and how can the ministry better integrate the city with public transport?

There was already a plan in place from the previous administration, which we have

100,000 homes
by 2019

Incentivizing
private-sector
involvement

since strengthened. Now, not only do we have Line 1 up and running, but also the construction of Line 2 is under way. Before the end of the current administration, Line 3 will also be awarded. This, coupled with the fact that the Ministry of Metro now handles the Metrobus, means that the two are viewed in a parallel manner, whereas before they were in competition. We are of the opinion that we need to increase the density around the Metro, but we are also demanding that developers create more parking spaces in residential apartments and shopping centers.

What are your goals between now and 2019, and what are your expectations for the year ahead?

I would like to achieve our goal of building 100,000 houses within five years. We have managed to gain the confidence of the private sector, and it is participating in this and subsequently bringing many of these projects to tender. By the end of 2016, we will hopefully have tendered, awarded, and given the green light for the construction of more than 50,000 homes; over half our goal. If we achieve this, we are on the right track to achieve our 2019 goals. ✖

BIO

A graduate of ULACIT, Mario Etchelecu has a strong professional background in real estate and construction. Since 1999, he has been the General Manager and President of Bienes Raíces COT. He has managed more than 28 residential and eight commercial projects in Panama, realizing over 5,500 housing units and 400 commercial units.



TBY talks to **Raúl A. Hernández Sosa**, Vice-President of Business Development of Provienda, on the fastest-growing segment in real estate, the downside of the country's rapid growth, and labor issues.

What is the significance of Panama for Provienda?

Provienda started in Panama 22 years ago based on Colombian funding. We do not work through a holding corporation; instead each country has a separate company of its own. We try to replicate the best practices from each other's companies in the way we do business. We have created and delivered more than 20,000 units in Panama over 22 years and are currently the largest residential developer here in terms of units and sales. Our primary focus is middle-income residential housing; however, as Panama is such a small country we have to be present in every segment of the housing market.

In which segments do you have more of a presence?

We actively participate in the \$50,000 and below segment,

GROWING PAINS

which is government-subsidized housing. However, regulations have changed in the past decade, making it extremely difficult to build profitable affordable housing. Developers do not generate profits in these segments so many have changed the scope of their businesses and moved out of the low-income, social housing segment. Provienda and other large-scale developers of these segments have worked with the government to change current social housing regulations and now we begin to do social housing developments once more. We generally operate in the low-income segment of up to \$50,000, in the second bracket of \$50,000-\$80,000, and in the segment between \$80,000 and \$1 million. We completed a luxury residential beach resort project in Bijao. It was one of the first luxury, second-home beach resorts in Panama, along with Buenaventura Beach Resort. Those are the two most successful projects of this kind in the country.

How is Panama's rapid growth driving the expansion of the real estate sector?

Panama has experienced constant growth over the last five years, although this has slowed somewhat and is predicted to continue to the level out to a more stable growth rate. Double-digit growth rates are worrisome because we might have a growing economy, but we do not have the right infrastructure behind it. Panama is still a third-world country with huge problems in areas such as education. Returning to a 5-6% growth rate is

- 20,000+ units developed
- \$200 million annual sales
- Focused on middle-income segment

a safe place for the country to be in the years ahead. We have seen important growth in the middle-income segment, which represents most of the economy here. Provienda has experienced stable growth in Panama, which has created dramatic changes in the industry and put more money into the mid and low-mid segments where we are focused. The downside is that all this growth in the real estate market has driven up construction costs. The average price for a residential unit has increased dramatically. Still, sales prices are cheaper here than in countries with comparable economies, such as Peru and Colombia. Fortunately, the world economic slowdown has put a stop on some of the increasing construction costs and this is keeping the real estate market stable here. Panama has no local production of the high-impact materials used in construction; thus, we depend on imports, and that is driven primarily by international markets. On the other hand, strong government restrictions, codes, and regulations counteract these decreases and continue to

cause construction costs to increase. Panama will be in a good place for the next five to seven years.

Do you face challenges in hiring locally?

Labor prices and demand for labor are going up here; however, people without the right knowledge and skills are entering the construction industry, which is a problem. The current labor code in Panama is ancient and should not apply to an economy like this. It is not based primarily on productivity, which should be the driver for construction. We invest a great deal of money and time in our in-house training programs. We hired external trainers for all the different disciplines in which we work, which ensures quality control. We truly believe and invest in our people and development. ✕

BIO

Raúl A. Hernández Sosa was appointed Vice President of Business Development for Provienda in 2012. He was earlier the CFO of Provienda. Sosa holds a bachelor's degree in business administration from the University of Notre Dame and an MBA from The McCombs School of Business at The University of Texas at Austin. In 2015, he enrolled in the Harvard Business School's Executive Education program in real estate management, leadership, and design.

GROWTH PLANS

Companies in the real estate sector see great room for growth in the Panamanian market.



RAFAEL GANGI
*President & CEO,
Panama Sotheby's
International Realty*



**GABRIEL MONTIEL
TORO**
Director, Spatium



**JUAN CARLOS
SOTILLO ESCALA**
*Director General,
Sotillo & Company*

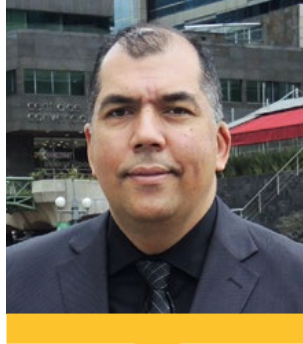
Real estate is one of the leading sectors in Panama's growth and one of the greatest contributors to GDP. Our key focus is the residential segment, which accounts for about 80% of our operations, although we do not ignore the commercial market. What we see in Panama now is an increasingly professional younger generation that is much more skilled, which means that they have better positions with higher salaries. These conditions make real estate more accessible to them at a younger age, sometimes adding an extra five years during which they can afford to access real estate. We also plan greater exchange of business in other international markets, such as Dubai, and Miami. We have an extensive network and properties that we advertise here in Panama are available on the website and can be viewed in other major real estate markets like New York. We have two more offices in premium locations, such as coastal areas. We also hope to incorporate new brokerage firms and reinforce the sales aspect as well as the corporate aspect of our business. We also seek more partnerships in the luxury segment with companies such as Mercedes Benz.

Our role at Spatium is to support investors and entrepreneurs in their operations and plans for growth in the region. We stand out because of the quality of our service. In 2009, we were one of only two business centers, but new business centers have opened up since then. Our offices are located in the financial district—the best area to do business. Our capacity in this establishment is 130 offices, physical and virtual combined. Demand is high both for physical and virtual offices, which is why it was necessary to identify new locations in the city that cater to the needs of potential entrepreneurs. Spatium provides its clients legal consulting services so that they can carry out their activities in accordance with Panama's legal framework. Our clients are typically Panamanian businesses but we also have clients with headquarters in Canada, Venezuela, Costa Rica, or El Salvador that have regional operations here. We have thus far supported entrepreneurs in the sectors of electrical energy, construction and real estate, as well as HR and training consultants. There is a wide spectrum of entrepreneurs because the opportunities in the service sector are endless.

Sotillo & Company took some important steps forward in 2015, such as growth in sales and our new property appraisal service for banks and insurance companies. This makes the company the top choice for customers not only in the real estate market but also in the field of appraisals. We work with some of the major Panamanian banks and some regional boutique banks from countries like Costa Rica, Ecuador, and Brazil. We also support big local developers finding suitable properties to develop, such as Empresas Bern, Grupo Shahani, Grupo Terrazas, and others. Our experience of over 17 years in the real estate market allows us to be more accurate in our proposals and our customers spend less time on their investments searches. The commercial real estate sector has great potential for investment. The sector has been dynamic and has gone through a rapid turnover. There are increasingly more people in the western part of Panama City with medium or high purchasing power. This is part of the new dynamic of what happens in the province of Panama. We also see the transport sector and logistics, as having huge growth potential here.



JUAN ANTONIO
CLAVERÍA
*CEO, The Group
International*



JULIO GONZÁLEZ
SALGADO
*CEO, Equity Medio
Inmobiliario
Internacional*



JOSÉ MELLA
*General Manager,
Panama Division,
Hospitality
Management Solutions
(HMS)*



ERIC VAN HOORDE
*General Manager of
Bridge Real Estate
Consultants,
President of ACOBIR*

Panama's real estate market boomed between 2002-2004, which was when we started with the first high-end real estate company, with such developments as Pacific Point, Pacific Village, and Grand Tower. In 2006 The Group was created with the primary purpose of constructing needed medium to low-end properties. Between 2006 and 2008, The Group focused on Panama City's surroundings, specifically on Juan Diaz and San Miguelito. In 2012 we launched Mystic Valley, our largest development so far with 3,000 apartments over 21 towers. There is an area reserved for schools, a police station, a church, and other amenities. We had determined that companies such as Nestle, Unilever, and Procter & Gamble would come here because of Panama's international connection. Most companies rent apartments from \$1,200-1800 and we recognized the demand for housing for this group. In addition, the advantages of the tax-free regime made Panama popular and we started a new business line called "Premier" with prices between \$120,000 and \$200,000 for medium to high-end customers.

Equity Media has a real estate industry magazine called EQ Properties in the US version and Revista Equity for Latin America; however, it is part of a wider concept that includes print and digital media and a web portal. The idea is to incentivize investment in the region in stable assets like real estate. We take a multi-strategy approach, employing several platforms. We help people interact through a contact center and act as a link between investors and developers who want to sell projects, which can be anything from offices to residences and beach houses. Through our platform we have advertisements across a broad spectrum, from residential apartments to industrial and logistics projects. We act as a window and support to help make these investments possible. We work with a range of clients, and have residential, logistics, and commercial projects. We promote these projects to foreigners who see the country as a great place to invest.

One of our partners met the owners of Yoo Panama, which said it was designing a luxury residence with amenities but wanted help with the guest experience and services. HMS intervened, and today we oversee Yoo's service structure and management. We manage budgets, incomes, and payments, and have 70 employees on the payroll. There is nothing similar in Panama and only a few examples in the region. We spent the first one-and-a-half years focusing on Yoo specifically because we wanted to know the market and the product. It was our first project outside of the Dominican Republic. In January 2015, we decided to make our presence here more widely known. Before that, people only knew the Yoo, not HMS. We started to attend trade shows, produce some publications, and visit clients. Results come after 11-15 months, and we are optimistic that this year will be good for us in terms of developing new businesses in Panama.

The Expo Inmobiliaria is one of the main events that Acobir holds during the year. It demonstrated the high demand in the sector and confirmed the capacity of constructors and developers who were offering a large variety of products, from apartments in the city to houses, beach projects, mountain projects, and also commercial properties such as warehouses and other land developments. Thanks to Expo Inmobiliaria, we have seen a large growth in the number of customers and developers, with significant results on both sides. Activities like Expo Inmobiliaria open great opportunities to Panamanians and investors looking for the best options on the market. Developers and the members of ACOBIR who participated in the fair also feel that it is a good moment to offer other products as well. Expo Inmobiliaria is held at the end of January and is considered the real estate sector's first commercial event of the year, which makes it even more important for how the sector develops and performs throughout the year.

DEEP POCKETS

Panama is hoping to open its small but dynamic commercial real estate industry to overseas investors, but the industry has been slow to take off.

IN LIGHT OF THE DYNAMIC, booming real estate industry, the government has realized the potential for a real estate investment trust (REIT) industry to attract foreign investment, increasing liquidity and reducing the concentration of property ownership, which currently lies in the hands of a few investors. The introduction of REITs is expected to minimize some of the real estate risk currently assumed by banks and allow non-real estate developers to participate in the real estate market. New guidelines, introduced in 2014 after two years in the making, require trusts to disclose almost every detail of their oper-

ations to give investors a clear picture of the risks they are assuming. The legislation places few restrictions on how much debt REITs can accumulate nor does it list a ceiling on the fees that investors can be charged.

Led by the Panamanian Chamber of Managers of Mutual Funds and Pension Funds, the new law was expected to bring Panama's first publicly traded REIT in 2015. The advantages of REITs over real estate investment funds include special fiscal benefits such as lower dividend taxation and capital gains tax exemption. REITs have become popular vehicles amongst real estate investors and capital market investors around the world, but a lack of awareness and familiarity with REITs in Panama perhaps explains why they have not taken off here. Scepticism and apprehension from property owners regarding publicly listing their properties might also explain this. It is unclear when Panama's REIT industry will really kick off. Despite the booming real estate industry, experts say it will be a few years before the REIT industry begins to attract international attention. The legislation is, however, a welcome start. ✖



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GREEN DEVELOPMENTS

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CARLOS MALO DE MOLINA
General Manager, Green Valley Panama

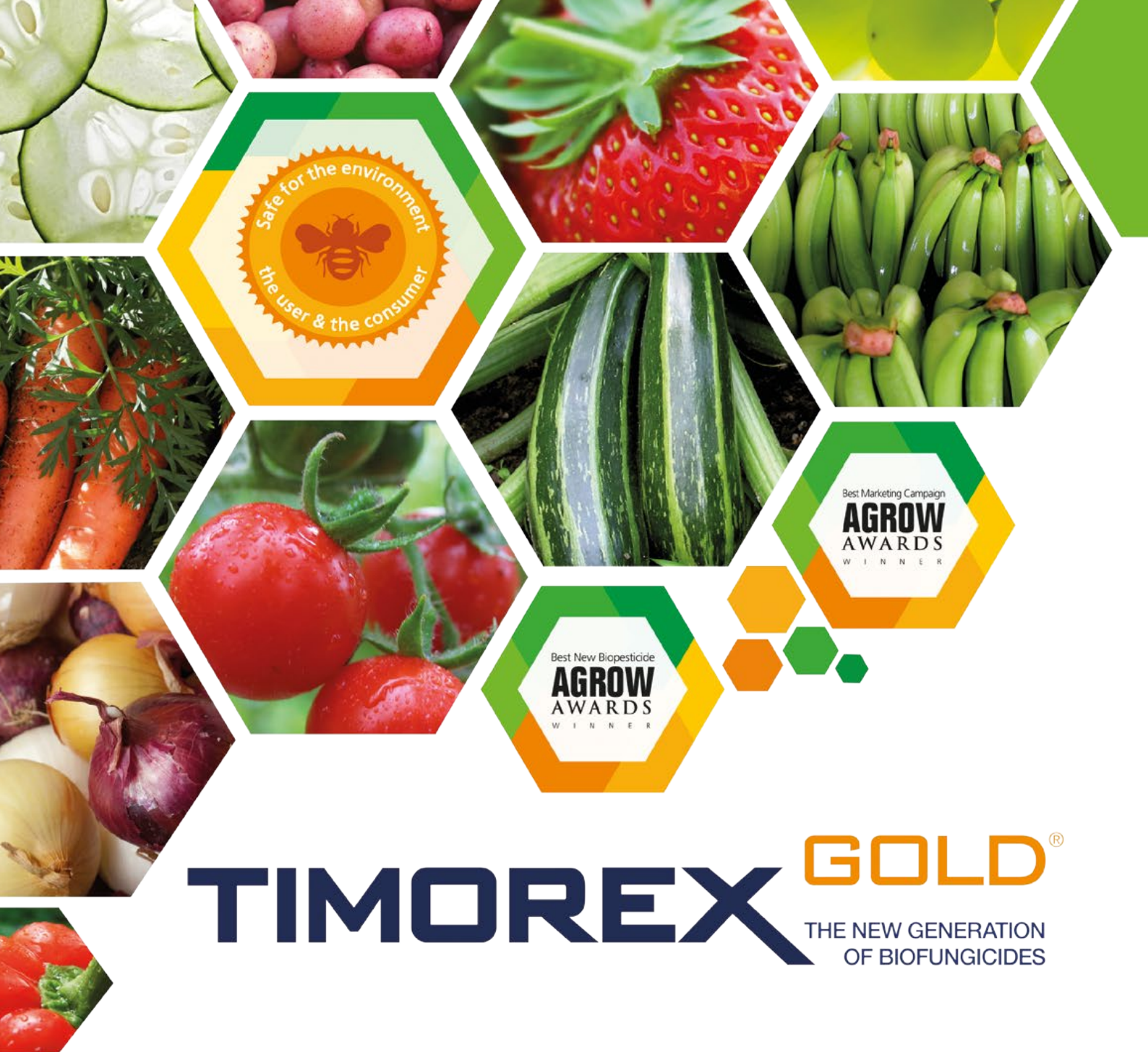


CAROLA MALO DE MOLINA
Sub-General Manager, Green Valley Panama

We work in a number of different markets but there are in effect two separate markets in Panama: one for people who want to live in the city, and another for those who want to live outside of the city. Those who want to live in the city know they will have to pay more on account of higher land prices and construction costs. They will also probably have to live in an apartment unless they have over \$400,000 to spend on a house. Cheaper homes are mostly located far to the east or west of the city. Panama City is not a typical city in terms of its development. Cities usually grow from the center out but Panama City is bound by the ocean, the Panama Canal, and a great deal of protected green areas. It is consequently a linear city with low-density housing growing out to the east and west. This urban sprawl means that more utilities, roads, transportation, healthcare services, and schools have to be developed, but we have not been good at doing that. It also means that low-income individuals have to commute long distances to work. The government is trying to change the current zoning environment. This situation is difficult, but changes are happening.

Green Valley is a planned mixed-use development that is well integrated within the city. In terms of the social conceptualization, Panamanians are aware of the project and know that it is going to be one of the most modern parts of the country. It is a structured zone, meaning it has all road connectivity and infrastructure, water services, walkways, eight parks, and even a lake. We have been planning this development for over 10 years. Green Valley offers something that does not exist in even the most advanced cities in the world. This has seven phases, and the first five phases will be finalized within 12 months. The last phase will be completed by 2018. By providing cycling routes and pedestrian areas, people will walk and cycle more as a form of transportation. Panamanians are big fans of sport, but we need to provide them with the facilities. This is the most important real estate development in Panama because it was the last part of the city to be developed. Green Valley will be an example not just for Panama, but for the world. We are working to develop not just an eco-city, but also a smart city, with fiber optic networks, high technology, and security.

There are great buildings and commercial centers in Panama, but these areas are not suitable for walking or for raising children. Our idea for Green Valley is to develop an area of Panama City that provides the developer with the best infrastructure so that they can construct their buildings inside our eco-city. Such a real estate development provides people with a higher quality of life, which people in Panama are starting to acknowledge. We see a lot of demand and necessity for this type of development in Panama. In the past, we were often asked why we were creating green spaces instead of developing that land for sale. People are slowly beginning to understand that the benefit of creating these spaces in terms of prices and adding value to the project outweighs that of increasing the number of buildings. The idea is that everything anyone would need is available within Green Valley. There will be hospitals, schools, commercial areas with shops, banks, and gas stations, all in addition to green spaces. The lake will be a nice area to visit; there will be restaurants, paths for biking and walking, and other features that are likely to attract people from the city who want to get out.



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TBY talks to Jorge Arango, Minister of Agricultural Development.

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Extreme weather conditions in Panama are highlighting the need to formulate a thorough review of water utilization.

Agriculture & Water

REVIEW

Agriculture, traditionally Panama's strong card, is still an important industry, despite volatility across several core crops. Contributing 9.7% to GDP in 2015, agriculture is looking to the new and bigger canal to boost exports.

RIPE FOR INVESTMENT

Panama's agricultural sector is dominated by a small number of key crops, namely bananas, cocoa beans, coconuts, coffee beans, melons, pineapples, beef, chicken, shrimp, corn, potatoes, rice, soybeans, sugarcane, and timber. Over 250,000 people are directly employed in agriculture, or 6.5% of the total population, down from 18.2% in 2004. Many more are employed indirectly—estimates put the total number at 914,000. The high numbers reflect the fact that many Panamanian farmers operate at subsistence level, and below the poverty line. The challenge for the government is to raise the industry to new levels of international trade and ensure its workforce feels the benefits of this more widely. However, Panama's climate and geology combine to pose severe constraints on the industry's expansion. Due to an arid climate in the east, bordering the Pacific, an overly wet climate (bad for arable crops) in the more mountainous west



Image: IMA

For centuries, agriculture was the dominant industry in Panama. The opening of the canal to trade in 1941 ended that, and agriculture and fisheries' share of GDP has been falling since then.

of the country, and dense tropical jungle in between, only around 10% of Panama's land is rated suitable for arable farming, although just over 42% is classified as farmland, in one way or another. Of this, a substantial area is given over to banana, coffee, and cocoa plantations, and the rest is pastoral, mainly for the rearing of cattle. The government is increasingly willing to support farmers via subsidies, in order to protect domestic agriculture production from cheaper imports. Agriculture is overseen by the Ministry of Agricultural Development, which has actively intervened to support Panamanian producers of rice and other staple crops struggling to compete with foreign rivals. For a country with such a strong tradition in farming, it is perhaps surprising that Panama today is reliant on importing 62% of all its foodstuffs.

BANANAS

Exports of tropical fruit have been rising since 2000, and king of the crop is the ba-

nana, fresh or dried, and including plantains, exports alone were worth \$97.9 million in 2015. Indeed, bananas account for 4% of all Panama's exports. This is up 4.1% in 2014, and demand for bananas is holding steady worldwide as the most popular fruit internationally, although this is down on the 8.63% YoY increase recorded in 2013. In that year, banana exports reached a peak of 14.3 million boxes, largely on the back of big increases in exports to Europe, exports of which have increased by 44.89%, or more than 14.1 million boxes, since 2012.

Yet all is not well for the Panamanian banana industry in 2016, as an old adversary looks set to return to haunt the sector. The so-called Panama disease, a fungal virus, completely eradicated the Gros Miquel, the Panamanian banana all over Central and South America in the 1950s. The Cavendish, a new variety of banana that is much more resistant to disease, then became by far the most widespread banana sub-species worldwide (accounting for 95% of bananas worldwide), and has out-competed the local varieties hitherto widely cultivated.

In 2015, Chiquita and Fyffes (headquartered in Ireland) announced a merger that saw them transformed to become the world's largest banana distributor with a workforce of 32,000, almost \$5 billion in annual revenues, and a market value of more than \$1 billion. The new company controls 14% of the global market for bananas.

OTHER FRUITS

Average melon yields per hectare have halved since 2008, from 40,700 kg per hectare to 19,110 kg per hectare, with overall production dropping from 16.2 million kg to 6.1 million kg in 2014. A similar story is true of pineapples and watermelons, both of which have suffered dwindling levels of production. Land pressures are partly to blame for the fall, along with changes in climate that have resulted in a succession of cooler summers since 2008.

COFFEE

As demand around the world rises, so Panama's coffee industry shows ever-greater potential. Production reached 10,677 tons of coffee beans in 2014, up from 10,100 tons in 2013. And Panama is well suited to their cultivation—and to the crop's expansion. The Chiriqui highlands of western Panama yield the country's finest coffee, and the region is famous for its full-flavored beans. The area has a near-ideal mild and showery micro-climate, is at a high altitude of between 700 meters and 1,070 meters, and has rich and well-drained volcanic soil, combining to make all but perfect growing conditions. Panama cultivates 82% Arabica and 18% Robustica varieties, with 63% of the total crop destined for the US in 2014. Increasingly, Panama is gaining a reputation for gourmet varieties of coffee such as the geisha, originally from Ethiopia, of which the country now grows more than 10,000 hundredweights a year.

BREAD WINNERS

In light of sluggish agricultural output and an increasing trade deficit, the government has embarked on a number of measures to revive its agricultural sector, once a major contributor to its GDP. One such measure is transforming Panama into a regional hub for food distribution.

The project, still in its infancy, was initiated at the end of 2015, following the signing of a contract with an undisclosed North American company to package and re-export rice. "Last December a ship with 7,000lb of rice came to Panama; we put it into 100lb bags and shipped it out in containers," explained Jorge Arango Arias, Minister for Agricultural Development. Of the 420 containers exported, 280 were shipped to Saudi Arabia and the remaining 140 to the Dominican Republic and other Caribbean islands. "We plan on doing that with 60 ships this year because it was so successful," the Minister continued. The project will be expanded to include other agricultural products that would first be shipped to Panama for processing or packaging before reaching their final destination, capturing economies of scale. The project would function like a Free Zone focused exclusively on food. "Excess production from the Dominican Republic, Uruguay, or Chile would come to Panama and from here we would distribute to the rest of the world," the Minister added. Panama is currently in talks with other countries and embassies to get them on board. "Our main target is to take advantage of 15,000 ships that go through the canal." According to the Minister, many of these ships leave for Asia unloaded, creating this new opportunity for Panama. The project counts on the support of the Ministry of Commerce and Industry (MICI), the Vice-Ministry of Commerce (VICOMEX) and the Panamanian Association of Business Executives (APEDE). It is deemed a strategic project for the agricultural sector in Panama. Its other advantages include reduced freight cost for importing perishable goods to increase the number of refrigerated products, benefiting producers and lowering consumer prices.

The Food and Agricultural Organization of the United Nations (FAO) had previously announced its plans to strengthen its presence in the country and convert Panama into its regional food hub. The FAO has been in talks with the Panamanian government as part of wider strategies to eradicate poverty outlined in the CELAC Plan for Food Security, Nutrition and Hunger Eradication 2025.

RICE

Rice is a staple of the Panamanian table, and yet its production has fallen sharply this century, from 341 million kg in 2003 to 268.4 million kg in 2015. In January 2016, the Panamanian Food Safety Authority published figures confirming that imports of rice have risen from 65,917 tons in 2014 to 71,000 tons in 2015. At the same time, the land area devoted to rice paddies has fallen by 50%, from 56,000ha to 28,000ha. Some say that climate changes are adversely affecting their ability to successfully harvest crops, while others blame cheap imports. Either way, the Ministry of Agricultural Development stepped in to reassure farmers in 2015, guaranteeing to raise the price paid to producers to \$24.50 for every hundredweight of rice produced in the country.

LIVESTOCK

Beef exports have increased every year since 2009, reaching a net worth of \$27.2 million in 2014. Similarly, poultry production has also increased YoY since 2003, amounting to 132 million kg in 2014, while egg production has declined slightly from its 2002-08 heyday of 500 million units, dropping to 459 million laid in 2014.

Panama's climate and geology combine to pose severe constraints on the industry's expansion. Due to an arid climate in the east, bordering the Pacific, an overly wet climate (bad for arable crops) in the more mountainous west of the country, and dense tropical jungle in between, only around 10% of Panama's land is rated suitable for arable farming, although just over 42% is classified as farmland, in one way or another.

FISHERIES

Following a painful contraction of 21.2% in just one year in 2011, the industry expanded by 19.6% in 2014, following healthy YoY growth for each of the intervening three years. By year-end 2014, the industry yielded some \$169 million in sales. The growth in fisheries over the past five years has largely come from a big surge in demand for exports, with Panama being better placed than many other countries in the region to fulfill orders from abroad. The sector in 2015 contributed 0.5% to GDP. ✖



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IMA has as principal function to apply the marketing policy formulated by the Ministry of Agriculture Development (MIDA, as its initials in Spanish), supporting the national producer in the commercialization and marketing of their crops with the objective of promoting the growth and development of the agriculture sector.

Objectives:

- To promote the improvements in the marketing systems of the agricultural production.
- To guarantee the internal and external marketing of the national production at remunerative prices.
- To organize, modernize and control the marketing process of the production.
- To regulate the supply in the internal market.
- To protect and harmonize the interests of the producers and consumers.
- To promote exports and open communication bridges with new international markets for the national production.

Likewise, the institute offers information of commercialization of national and international agricultural products, as elements of reference for the industry participants in order to provide knowledge of the place and situation for establishing commercial contact.

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TBY talks to **Jorge Arango**, Minister of Agricultural Development, on plans to tackle drought, the growing agro-tourism sector, and Panama's growing food distribution hub.

BIO

Jorge Arango has been Minister of Agricultural Development since 2014. He has extensive knowledge as a producer in the agricultural sector, having been General Manager of Industrial Agricultural Company and affiliated companies from 1978-1988. Among other activities, he has been Treasurer of the Board of Clinical Arango Orillac. He was previously Chairman of the Board of Industrial Agricultural Company and affiliated companies, substitute principal at the Universidad Santa Maria La Antigua, and substitute principal at first Savings Bank, among others.

humidity now

How has the ministry responded to the drought conditions brought about by El Niño?

Our country, like the rest of the Pacific region, experienced one of the longest droughts in recent history. The summer of 2016 is predicted to be very severe, and since 2015 was also very dry, a shortage of water for agriculture and cattle production could result in severe losses. Based on these predictions, the ministry launched, in April 2015, a study in every province, district by district, to find out how could they be affected. A drought plan was developed for the entire country at the cost of \$14.5 million. On September 27, 2015 a nutritional program for cattle and a plan to build wells, lakes, and water collection ponds started in the province of Los Santos, which was one of the worst affected areas. About 2,800 cattle died in the province in 2015 while 5,000ha of corn and 40% of the tomato crop were lost. In February 2016, a similar program was launched in Herrera, to be followed by the provinces of Cocle, Veraguas, and so on. Panama was blessed with tropical rain for many years, so we did not have the need to collect and store water. The government recently appointed a High-Level National Committee with the help of UN and other international agencies in order to establish water policies for the next 25 years.

What are the ministry's plans to make Panama a food distribution hub?

Panama's strategic location, solid banking system, status

- Developed drought plan worth \$14.5 million
- Efforts under way to establish regional food hub

as a logistics hub through its airports, the wide variety of commercial products going through duty free zones, and the more than 15,000 ships crossing the Panama Canal every year, some of which go back to Asia empty after leaving their cargo here, all make Panama the ideal site to be a food distribution hub. Under the leadership of the Ministry of Commerce and together with the Ministry of Agriculture, private executive associations, producers, and several countries that have demonstrated interest in this idea. The government is working on the necessary documents and surveys to develop this project. The center will include packing centers, refrigeration storage, facilities to supply ships' needs for their employees and passengers, and a logistics center for brokers to take orders for major supermarkets and distributors all over the world. A preliminary trial was conducted last year in which a ship with 7,000 tons of bulk rice came from the US and in 10 days all this rice was packed into 100-pound bags. Later, some

400 containers were shipped to countries as far away as Saudi Arabia.

How can Panama exploit opportunities in agro-tourism?

With the Ministry of Tourism and our Agro-tourism department, we conduct educational programs and seminars that teach producers how to attract international and local tourists. Campaigns to attract tourists to production sites can help them understand the new technologies used to produce and preserve healthy food, learn more about our country's traditions, seen different forest trails, organic farms, and so on. We started new coffee and sugar cane routes that feature different plantations and processing plants. All agro-tourist farms have to be evaluated and certified every two years by the ministry.

What are some initiatives to increase production for small farmer?

In Panama we have around 350,000 producers. Approximately 80% are small producers who are responsible for 20% of all the food being produced. Our main target is to get them organized into associations or cooperatives, so that we can better assist them and help them sell their crops. At the present, we work with some international agencies to teach them to be more efficient by using new certified seeds, water supply systems, and fertilizing techniques. There are also seminars on processing, drying fruits, cheese making, and so on so that they can add value to their crops. ✖



RICARDO A. SOLÍS P.
*General Manager,
Agricultural
Development Bank*



EDUARDO ENRIQUE CARLES
*Director General,
Agricultural Marketing
Institute (IMA)*

productivity

Innovative solutions will be key to supporting and developing the troubled agricultural sector.

What initiatives have you initiated to mitigate the impact of El Niño?

RICARDO A. SOLÍS P. We have helped prepare producers to be more responsible and mitigate losses in production in dealing with reservoirs, greenhouses, and water wells. The result was positive in 2015, more so than in 2014. In 2015, producers were more conscious and better prepared. We worked to finance the National Water Security Plan 2015-2050 and have been promoting awareness of the importance of forest reserves. We recently signed a partnership with the Ministry of Environment for financial support for reforestation initiatives.

EDUARDO ENRIQUE CARLES We embarked on a 50-year holistic water management plan, from 2016 to 2050, which sets out ways to manage and mitigate water scarcity issues caused by El Niño. Certain regions have seen losses in rice production and farming so we need to help these producers restructure. We help producers move toward a vertical model of agriculture, with greenhouses and controlled irrigation. El Niño also affects water levels, which then af-

fects the energy sector. We need to find ways to collect water and increase water reserves around Panama's rivers, working with the Ministry of Environment to avoid any environmental damages.

How do you support Panamanian producers in the agricultural sector?

RASP Panama has traditionally been an exporter of products like melons, bananas, and rice. The role of the bank is to support small and medium producers with quick financing that is aimed at increasing national output, increasing the quality of food, and supporting their exports to international markets. The Ministry of Commerce and Industry has signed a number of international agreements with intention of supporting these initiatives. The ADB has also introduced new technology to benefit small and medium producers in Panama. It has allowed us to bring in new technologies, such as greenhouses and reservoirs, and has resulted in a 300% increase in production nationally. Before, we would cultivate in open fields, and now we are doing it in controlled environments. For example, when

tomatoes were cultivated in open fields, they would produce about 12-16 pounds per ha—in controlled environments we can produce 42-60 pounds per ha.

EEC We can split our strategy into three pillars. One is to make this a company for the marketing and commercialization of Panamanian products, both internally and for external markets. We have restructuring activities concerning administration, finance, and legal, and we have put the IMA at the disposal of the nation and the country's producing sectors. We want to rehabilitate the infrastructure surrounding the agro-industry. In some cases there have been no investments since the 1990s. Total investment between now and 2018 will be around \$20 million. Our goal is to rehabilitate the entire infrastructure around the sector with new technology that can benefit producers within four years. The third thing is compiling a census across the agro-industrial sector. There is currently no digital information available about producers, production, or their products so our plan is to start the country's first census, which will take about two years and will be continuously updated thereafter.

What are the prospects for agro-tourism in the country?

RASP We are increasingly shifting our focus to agro-tourism. In 2014, we had just one client, but today we have around 60. The idea is to finance small producers and allow them to exploit the market. We have also signed several agreements to provide necessary tools to regions around the country. The idea is to strengthen the sector.

EEC In terms of coffee routes, Boquete and its surroundings have seen a great increase in tourism recently. Coffee producers have developed their farms and taken advantage of this growth in tourism. Copa and Air Panama both fly to Chiriquí two or three times a day, and these flights are full Monday through Friday. People have been able to exploit the opportunities that agro-tourism has presented. Fiscal benefits have helped to push this sector forward, allowing for better techniques, better seeds, and increased soil productivity. The next step for Panama is to develop coffee production in the lowlands, such as in Coclé and Herrera, in order to have various coffee routes around the country. ✘

INTERVIEW



PEST of the PEST

BIO

Guy Elitzur, formerly the CFO and COO of Stockton Group, was named CEO of Stockton Group on January 1, 2016. Before joining Stockton, Elitzur was CFO of a medical device company, Angioslide Ltd. Additionally, he has held a few financial positions at Gilat Satellite Networks, Ltd., a network communications leader. Elitzur is a certified public accountant and holds a bachelor of arts degree in business administration and accounting from the College of Management Academic Studies, as well as an LL.M. degree from Bar-Ilan University.

TBY talks to **Guy Elitzur**, CEO of Stockton Group, on introducing biopesticides to the Panamanian market, penetrating other markets, and investing in research.

Where does Panama fit into the global biopesticides market?

We are entering the Panamanian market at a stage where there are diversified crops, so we target those crops for which biopesticides can create a higher value than other products. We usually begin with fruits and vegetables, as they are more sensitive to chemicals and tend to be consumed by end users in their unprocessed form. We launched our efforts with rice in Panama after attaining positive results in other countries. Rice is an export crop in Panama, so quality control is a central issue for the industry. The results for farmers are much better in the long term. Government subsidies for crops, including rice, allow for better cash flow. We are also considering working with coffee and other crops in Panama. The reason we entered Panama was because of the diversity of its crops, the exportation of its output, and its openness to the benefits of biopesticides.

What are you doing to raise awareness of the benefits of biopesticides at regional and national levels?

Big changes in the industry are always mediated to some extent by the biggest players. Established companies recently started warming to biopesticides after seeing that it was not a threat to their chemical portfolio, but rather a complement to it. Once they understood that, the real journey began in terms of M&A licensing and distribution agreements between the big players and the biopesti-

- Present in 35 countries
- Pioneer in biopesticides
- 350 registered products

cide producers. Biopesticides are now an integrated part of the industry and everyone has accepted that there is a legitimate place for these products in their portfolios. We are still at different levels on the learning curve for our products, and the growth of the sector depends on extracting maximum value throughout the distribution chain.

How will China's Hebang Group's recent acquisition of 51% of the company affect Stockton's operations and further its expansion?

This was an important event for us, considering Stockton has been a family-owned company for the past 20 years. Our relationship with Hebang is extremely good. In the past, Stockton relied on its own internal resources in terms of investments, goals, and business strategy. This deal allows us to carry out more ambitious plans. Stockton's vision is to become a leader in biopesticides and to integrate this product into the conventional spraying program. This increased financing will help us develop additional commercial products besides our already

well-known products, like the Timorex Gold fungicide. The new ownership structure will also enable us to penetrate new markets such as the US, China, India, Japan, and Europe. Our new shareholders have made it clear that they would like to see the company listed on the NASDAQ exchange in the next three to four years, so we are working toward that goal. Another aspect of this investment will be Stockton's ability to start screening and collaborating with the aim of discovering additional biopesticide technologies.

What new products are you preparing to bring to the market?

We want to diversify our product lines into herbicides and insecticides. We also want to strengthen the appeal of our products in the market. The early stages of our research are spent seeking ways to purify biological AI technology in order to make them viable. Almost 70% of a plant's structural mechanism is meant to be defensive. That is a fantastic place to look for implementing crop protection solutions, and we intend to invest in more research to launch more plant-based products.

Looking ahead, where will Stockton have the biggest impact in terms of the reach of its products?

Our vision for Stockton is to become a place of innovation where ideas become realities that can be applied in new and different ways. We want to bring our new technologies all the way to the individual farmer. Part of our mission is to help create technology that will benefit all of humanity. It would be great if Stockton could succeed in actualizing this goal. ✖



GREEN EARTH

TBY talks to *Mirei Endara*, Minister of Environment, on the ministry's key accomplishments, educating the young, and promoting eco-tourism.

Ministry set up in
March 2015

The Ministry of Environment was set up in March 2015. How does it differ from its predecessor and what are some of your goal and achievements?

One of our biggest accomplishments is the realization of a National Water Security Plan that ensures an integral and holistic approach to the capacity to plan in the mid and long term. Environmental issues are typically long-term issues that involve timeframes beyond that of any current government. We need to ensure that what we do is sustainable, will last, and that the fruits of our investments can be enjoyed by future generations. We also work on promoting sustainable tourism. Over 40% of Panama is under a protected area category. Communities in these areas typically do not see any benefits to living in these protected areas. One of our objectives is to incorporate the private sector, NGOs, and communities in protecting these areas, while also showing them the benefits of sustainable tourism. This will enable us to appreciate and understand the natural wealth and resources in Panama, while bringing in a source of revenue. In terms of climate change, we participated in the Paris Climate Talks and took part in all the negotiations. We launched, with President Varela, an initiative that will lead to the creation of an international carbon market and the creation of carbon

40% of Panama
is under a
protected area

52 watersheds
throughout the
country

credits through market mechanisms. The need for climate financing is much higher than what can be met through public funds, so we need to incorporate the private sector in that transformation to maintain the global temperature increase at less than two degrees centigrade.

How do education and training come into play in your efforts?

Planning is crucial in terms of setting out the investments that need to happen and in creating awareness of why these investments are important. We are currently doing an extensive consultation on the plan in all the different provinces in Panama. This year we will initiate an important contribution to a private sector initiative for a nationwide competition on water involving high school students who

will engage in research and learn about water issues. With the office of the First Lady, we also work with 450 primary schools, supporting projects related to taking care of our surroundings, the importance of recycling, of having trees near water resources, and so on. Projects like this are an effort to invest in our country's future by grooming new generations of Panamanians who realize, understand, and value the importance of environmental resources, security, and sustainability.

What is being done to encourage and develop recycling in Panama?

There are a number of recycling companies in Panama but unfortunately, on the whole, Panamanians are not used to recycling. Recycling is not really a government responsibility, so instead we try to create the right conditions for businesses to take this on and fill that niche. We are also working to create a general law on garbage that will make conditions for better recycling, reducing waste, using space and landfills more efficiently, and providing better services from garbage disposal authorities and municipalities.

How is the ministry working to develop sustainable infrastructure in protected areas to promote eco-tourism?

We have started an action plan on sustainable tourism focusing on five protected areas in particular. There are the pilot areas where we invest in infrastructure, create trails and better signaling, improve apps, and establish visitor

centers. Each protected area typically has a management plan, and the management has a section that is called a "public use plan" that we will implement. Panama is the regional leader in sustainable tourism and the dynamic agent for communities and the private sector surrounding protected areas. This is the vision we agreed on, as our concept of green tourism. It will serve as a guideline for the government, the private sector, and communities to develop their protected areas into appealing destinations and encourage green tourism in Panama. ✖

BIO

Mirei Endara is Panama's first Minister of Environment, a newly created position. Previously, Endara served as the first Administrator General of Panama's Environmental Agency (ANAM), created in 1998, and recently upgraded to cabinet level. Endara holds a bachelor's degree from Wellesley College in biochemistry and Japanese and a minor in economics, and a master's degree in environmental management from Yale University's School of Forestry. She has served on several not-for-profit boards, including ANCON, the oldest conservation organization in Panama, the Smithsonian Foundation, and the Centro de Ciencias y Arte (EXPLORA).

HIGH & DRY

Extreme weather conditions in Panama and the entropic response of much of the population are highlighting the urgent need to formulate a thorough review of water utilization practices in the rainfall-dependent country.

DROUGHT CONDITIONS throughout Central America have continued as a result of El Niño, leading to severe losses in Panama's agricultural sector for the second consecutive year. Panama, which is ranked among the top five countries in the world for its annual rainfall and has naturally always counted on an abundance of water, is now seeing the need to introduce new water management strategies and recently began formulating a new National Plan for Water Security 2015-2030.

Estimated losses for the agricultural sector in 1H2016 have been estimated at \$102 million. Panama's energy sector has also been significantly affected by water shortages. Panama relies on hydropower to meet 62.6% of its electricity needs, which is growing at an annual rate of 8% according to 2012 World Bank statistics. In addition, Panama relies on vast quantities of water from rainfall to maintain adequate water levels in the canal, the expansion of which naturally calls for greater requirements. Panama now faces the decision of whether to use the water for human consumption, sanitation, the canal, agricultural processing, or farming.

El Niño is a weather phenomenon that results from water variations in ocean temperatures in the Equatorial Pacific, causing unusually warm weather and reduced precipitation. Guatemala, Honduras, and El Salvador as well as part of the Caribbean have also been affected. According to the UN Food and Agriculture Organization, the impacts of this year's El Niño in the region are worse than last times, leading to growing water insecurity in the region.

Panama has realized that it can no longer rest on its laurels and earlier this year began public consultations on the formulation of an unprecedented new plan of action. The National Plan for Water Safety 2015-2050 is based on the current and future expected demand for water based on population growth rates, and counts

on the involvement of a number of parties including the Panama Canal, the Ministry of Agricultural Development, and the National Secretariat of Energy.

Under the theme "Water for All," the plan has five priority areas. These main points of attention are universal access to quality water and basic sanitation, water for inclusive economic growth, effective management of water-related risks, 52 healthy watersheds to ensure availability and quality of water, and water sustainability.

Further details of the plan have yet to be unveiled, but it represents only a part of Panama's water management strategy going forward. Other solutions include increased efforts in water recycling and innovative irrigation solutions. In this regard, Panama is hoping to learn from other countries that face similar climatic conditions such as Israel, with which it negotiated a free trade agreement last year.

A desalination plant on the island of Taboga, which is also on technology adopted from Israel, is to be inaugurated this year, and plans to install a similar system in Contadora are underway. Drip and micro-irrigation applications are already being rolled out across the country as well.

However, introducing new technologies will not be sufficient; raising consciousness and behavioral changes through education will also be a major obstacle to adapting to the effects of El Niño. Despite recent bouts of drought in parts of Panama at the start of the year, provinces around the country went ahead with using traditional water canons during the carnival season. Lastly, the government hopes to encourage further investment in research and development in the area of water management technologies as a move in the direction of developing more sustainable long-term natural resource utilization strategies. ✘



a little LIQUID

TBY talks to **Julia Guardia**, Executive Director of the National Institute of Aqueducts and Sewers (IDAAN), on water scarcity challenges and new technologies.

What has been IDAAN's response to the water scarcity issues in Panama?

We work with the Ministry of Environment to push forward the National Water Security Plan, which is important for securing our natural water resources in the short and long term. We try to mitigate the impact of El Niño through a large-scale well construction program and are constructing around 138 wells throughout the country, with plans for further wells in the future. We also work to deliver water via trucks to our clients in rural communities that are in serious need. To operate our water filtration plants, we build dikes in rivers in some areas that do not have enough flow or depth at the moment due to the diminished flows that occur during summer. We undertake improvements to many water intake pumps and make investments that diminish the weaknesses of our systems, which at the moment are vulnerable to water scarcity. We definitely require a change of water management in the sense that we need to manage our water resources, but also need more awareness amongst the general population. The water scarcity

- Services 75% of population
- Involved in National Water Security Plan 2015-2050

we experienced during the El Niño years, particularly in the countryside, has raised awareness, but habits are slow to change. We have not yet seen a strong lowering of water consumption.

How do you work with other authorities?

We focus on the collection and supply of potable water and the treatment of wastewater, which are our main goals. We work with other sectors on the National Water Security Plan, but as we are the largest water and wastewater operating company, servicing 75% of the Panamanian population, our priority is to service populations that live in cities.

What is your role in the Sanitation of Panama and the Bay project, and who will it benefit?

The Sanitation of Panama and the Bay project is led by the Ministry of Health, and has now been turned into a wastewater collection and water treatment program. It is a strategic project because it will take care of disposing wastewater for the largest areas of Panama City. IDAAN takes care of areas to the north as well as some larger cities of the countryside. In the end, all systems have to converge and be transferred to IDAAN for wastewater lines operations, treatment, and maintenance. This project has been in need of financing. It will be key to promoting health and tourism throughout the city, and will improve the quality of life of many people who live in the largest cities of Panama.

What new technologies are you working on at IDAAN?

We have several partnerships with universities and with CATHALAC, and are in the process of transforming our organization to increase its institutional capacity. We undertake several projects, including a telemetric project that allows for remote management through a network of monitoring points that

control Panama's aqueducts. We also include technological projects such as an enterprise resource program to integrate and improve our internal systems. This helps us manage our projects, stock, purchases, and transfers. It will also help merge our operative and commercial areas that currently work independently. We will know when repair crews need materials and can improve our organizational processes. We also work on a geographical information system that covers the whole institution, which will support us as we currently do not have knowledge of where pipes or leakages occur. We also implement micro-metering to lower our consumption, and are starting a pilot to do water metering from large distances. The intelligent micro-metering system will cut services if someone does not pay.

Does the Panama Canal expansion put more pressure on IDAAN?

Around 55% of our water production from our filtration plants comes from the Panama Canal watershed. We have to manage with the canal to make the best use of that water, considering that human consumption is the most important use of our water resources. ✖



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Construction on the \$517 million Ciudad de la Salud (City of Health) will recommence this year, ending in 2018.

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Panama is upping spending in order to boost an education system that has historically failed to fulfill labor market needs.

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Low levels of English proficiency still represent an obstacle to fully realizing the country's potential.

Health & Education

REVIEW HEALTH

Healthcare in the country has focused inward, with the government undertaking extensive efforts to ensure equal access to care for all.

PICTURE OF HEALTH

Healthcare in Panama comprises two public entities, namely the Ministry of Health (MINSa) and the Social Security System (CSS), which operates public clinics and hospitals and provides access to healthcare for all, regardless of income. The pressing issue with healthcare in the country remains access to healthcare, with the lion's share of hospitals, clinics, and doctors concentrated around Panama City. The capital is home to some of the best and state-of-the-art private medical facilities in the region, with top-notch staff and technologies that provide excellent care at a fraction of the costs in the US or Europe. Elsewhere, however, good medical care is limited and often only first aid is available. Panama's health spending is generally in line with its income status and level of development and total health expenditure in 2014 accounted for 8% of the country's GDP, while per capita spending was \$959.

The government of President Juan Carlos Varela had



There are efforts under way to address the shortage of qualified health professionals in the country and increase the level of training.

identified three main pillars for the development of a unified healthcare program for the country, namely health for all citizens, establishing a solidary system, and guaranteeing the funds to ensure the functioning of the system. In November 2015, 16 unions of health professionals, the Ministry of Health, the CSS, and the UN finalized and presented to the president a proposal to transform and improve the public health system. The result of an exhaustive eight-month study of the country's healthcare system, its institutions, the needs of the population, and strategies, the proposal outlined initiatives to raise the quality and standards of health in the country. The groups had previously identified, among its other concerns, the importance of improving public health, resolving the problem of the scarcity of medicine, training and compensating qualified human resources, and improving infrastructures.

Preventive health check-ups, part of the government's initiative to improve access to

healthcare for all citizens, were initiated across the country in March 2015. The aim by the end of 2016 is to reach out to over 100,000 people over the age of 40 to provide them with a complete medical check-up, including blood pressure, calculation of body mass index, and medical treatment. Regardless of their insurance coverage, Panamanians will receive free medication and a control plan to detect and prevent diseases such as diabetes, hypertension, and cholesterol. The project aims to provide the appropriate care, in particular to those living in rural areas without easy access to health services, and to get Panamanians to pay more attention to preventative measures. The president had highlighted during the launch of the program that the government's main concern was the health of the population over the age of 40, which is the group of Panamanians in their productive years typically afflicted by ailments that affect the quality of the workforce, the productivity of the economy, and their personal well-being. Data from the initial stages of the national health checkups found that out of 26,500 Panamanians over the age of 40 who were examined, 30% suffer from hypertension, 30% have cholesterol problems, 20% are obese while 11% suffer from diabetes. The program allows the Ministry of Health to catalog and monitor the development of health problems in the country and helps them identify new vulnerable groups, prioritize the problem of each community, and formulate policies and measures accordingly based on the data. The program was first launched in the regions of Bocas del Toro, Coclé, Veraguas, Panama West, and San Miguelito, and later extended to Herrera, Los Santos, Colón, Chiriquí, Darién, Panamá East, and Las Comarcas. After overseeing the first phase of the program, the Ministry of Health aims to farm out the next phase to the private sector in the hopes that the program can be expanded to reach out to 800,000 adult Panamanians annually in the next four years, i.e., between 50% and 80% of the adult population at the national level.

The public health system also suffers from a shortage of qualified personnel. There is a high rate of health workers moving from the public sector to the private and existing regulations requiring doctors in the public sector to be Panamanian-born limit the number of available providers. To address the shortage in some areas of the country and increase the level of academic training given to healthcare professionals, \$70 million was allocated for a new Faculty of Medicine at the University of Panama to be administered by the Ministry of Health. To be built on an area of about 5.5ha, the funds will be used to construct and equip the new faculty to fill the shortage of qualified medical professionals in the country. The new faculty is in addition to the \$1 million in scholarships handed out by the president to more than 100 students and professors of the Faculty of Medicine of the University of Panama.

The World Health Organization (WHO) announced in March that the first birth defects

tied to the Zika virus were reported in Panama. Panama is only the second country, after Brazil, with confirmed cases of microcephaly linked to Zika infection. The government in February set aside \$10 million on a comprehensive plan to combat the risk of the Zika virus spreading further. The northern territory of Comarca Guna Yala health alert was declared an epidemic zone after 53 cases of people affected by the Zika virus were registered in the territory in 2015 and 2016. With the country's high level of connectedness an issue of great concern, the government identified as the Zika virus a matter of high priority, with all public entities ordered to provide their full cooperation and place all their resources at the Ministry of Health's disposal to prevent the spread of and control the disease.

In March, the government approved a law regulating the use of controlled substances and drugs for medical and scientific purposes and streamlining their import, manufacture, and marketing. The law introduced changes necessary for bringing the country's health regulations up to date, while streamlining the processes of importing, manufacturing, marketing, prescribing, and dispensing pharmaceutical products for use against chronic and terminal ailments. The majority of pharmaceuticals in Panama is supplied by international companies while local manufacturers only supply 10% of the market. The industry, worth about \$307 million annually, faces a shortage of skilled labor, import restrictions, and bureaucratic red tape, among others. Meanwhile, the increasing demand for medicines in the region remains a strong pull for multinational pharmaceutical companies, with foreign companies reporting strong revenues across the region in 2014.

Medical tourism, a growing phenomenon in the country, has continued to be a key source of growth with enormous potential. Vilma Moreno de Arias, the executive director of Centro Médico Paitilla, told *TBY* Panama has a lot to offer and the country's medical system has reassured expats and tourists alike that they and their families will receive good care. Medical tourism is currently more oriented to orthopedic, oncology, plastic surgery, and odontology services and Centro Médico Paitilla has seen a significant increase in the number of foreigners who come for medical treatment. Dr. Roberto Epifanio M., the director of IVI Panama, likewise told *TBY* almost 10% of their patients come from abroad. Most of them are from Costa Rica, Colombia, the Dominican Republic, Nicaragua, and Canada. Dr. Epifanio believes clients from the US and Canada are likely seeking cheaper alternatives, while Central American patients come because of the unavailability of the technology in their countries. Hospitals in Panama are taking advantage of this growing segment by providing more and more service and amenities to attract patients. The Panama Clinic, for example, is constructing a mixed-used development project combining a hospital with a mall, theater, restaurants, and hotel to cater to the demands of medical tourists. ✕



DAX CABRERA
*Founder, Medsis
 Medical Systems*

What is the concept behind Medsis?

We moved to Panama with the idea of uniting the different technologies needed for medical records, imaging, and laboratory systems and placing them on a single access portal. The infrastructure in Panama allowed us to build all the technologies into one platform, without the obstacle of licensing. Our system is called a national healthcare information system because we have the ability to consolidate the information of the Ministry of Health or even an entire country into a single evolving database. This is a new concept in healthcare and is the foundation of Medsis.

What are some wider implications of Medsis technology?

We are currently working with strategic partners using geo-location and Google's cloud as well as mobile capabilities to create an interactive system to combat the Zika virus. We are in fact working with super computers that crunch data and satellite imaging to check population census information as well as climactic patterns of risk areas to create a system where people can participate in reporting in order to report, prevent, and treat Zika. Currently there is no solution or real option to accurately report in real-time.*

*Read the full interview at thebusinessyear.com

TO YOUR HEALTH

After more than a year's pause, construction on the \$517 million Ciudad de la Salud (City of Health) will recommence this year, with a final completion date set for 2018.

THE CITY OF HEALTH, formally known as the Ciudad Hospitalaria Ricardo Martinelli, is to be a new 219,465sqm hospital complex on the outskirts of the city in the district of Clayton, which borders the Panama Canal. The project is comprised of 17 buildings, 38 operating theaters, 320 doctors' offices, 3,500 parking spaces, a heliport, a shopping center, and a hotel. With an expected lifespan of 100 years and a capacity to attend to 3 million patients, Ciudad de la Salud was designed with a vision to become the largest and most technologically advanced medical complex in the region, and a benchmark for hospital cities in Central America.

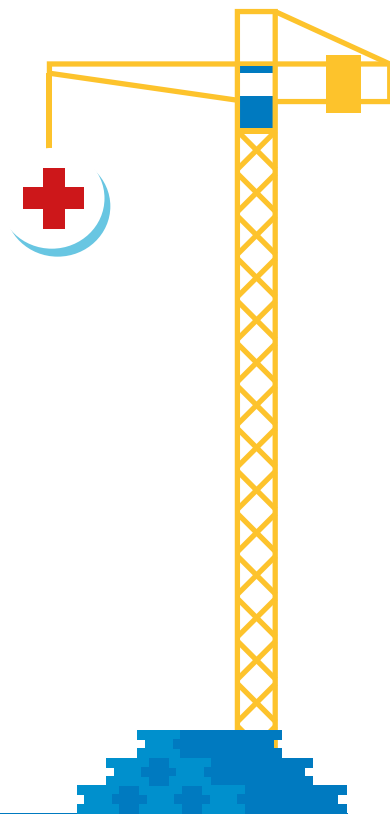
Spanish construction giant Fomento de Construcciones y Contratas (FCC) was awarded the \$517 million contract by Panama's Social Security Fund (CSS) in October 2011, after receiving a technical score of 93.6% and offering a price well below the targeted project total of \$650 million. FCC beat Samsung and the SACYR- Interplus consortium, which bid \$599 million and \$639 million respectively. Construction of the megaproject kicked off at the beginning of 2012.

However, Ciudad de la Salud has been the object of some skepticism from some of the country's leaders. The third most expensive project to be commissioned under Ricardo Martinelli's government, which was in office from 2009 to 2014, the proposed project has come under criticism for its vast size, the high expected costs of operating the complex - estimated at \$350 million per year - and its location on the site of a former antenna field in Chivo Chivo, Ancón, far away from other areas of economic activity and isolated from surround-

ing road infrastructure. Miscalculations in the contract and construction were highlighted following Juan Carlos Varela's entry into government in July 2014, and the project, which to date is 42% complete, was paused in November 2014. A change of name from Ricardo Martinelli Hospital City to City of Health (Ciudad de la Salud) was approved in July 2015, and is now due to be completed in 2018, three years later than initially planned.

To meet the maintenance costs, the government announced that 20% of the complex would be rented out to the Ministry of Health, which will move the new headquarters of its National Institute of Oncology (NIO) to the City of Health. A letter of intention confirming the move was signed in September 2015 by Minister of Health Francisco Javier Terrientes and head of the Social Security Fund Estiven Girón. The NIO will occupy an area of 58,000sqm and is comprised of two buildings, including 250 beds, ten operating theaters, 12 intensive care beds, and 97 consultation rooms. However, according to representatives of FCC, the building where the NIO is to be located had originally been designated for the Pediatric Specialist Hospital, implying a need for modifications to the infrastructure and raising the cost per square meter from \$2,000 to \$5,000.

Recommencement of the construction, which will require a workforce of 2,500 employees, was initially announced on January 15, 2016, and FCC has reiterated its commitment to finishing the project by September 2018. However, a number of further issues have persisted, such as a lack of personnel, delays in obtaining planning permits from the Ministry of Public Works and the National Institute of Aqueducts and Sewages (IDAAN), issues with the electrical systems and water supply, and disputes regarding the construction materials use by FCC. Once completed, the new complex will no doubt put Panama at the forefront of healthcare services as a standard of excellence in Latin America, but the new start date for the project remains unclear. ✘



CITY OF HEALTH PROJECT TIMELINE



2011
\$517 million tender awarded in October

2012
Construction begins

2015
Initial target for completion

CITY OF HEALTH PROJECT FEATURES

219,465sqm
hospital complex

Projected 3,000,000 patients


100-year
lifespan



NATIONAL INSTITUTE OF ONCOLOGY HEADQUARTERS

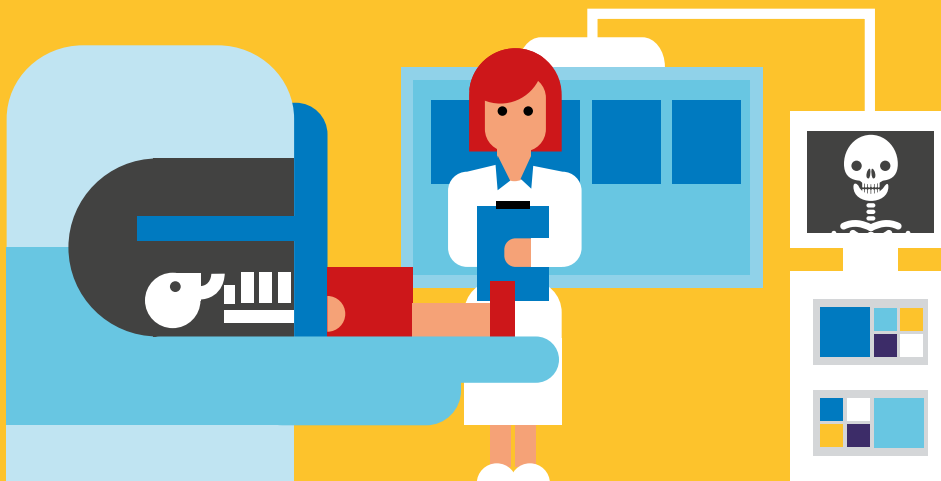
58,000sqm

City of Health Complex

2 buildings
10 operating theaters

250 beds
97 consultation rooms

12 intensive care beds



CITY OF HEALTH PROJECT TIMELINE

2014
Paused at 42% completion in July

2016
Recommencement approved in January

2018
Completion date



HOSPITALS



DR. ROBERTO
EPIFANIO M.
Director, IVI Panama

IVI is a big group and this has allowed us to bring many advances to Panama. We set up an IVF lab with the latest and best technology and introduced new pre-genetic screening (PGS) to test embryo abnormalities. We also have a new freezing technique that increases the chances of survival of the embryo from 30% to over 90%. We acquired a new incubator time-lapse called Embryoscope to identify the best embryo without constantly

taking them out, which reduces their quality. Right now we have an implantation rate of more than 40%, compared to about 30% in the US and 35% in Europe. We have the endometrial receptivity test, which calculates the days in which the embryo should be implanted, and IVI was the first to perform that. We have other analysis programs for once the woman is pregnant to determine whether the embryo exhibits signs of birth defects.

VILMA MORENO DE ARIAS
Executive Director, Centro Médico Paitilla (CMP)



We have been a pioneer in the country in the use of the latest technology, which is one of our main strengths. The most recent important investment is the Philips MRI Ingenia 3.0 Tesla installed last year. We also focus on training and developing human capital in the sector. Our employees

Clinics and hospitals are going above and beyond to provide their patients the best technology and facilities.

Panama is a hub, and we wanted to build a mixed-use project that combines a hospital and a shopping mall. There will be a theater, restaurants, and a hotel component to cater to the demands of medical tourists. It will also feature the latest technology. We aim for administrative efficiency to ensure that patients receive the best treatment and services. We will have oncology, an emergency room, a surgical block, outpatient, surgery and procedures, medical imaging, a maternity floor, and all the treatments for cancer, where we already have a team of doctors. There are around 70 beds and all of the rooms are suites. The Panama Clinic will be the most relevant hospital in the region for its excellence in services provided and its staff. It is conceived as a hospital within a complex

that offers a warm, safe, and attractive environment, where patients will have an enjoyable experience to complement their healthcare.



THEODORO
CONSTANTINAU
President, The Panama Clinic

not only have jobs, they have a career and can develop themselves. We maintain modern facilities and the latest equipment, which allows us to provide patients with a complete range of quality services. We have a very prestigious group of physicians who have contributed to raising the standards of medicine in our

country. We focus on modernizing and adapting our physical facilities to remain up to date. We are currently in the midst of two important projects: expanding our laboratory service as well as the emergency room; both have to be very well equipped with advanced technology and functional design.



Panama is upping spending in order to boost an education system that has historically failed to fulfill the needs of the labor market.

Review EDUCATION

SEARCHING FOR ANSWERS

THE CONTRAST BETWEEN the glistening skyline of Panama City and the country's impoverished rural areas is also reflected in an education system that has often failed swathes of the population and left worrying skills gaps across the economy. Now, the government is looking to spend more to bolster public education, improve the quality of its teaching workforce, and better cater to the needs of industry.

The education system consists of primary, middle, secondary, and tertiary education, with vocational education also available. Primary and middle school are compulsory and, according to Foreign Credits, exist in an decades-long unchanged state as the authorities fear stoking unionized teachers. Attendance in rural areas can also be patchy. At the secondary stage, which lasts from the age of 15 to 18, students choose between an academic or vocational track. According to ICEF Monitor, 34,000 students chose the former in 2013, with 40,500 opting for the latter. At this level, ICEF Monitor also notes that public education represents 87% of enrolled students, compared to private schools with 13%.

Private education is far wider at the tertiary level, where 34 private schools instruct 47,000 students compared to the five large public universities, which have over 90,000 students on their books. Enrollment is on an upward curve, steadily increasing YoY as a reflection of increased demand for skilled labor across the economy. ICEF Monitor points out that private institutions account for much of the growth in tertiary-sector education in recent years, boosting their share from 20% in 2009 to over a third presently. The increase in demand, however, means that as many as 350,000 students are unable to secure a place at university due to capacity issues.

In order to tackle challenges facing the sector, the education budget has increased in recent years, notably so following the election of President Varela in 2014—the Ministry of Education's budget grew from \$1 billion in 2013 to \$1.29 billion in 2015, with a substantial \$412 million earmarked for middle and post-secondary schools.

In order to tackle the challenges facing the sector, the education budget has increased in recent years, notably so following the election of President Varela in 2014—the Ministry of Education's budget grew from \$1 billion in 2013 to \$1.29 billion in 2015, with a substantial \$412 million earmarked for middle and post-secondary schools. One key aim of the Ministry, which is the largest government entity, employing 25% of the public workforce or some 56,600 people, is to improve the level of English language teaching in the country, in line with the country's aspirations to be a cosmopolitan business hub for the region. Panama Bilingual is the result of that, and, having been launched in 2014, has seen around 2,000 Panamanian teachers travel abroad for training in new instruction methods. In 2016, Panama Bilingual received a budget of \$24.6 million, which will go toward training for 1,500 more teachers in Canada, the US, and the UK. By 2019, the Ministry hopes to have trained 10,000 English teachers. Currently, the country ranks 48th out of 70 countries on the EF English Proficiency Index 2015, and 11th out of 14 Latin American countries surveyed.

But while spending is on the up, challenges remain, with Newsroom Panama reporting in early 2016 that 50% of students drop out of secondary education. Panama also lags behind

many of its contemporaries in Latin America in the core subjects of math, reading, and science. This results in young school leavers being relatively unprepared for the job market.

A quick look at official rankings reveals how far Panama has to go, the country ranking 83rd out of 144 in terms of the quality of its education system in the World Economic Forum's Global Competitiveness Report 2014/15. That is a drop of eight places on the previous year, the report also underlined the disparity between the education system and the needs of industry. Elsewhere, the top-placed Panamanian university on the QS University Rankings: Latin America 2015 is the Universidad Tecnológica de Panamá (UTP), in 92nd. In total, seven Panamanian universities made the list, including four in the top 200. ICEF Monitor is quick to point out, however, that some metrics are encouraging, including a 53% rate of women in higher education.

With much room for improvement, however, comes ample room for investment. One major draw is the Ciudad del Saber, or City of Knowledge, a state cluster of academic organizations, technology companies, and non-governmental organizations. One such academic organization is the Instituto Tecnológico de Monterrey, or Monterrey Tech, a private Mexican educational institution. "Panama is open to international organizations, and Monterrey Tech was no exception. We are located within the City of Knowledge, which is a hub for knowledge close to the Panama Canal," said Director for Latin America and the Caribbean Sandra María Ortiz Ramos, in an interview with *TBY*. And Monterrey Tech is not the only institution looking to expand the knowledge economy. Back in 2002, the National Secretariat of Science, Technology, and Innovation (SENACYT) established the Institute of Scientific Research and Technological Advances (INDICASAT-AIP), which today is a leading research institution that publishes papers and drives awareness, in areas such as patentability. The institution is also planning

to build a Knowledge-Based Technology Park on donated land and collaborate with scientists and companies involved in the creation of innovative technology. At the grass roots level, INDICASAT-AIP is working to build interest in STEM subjects, and visits rural schools to promote the study of science and technology. "We are looking for policymakers in Panama to invest in science and technology in the upcoming years. We predict that, by 2050, the GDP of Panama is going to grow three fold and we need Panamanian man power to be able to handle such economic growth," Dr. K.S. Jagannatha Rao, Director of INDICASAT-AIP.

Another way that Panama's universities are looking to boost human capital in the country is through the use of exchange programs. According to ICEF Monitor, Panama sends around 2,600 students a year abroad for tertiary education, around half of which go to the US. Other popular destinations include Cuba, Spain, Saudi Arabia, Honduras, Italy, Chile, Canada, the UK, and France. The country's historic ties to the US can explain why so many choose to go there, with universities like Florida State, originally set up to provide education to serving US military personnel, now helping Panamanians travel north. "The 2+2 program, which is based on a statute of the State of Florida that allows citizens from Latin America and the Caribbean to access financial assistance such as a scholarship or government grants, subsequently became attractive for Panamanians and Latin American students. We started that program in 2001 and it is what has made us successful," said Rector Dr. Carlos Ricardo Langoni.

Overall, Panama still has a long way to go to before its education sector is working in lock-step with the needs of the economy. High levels of investment could help to promote increased access and quality, especially in rural areas, whereas, moving forward, capacity will also have to be expanded if tertiary education is to fulfill its potential. ✖

EDUCATION SYSTEMS

SOURCE: FOREIGN CREDITS

PRIMARY (COMPULSORY)

from
1st - 6th
grade

MIDDLE (COMPULSORY)

from
7th - 9th
grade

SECONDARY

from
10th - 12th
grade



MODALDO TUÑÓN

General Director, Instituto Nacional de Formación Profesional y Capacitación para el Desarrollo Humano - INADEH

What is INADEH doing to address a shortage of talent?

One of the first things we did was to reengineer and expand vocational studies. We increased the number of vocational programs from 17 to 34 in order to encompass the diversity of the country. Next, we addressed the needs of the most disadvantaged, including people in prison, underage mothers, and former gang members. For this, we have a special program called "Barrios Seguros," which addresses the diversity of vocational trades and those most in need. We are still introducing new training programs.

How do you promote English proficiency?

The strategy that we have is called Panama Bilingual, which is run by MEDUCA and INADEH. Around 70 English instructors have enhanced students' English skills in Canada, the US, and the UK. We currently have 22 people in the US who will return at the end of April. This is an important training initiative, which reaches between 8,000-9,000 Panamanians each year. We also have a recent partnership with the National Secretariat of Science, Technology, and Innovation (SENACYT), through which we conduct training at Infoplazas, which are like internet cafes. We ensure that all the administrators are able to promote our courses and programs.*



MAKING DISCOVERIES IN PANAMÁ

The Institute for Scientific Research and Technology Services (INDICASAT AIP) was established in 2002 by the National Secretariat for Science, Technology and Innovation (SENACYT) to promote the development of Science, Technology and Innovation in the Panama. INDICASAT AIP was created to transform service-based Panama to a knowledge-based country, where technologies will be generated to solve our own problems and the world's. So far INDICASAT AIP has become a model institution in Central America and is now focusing on becoming a leading Institute by 2020.

Currently Institute has the following Research Centers:

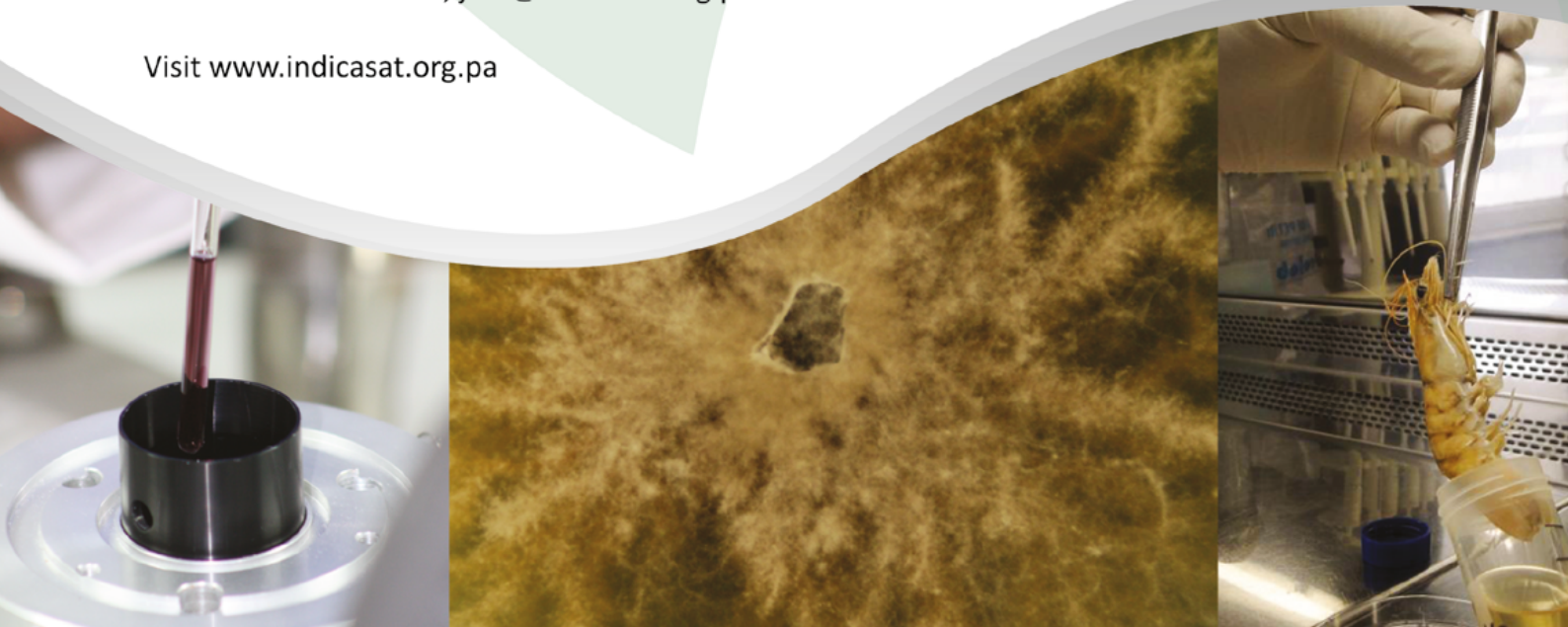
- > Center for Biodiversity and Drug Discovery
- > Center for Neurosciences
- > Center for Molecular and Cellular Biology of Diseases
- > Center for Clinical trials and Translational Medicine

In 2011, INDICASAT AIP initiated the first Ph.D program in Biotechnology in English; also it supports school students and teachers to involve science and innovation promotions at schools and promote competitive technologies development for the region. INDICASAT AIP is a competitive institute with high quality publications (Lancet, Nature Biotech, PLOS MED, PLOS One, PLOS Infectious, PNAS, etc.), collaborations with world-leading institutions, and has attracted international grants. INDICASAT AIP is honored to have a Nobel Laureate, Dr. Robert Huber from Germany, as a distinguished professor from 2016. INDICASAT AIP has more than 50 world-leading scientists as adjunct faculty supporting scientific research and innovations in Panama.

The Institute accepts donations, which are tax exempted in Panama.

For more information contact Dr. Jagannatha Rao
INDICASAT AIP Director, jrao@indicat.org.pa.

Visit www.indicasat.org.pa



FRANKLY SPEAKING

Though Panama is a global hub for international business and tourism, low levels of English proficiency still represent an obstacle to fully realizing the country's potential.

ENGLISH IS NEITHER an official language of Panama nor is it widely spoken amongst the general population. Instead, Spanish is Panama's official language and is spoken by most of the country's residents. However, important organizations in Panama, such as the many international companies with a local operation, work in both Spanish and English. English is taught mainly in private schools, with a greater prevalence in international schools. As of 2015, estimates are that English is fluently spoken by roughly 15% of the Panamanian population.

Although Panama has a reputation of being an English-friendly country, recent studies have suggested otherwise. According to the Education First English Proficiency Index 2015, Panama's English Proficiency Score is 48.77, ranking 11 out of 14 Latin American countries. A score of 48.77 is considered to be a low level of proficiency. Some regions speak dialects of English, mixed with Spanish and native languages.

Because Spanish is the official language of Panama, government documents must be completed in Spanish. Labels must be in Spanish for medicines and household products as well. Labels for other products may be written in English, but most are often in Spanish only. All other goods may have an English on it, but only if the sellers wish to target the English-speaking customer segment.

The USA Today business guide to Panama states that many Panamanian business professionals speak both Spanish and English, with Spanish as a first language. It is considered a sign of respect to attempt to converse in Spanish before talking in English or another language. It is also recommended that business cards be written in English and Spanish, with the Spanish side presented face up when exchanging cards. Though some officials in government may speak English, most official business documentation must be completed in Spanish. There are many English websites

that provide business and investment advice in English.

Until recently, English was sparsely taught at public schools. Because Panama is trying to reinforce its position as an international business hub, the government is encouraging students to learn English by promoting training programs abroad in international countries. The Panama Bilingual project was started in 2015, wherein teachers and pupils are trained abroad in English. The program is intended to train 10,000 teachers from 2015 to 2020.

There are several newspaper and news sites that produce content in English. Panama News is the leading English newspaper. BBC News – Panama also produces a wide variety of English news articles. Other media publishers of interest include Panama News, La Prensa, Bocas Breeze, EyeOnPanama.com, and Newsroom Panama. American television channels available in Panama include CNN, ESPN, FOX News, and HBO.

Most companies and organizations have employees who can speak English, and most professionals are bilingual. As expected, regions that focus on tourism will likely employ staff that can communicate easily in both English and Spanish.

Some regions have a higher rate of English proficiency than others. On the Caribbean coast, in cities such as Colón and Bocas del Toro, English is more prevalent because many families emigrated from English speaking regions of the Caribbean. With a growing expatriate population, English is becoming more common in these pockets of Panama. Popular expatriate regions are Panama City and the Western Highlands.

English speakers are most common in Panama City. Because of the American influence of the Panama Canal in Panama City, many businesses that provide services to and around the Canal are capable of working in English. The demand for English speakers in Panama City is continually increasing.

Though English is not widely spoken among the general public in Panama, its role as the language of choice in the tourism sector and for multinational firms present in the country cannot be underestimated. The government of Panama is making an effort to increase English proficiency, and the language is expected to become increasingly prevalent in the coming years. ✘



VANESSA WHAY
*Headteacher, Kings
College Panama*

How will you determine which programs will be offered here?

We will offer subjects that reflect the strengths of the teachers and the needs of the children. We are preparing children for a future that is unknown. We have three-year-olds here who are not going to graduate for another 20 years, and we know neither what the world will be like then nor what the job market will demand. We have found that our older children are looking more toward fields in the sciences and business management, with subjects like global perspectives that open up careers in politics, government positions, and embassies.

How do you prepare students for university admissions?

Thanks to our other six schools in Europe, we already have strong links with British and Spanish universities. One of our children from the school in England just earned a place at Harvard. We will probably begin focusing more on American universities because of our geographic location. The way that the A-Level system is structured means many American universities consider it a foundation year, and students from our school, therefore, enter American universities having already earned many more credits than those who enter via national entrance exams.*

TECH HARD

TBY talks to **Dr. K.S. Jagannatha Rao**, Director of the Institute of Scientific Research and Technological Advances (INDICASAT-AIP), on the institute's mission, commercializing innovation, and goals for the future of the advancement of science in Panama.



to develop and support local colleges and universities. The other dream is the Technology Park, for which we would like to finalize the plans by the end of 2016. Our goal is to transform INDICASAT-AIP from a model institute into a leading institute and thus make it a National Institute of Excellency with international recognition. This would position Panama as an international science hub within the next 10 years. We are looking for wise decisions by Panama's policymakers to invest in science and technology in the coming years. We predict that by 2050 the GDP of Panama is going to increase by threefold, and we will need local Panamanian manpower to handle such economic growth. Hence it is necessary for policymakers to take a long-term approach toward investment decisions. ✕

What is INDICASAT's mission?

INDICASAT-AIP was started in 2002 by SENACYT as an institution involved in technological advancement services. The aim at the time was to provide analysis and technical services. Initially, we started by supporting the Panama Canal and carrying out analyses for canal operation purposes. In 2008, when Dr. Julio Escobar was in the National Security branch of the government, two changes were brought about. The first was to make the institution autonomous, as previously it was part of the government. He put Association of Public Interest (AIP) in the name, and this led to tremendous institutional progress because it allowed us to receive tax-exempt donations for research purposes. Also in 2008, Dr. Escobar decided that this institute should evolve from being a service center to becoming a leading research institution, and current National Secretary Dr. Jorge Motta is further supporting this idea, thus making the institute highly competitive and innovation driven with productivity. The institute focuses on biomedicine and inter-disciplinary sciences. Biomedicine does not only refer to medicine and doctors, as we also work with psychologists, sociologists, computer engineers, and other disciplines

- Founded in 2002
- Autonomous from state

through all of the available faculties. Right now, there are 28 academics working at the institute, including chemists, medical doctors, biologists, engineers, social scientists, and physicists.

What is being done to promote patentable technologies?

The institution is a model institute, so we started a program whereby we were publishing papers and collaborating on innovative technologies. Now that Panama is more aware of patentability, people are focusing on it. We wanted to go one step further and build a technology park. We have received a land donation from some Panamanian groups and plan to build what will be called the Knowledge-Based Technology Park. We plan to collaborate with companies and involve Panamanian scientists in the creation of novel technologies and play a key role in the transfer of technology from elsewhere. The important thing is that we not only want to pursue sci-

entific development, but also promote developing technology within the country. Even simple antibiotics are not currently produced in Panama; they are instead only repacked here. We would like to develop a technology park so that we can bring together local and foreign investors. We will use the benefits from that for developing science, technology, and education Panama.

What are your expectations for 2016?

We have set three important targets for 2016. The first is to create a greater role for local institutions and universities in INDICASAT, and to this end we have started a joint program with UTP, which is the first PhD program in the country. This is a successful program with increasingly more institutes becoming involved. The program will be taught in English, which is something new and will help empower local universities. We are also helping the University of Panama develop a batch of English-speaking medical doctors, while finalizing MD-PhD program implementation. Our dream is to help universities around the country become stronger in the areas of STEM teaching. As an institute of highly qualified individuals, we want to transfer that knowledge

BIO

Dr. Jagannatha Rao was born in 1956 in India. He is currently the Director of the Institute for Scientific Research and Technology Services (INDICASAT-AIP), Distinguished Scientist of Building 219 at the City of Knowledge, adjunct faculty of Biomedical Informatics, at UTHS in Houston, and Advisory Board Member of minority scholarship at UTEP. His research specializes in mechanisms of protein conformations in neurodegenerative disorders, DNA dynamics in the neurodegenerative brain, and Neuro-nutraceuticals. He is on the editorial board of 25 journals, and he has guided 20 PhD candidates.

FORUM

UNIVERSITIES

The enhancement of both foreign and domestic institutions of higher learning in Panama underlines the real progress made in enabling future generations to develop and manage the growth of the country.



DR. CARLOS
RICARDO LANGONI
*Rector, Florida State
University, Republic of
Panama*

We have started this year well and have had some nice surprises. We had a big jump in enrolment this spring. Our student population used to range between 300 and 400 students; we have jumped to 512 students, which was a major change and created some logistical problems in terms of classroom space and accommodating the increase. This is a welcome problem, however, and we will adjust accordingly. The English as a second language program has also doubled in size. We have a good indication that this is going to be a good year, not by chance, but rather because we have been planning and working hard on hiring new faculty and creating the environment needed to support the program. We attract good students that have to pass the admissions requirements; we will not bend those rules simply because we want more students, and this has kept the program stable as far as numbers are concerned. We also will not offer scholarships simply to attract more students. The bottom line is that students come here because they are committed. I feel good about the university and the program. One of the things that we try to develop among our students is a sense of identity with the university and its symbols, such as football, which is a big tradition for Florida State.



SANDRA MARÍA ORTIZ
RAMOS
*Director for Latin America
and the Caribbean, Instituto
Tecnológico de Monterrey*

Monterrey is currently ranked 238th in the QS World University Rankings, up from 400th place previously. We have been getting better every year because of our research program. As a private university, we do not have funding for our research program; however, we do a lot with our researchers who are part of the National Institute of Researchers. We try to support more research projects, but we rely on tuition payments, of which only 10% goes to continuing education funds and research. Entrepreneurship, innovation, and globalization are the three key pillars of our international view on education. Our MBA is ranked first in Latin America by the QS ranking. We offer that program here in Panama, and we have 15 students enrolled from different companies and nine different countries. This is a multicultural program, and one of our strengths is multicultural networking, which is why CEOs and managers come to us; they know that they will be able to foster a relationship with people from other countries and be able to broaden their vision. One of our main purposes is to broaden an international vision for our students. One of our strategies was to have offices in Colombia, Ecuador, Peru, and Panama. We are looking for more partnerships with companies, and we want to develop more in-company programs.



JUAN PLANELLS
FERNÁNDEZ
*Rector, Universidad
Católica Santa María
La Antigua (USMA)*

In the 50 years of our history, we have graduated 30,000 professionals that are now employed in the fields of economics, politics, society, and culture. As leaders in these fields, they work to transform Panamanian society into a much richer, fairer, and more humane society. More than focusing on increasing the number of students who graduate from USMA, what we want by 2020 is to have increased the quality of offering, making it more up-to-date and keeping in mind the needs of Panamanian society. We have faculties of law, psychology, engineering, humanities, and religious sciences. We want these faculties to be stronger, with more professors working full-time and at a higher academic level. R&D at USMA is orientated toward solving important social problems. We maintain direct relationships with companies and leaders of civil society. The focus is on areas in which Panama is strong, such as logistics, transport, communication, construction, and tourism. R&D is important for Panama, and there are areas where we have aspirations for further development, such as the agricultural sector. These all form part of our list of themes that our PhD students select from when they are undertaking their theses and postgraduate research. We are currently utilizing a system in which we are working to incentivize the development of patentable technologies, research, and the intellectual property that comes from this research.



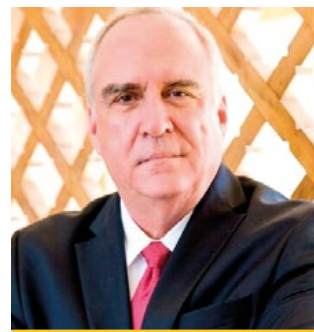
DR. JUAN BOSCO
BERNAL
*Rector, Universidad
Especializada de las
Américas (UDELAS)*

UDELAS was created with a social vision and the aim of improving the quality of life for the most vulnerable sections of the population, such as people with disabilities, marginalized communities, and indigenous communities. We are organized into the four different schools of Specialized Education and Pedagogic Education, Social Education and Development, Medical Science and Bioscience, and Clinical Science. We also have postgraduate and research programs. The structure is unique when compared to other universities in Panama. Our main campus is in Panama City, and others are in Chiriquí, Azuero, Coclé, and Colón. Our academic offer includes six remote programs, four of them focused on the Ngobe-Bugle, Las Palmas, and Kuna Yala indigenous communities, and two on marginalized communities in Veraguas. We have a system of clinics, and these allow our students to gain practical experience and they provide low-cost health services. There are approximately 11,500 enrolled students, a large portion of our students are from Panama, although we have an increasing number of international students from Colombia, Venezuela, Dominican Republic, Costa Rica, and El Salvador. Our 38 degrees encompass both technical and bachelor degrees, and we have 48 postgraduate and master's programs and two PhD programs.



JORGE
ARGUINDEGUI
*Rector, ADEN Business
School*

Universidad Alta Dirección is an outgrowth of ADEN, which has been able to take advantage of its strengths and face new challenges in Latin America. In 2015, ADEN formed an e-learning platform. It has become one of our most important offerings due to the global trend in online learning. We are able to provide flexibility in terms of time and place that new generations demand. We offer three types of programs, one being 100% in person, another 100% online, and the third option being a mix of both. This is great because someone who starts their degree in Panama, even if it is 100% in person, can move to anywhere else where we have an office and continue their degree without interruption. For professionals coming for postgraduate degrees or recent graduates entering the workforce, we want participants in our programs to leave with a spirit of solidarity and social responsibility. We need to bridge the social gap in order for businesses to benefit society. Businesses ultimately must uphold certain values for the wellbeing of society, such as talking about child protection, workers' rights, and charity. All of these are part of a well-trained professional, and we will continue to bridge the gap to incorporate social responsibility among the students of both our traditional and online programs.



ENRIQUE BOLAÑOS
Rector, INCAE

INCAE was established in 1964 through an alliance with Harvard University and the region's private sector. We report to a Board of Directors consisting of members from countries in the region, including Guatemala, Panama, and Ecuador. All of our professors hold PhDs and are Ivy League educated. We have high admissions standards and have graduated close to 8,000 MBA students. The Financial Times ranked us at 83rd in the world in 2016, and we have always been ranked at the top in Latin America. The formation of the Common Market in 1964 prompted the private sector to seek help from US President John F. Kennedy to create a business school that would train leaders who could develop the economy and the region. INCAE is a product of the commitment of the key business leaders from the region together with Harvard professors. INCAE is unique in that it not only teaches students, but it participates in the development of the region's key business strategies. When the Central American Free Trade Agreement was negotiated with the US, INCAE was center-stage, helping countries develop their strategy. We helped Nicaragua during the earthquake, assisted countries with security issues, aided in logistics issues, and supported developmental policies. We now use the Social Progress Index developed by the World Economic Forum to help Central American countries better invest their social funding.



150

A northeastern province of Guna Yala in the Caribbean Sea, San Blas offers visitors a different look at Panamanian life.

153

The urban renovation of the old town of Colón stands out as a development of strategic importance.

154

TBY talks to Federico Policani, Mayor of Colón, on reasons to visit the city and the redevelopment works.

Tourism

REVIEW

With attractions aplenty, and more airlines than ever before flying to Panama, the country is well placed to develop its tourism industry to hitherto unseen levels. From business travel to holidays and luxury tourism, the country is pushing forward on all fronts, aided by a new international promotional campaign.

ALL TO PLAY FOR

Tourism contributed 8.1% to Panama's overall GDP in 2015, an improvement of 5.6% on 2014's performance. Travel and tourism's contribution has improved YoY since 2004, when the sector's contribution was 3.4%. Yet despite this steady upward trajectory, travel and tourism has yet to reach its potential in Panama, although the sector is moving in the right direction, and is becoming an increasingly important player in the country's economy. And well it might, as Panama is blessed with many of the qualities that tourists from around the world look for in a destination: a tropical climate, some of the world's most beautiful beaches and coastline, a pristine hinterland with jungle-covered hills and fast rivers, and an international and cosmopolitan air, reflective of the country's outward engagement with the world. Panama is an eco-tourist's paradise, with hundreds of rare bird species, miles of virgin rainforests, and world-class fishing, diving, snorkeling, and



Image: Biomuseo

For business travelers, Panama City offers a world-class destination, complete with top hotels and a business climate that is international, lightly regulated, and that is right now the nerve center of one of the fastest growing economies in the Americas.

sailing along unspoiled coastlines. The country also offers first-rate adventure sports, from kayaking, rafting, and surfing, to jungle trekking and paragliding. Panama is well connected to the world, and not just via its famous canal. There are daily direct flights from 15 cities across the US and Canada.

For business travelers, Panama City offers a world-class destination, complete with top hotels, a first-world quality of infrastructure and services, including cross-the-board high-speed internet, and a business climate that is international, lightly regulated, and that is right now the nerve center of the fastest growing economy in the Americas. The capital also boasts a beautiful historic quarter, a sophisticated culture, and a lively nightlife. And these qualities are already paying dividends. Business spending accounts for 18.2% of tourism's overall revenue, according to the World Travel and Tourism Council (WTTC). Business travel contributed \$1.04 billion to the economy in 2015.

MAGICAL MOMENTS AND LASTING MEMORIES

Reservations: (507) 340.9893
reservas@westinplayabonita.com
westinplayabonita.com



THE WESTIN
PLAYA BONITA
PANAMA





The Metropolitan Cathedral in Casco Viejo, the historic district of Panama City

Image: Alcaldia De Panama

In 2015 *The New York Times* chose Panama as the number one place to travel to. The country was also rated by *Forbes* last year as one of the top 10 places for people to retire to. The country has levels of sanitation on a par with those in the US, and its healthcare system is comparable to the best hospitals in North America. It is one of the few countries in Latin America where people can drink from the tap. It is also one of the safest tourist destinations anywhere.

NUMBERS

In 2014, 2.3 million people visited Panama, up from 1.9 million in 2012. Of these 2014 travelers, 48% came from Latin America, 24.3% from North America, and 12.7% from Central America. This represents an increase of 4.7% on 2013's visitor levels. These numbers hide a 75% increase in French tourists, following Air France's new direct flights from Paris to Tocumen International Airport, in Panama City. Argentinian visitors, traditionally important customers, declined by 17% as the country's economy struggled to revive. Of the total visitor numbers, 15% (or 365,000) came via cruise liners. Over the same period, hotels with fewer than 100 rooms reported occupancy rates of 53%, while larger establishments had occupancy rates of 56%. Either way, these rates are relatively low compared to many in the region,

a sign that hotel construction is outstripping demand and that the sector is over-supplied.

In 2015, the tourism sector directly supported 136,500 jobs, or 7.7% of total employment. This figure is expected to rise by 1.9% to 163,000 in 2025. Tourism's total contribution to employment, including jobs indirectly supported by the industry, was 17.2%, or 305,000 jobs. The WTTC expects this number to rise an additional 2% to 370,000 jobs by 2025, or 17.4% of total employment in the country by that time.

REGIONAL COMPETITION

Tourist numbers remained broadly at 2014 levels in 2015. Yet the future is shaping up well for tourism and its related industries. Tourism related capital investment is up from \$584 million in 2010, with the WTTC envisioning investment to reach \$1.56 billion by 2025. Levels were \$928.5 million in 2015. This is doubly important, as Panama finds itself in a race to better establish its travel and tourism industry in a competitive region. Mexican beaches are an economic alternative and Cuba's newly emerging travel market threatens to take more of Panama's share as the country opens its doors once more.

INTERNATIONAL CONNECTIONS

Panama has a great brand, and it is only just starting to promote itself internationally as a

CARLOS DIAGO
*General Manager,
Hotel Las Américas
Golden Tower*

Hotel Las Américas Golden Tower Panamá is Colombia-based Grupo Talarama's first investment in Panama. Why did it choose to enter the country?

Panama is a safe country for investors and has for the last 15 years experienced the highest rate of growth in Latin America. Talarama identified as an important target the development of a hotel that caters to the corporate clients opportunity in Panama, unlike its previous investment in Cartagena, which targeted the leisure segment. It brought me in because of my experience with corporate business that I accumulated from working for most of my life with Marriott hotels in major markets such as Panama, Mexico City, and Puerto Rico. This is the first of several hotels that we will build under our strong brand that can attend to all the necessities of the "new traveler." This new traveller expects more from a hotel—he or she wants a hotel that has personality, a variety of food and beverage options, and a focus on green initiatives, which are important right now. Hotel Las Américas Golden Tower Panamá is scheduled to open in June.*



HOTEL LAS AMÉRICAS
GOLDEN TOWER
PANAMÁ



your place to shine

OPENING
· JUNE ·
2016



CONTACT:

+507-214-2101 / reservas@lasamericsgoldentower.com

www.lasamericsgoldentower.com

Panama is blessed with many of the qualities that tourists from around the world look for in a destination: a tropical climate, some of the world's most beautiful beaches and coastline, a pristine hinterland with jungle-covered hills and fast rivers, and an international and cosmopolitan air, reflective of the country's outward engagement with the world.

first-rate tourist destination. It has been helped in this effort by international carriers, including Air France, Emirates, and Lufthansa, which have started operating direct long-haul flights to Panama City's recently expanded and renovated Tocumen International Airport. In February 2016, Turkish Airlines became the latest airline to announce new thrice-weekly flights from Istanbul to Panama City, initially via Bogotá, although the return flight will be direct. And in January 2016, Lufthansa launched its first direct scheduled flights from Frankfurt to Tocumen International Airport, five times a week. The new service came into operation in March. Panama's most important market, across its economy, is North America, and there are daily direct flights to Tocumen from 15 cities across the continent. Not to be left behind, in May 2015 Aeroméxico announced it was increasing its regular flights from Mexico City to Panama City, elevating the service to daily frequency. The launch of Emirates' long awaited Dubai to Panama service was delayed by four months and is expected to launch in June 2016. And in De-

ember 2014, Copa Airlines increased its weekly direct flights from Montevideo from seven to 11.

Back home, tourism in Panama is overseen and promoted by the Tourism Authority of Panama (ATP), an arm of the Ministry of Tourism. In 2015, the ATP and Copa Airlines joined forces to launch the "Only in Panama" campaign, which is already showing signs of success. Strategic targeted advertising was placed in more than 73 digital publications internationally, reaching 11.4 million people in just two weeks. Copa Holdings reported a record net income of \$84.1 million for 1H2015, and has added new services to destinations that are part of a strategic campaign to raise awareness of Panama and its brand, including New Orleans, San Francisco, and Puebla. Panama recently climbed to sixth place in MICE tourism in the Ranking of the Americas by the International Congress and Convention Association.

LUXURY TOURISM

Panama is starting to become a world destination for high-end tourism and travel. The opening later in 2016 of the Ritz-Carlton is widely seen by the industry as proof of this renaissance. The new five-star hotel will boast 220 luxury guest rooms and suites, two swimming pools, a spa, and four restaurants. The hotel will be adjoined to Panama City's new Soho Panama Mall, a luxury shopping center that opened in March 2015. The Ritz-Carlton joins the long-established InterContinental Miramar Panama, one of the city's most famous landmarks, and the Trump Ocean Club International Hotel and Tower in Punta Pacifica, on the outskirts of Panama City. ✘



GUILLERMO DE ST MALO ELETA
President & CEO,
Grupo Eleta

How do you assess Panama's potential as an ecotourism destination?

Panama has potential. We have an enormously diverse ecosystem, and we need to work with the private sector to protect it. There is a group of islands next to a downtown metropolis and that is rare. We have many assets that can be both protected and showcased to tourists. The private sector should participate not only in the promotion, but also in the protection of the species we have here. This includes not over-fishing and educating locals about what, when, and how to fish. There is a space for the government to put the infrastructure in place so the private sector can express, promote, and deliver what it is preaching.

Do you think people outside Panama are aware of what the country has to offer in terms of tourism?

There is a lot of space for proper promotion. Panama is unique right now in that it is not a volume destination, but rather a niche market. In our case, we are focusing on super-luxury ecotourism because there is no competition in this segment. This is particularly lucrative given our location so close to a downtown area.*



Image: GTS Productions



URBAN RENOVATION PROJECT.

The Mayor Office of the District of Colon is focused on achieving the integral development of its communities through project which benefit everyone and especially those that improve the living conditions of all its inhabitants. We wish to be recongnized as a dynamic and fully autonomous institution, in which all its personnel works towards rendering quality and excellent services to its citizens and as such contributing efficiently to the social and economic development of the District.

Towards this end, we are working in programs and projects, which include among others, sports, education, culture and arts. We have started a program of activities which preserve and emphasize not only our Colon multiethnical culture but to create new spaces in our society.

Our goal is to attain developed communities with full water services, parks and children's playgrounds, good housing, as well as other facilities, through the use of funds acquired through the decentralization program as well as housing taxes, thus supporting our Central Government's priorities.

INTERVIEW



visitor CENTER

TBY talks to **Gustavo Him**, Administrator of the Panama Tourism Authority (ATP), on foreign investment in Panama's tourism sector, strategies for promoting the country abroad, and targets for 2019.

How has foreign investment contributed to the growth of Panama's tourism sector?

There has been a growing interest in Panama over the past few years. The tourism industry has seen a rapid growth and there has been significant investment in Panama from foreign tourist companies and other investors. All major hotel brands are in Panama as well as a number of boutique hotels. There has been growing interest from micro businesses outside the capital. We have a number of foreign airlines and some new ones coming in this year, bringing more direct flights between Panama and the rest of the world. Turkish Airlines and Lufthansa are coming in this year, and Emirates is still interested. This is going to increase the number of visitors that Panama receives. The Asia-Panama connection is going to be important. Panama is also an important part of cruise ship routes. Panama still remains an important connection—we have the expansion of Tocumen Airport and there have been discussions of establishing direct flights to Panama with a number of new airlines, including Japan Airlines and Virgin. A number of international firms have invested in Panama, such as FEMSA and CEMEX from Mexico, Toyota from Japan, and many multinationals from the US, all of which generate tourism.

What is the ATP's strategy for promoting Panama internationally?

We are working to unify the efforts of the private and public sectors, as groups were previously working on their own, which was not effective. We are also hiring a PR company with the expertise and past success to sell Panama as a destination. We found through surveys that people are either unaware of Panama, or have false impressions of it. In order to create more demand, continuous promotion is fundamental. We now have a 10-year plan in mind because this is the minimum amount of time that will be needed to promote Panama as a brand. The second important aspect is training. Our best promotion of Panama is for people to leave with a positive view of Panama, so we are working on providing the necessary skills and relevant work experience to our human capital. One disadvantage of Panama's full employment is that there are many jobs available and, therefore, there is a high turnover, which affects the quality of services that we can provide. The third is that we now have an infrastructure plan in place based on ecotourism. We are working with a number of organizations involved in environmental protection and sustainable development. We are also focusing on business tourism, and there is a new con-

vention center being built that will be ready in about 24 months. We want US companies to come to Panama to do business and take advantage of the FTA, which provides an important incentive for them to host conventions here in Panama.

What is the Panama Tourism Authority's target for 2019?

Our target for 2019 is to reach 3 million visitors, and we are on track to meet this goal. We have to be concrete in our efforts in order to maintain this growth, and we have to optimize our resources along with our marketing efforts. Despite the fact that tourism is the number one contributor to Panama's economy, our budget is actually smaller than other countries'. We have a US-focused strategy because it is our main market, but we are still betting on emerging countries. We have to be creative, and we are increasingly moving into the growing trend of digital marketing. In the region, we are targeting Brazil, Argentina, and Colombia, which is our second most important market. Luckily, Argentina is recovering, and it represents an important segment of tourists that enjoy coming to Panama for a number of reasons, notably the lack of visa requirements. Hotels are unfortunately not able to charge as much today, but we have to take advantage of this and add to our competitiveness. ✖

IN NUMBERS

Targeting

3

million visitors by 2019

20

million rooms in Panama

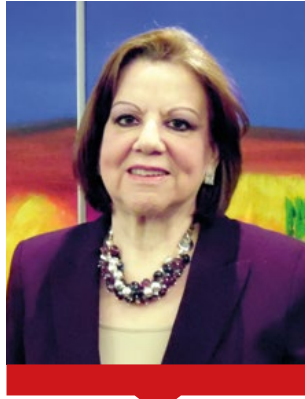
New convention center to open within

24

months



ANTONIO J. ALFARO
President, Panamanian Chamber of Tourism



SARA PARDO
President, APATEL

HOTELS

Hotels in Panama are focusing their efforts on how to ensure that they benefit from the continuous increase in foreign arrivals during recent years.

What trends have you observed in the local hotel industry?

ANTONIO J. ALFARO The national controller registered close to 2.4 million tourists in 2015, coming into Panama through different points, including Tocumen and the Costa Rican border. Most of these come for one or two nights, then continue on to the beaches, mountains, and other regions, and stay for two more nights. The registration of hotel occupancy for this 2.4 million translates to about four days at the hotels in the city. In the interior, most of these tourists come for ecological tours to visit sites like Coiba and they stay for five or six days in the different areas. We are working closely with the Inter-American Development Bank (IDB), MIAMBIENTE, and the Panama Tourism Authority (ATP) on a project named ECOTUR-AP to improve all of the ecological and visitation touristic areas throughout the interior. We expect that by mid-2017, at least ten of the most important Eco Parks in Panama will have visitation areas for tourists and we will have segregated areas for the communities to be able to take care of the tourists. This will allow us to compete with other countries that are exploiting this important market. If we take good care of these tourists, they come back or recommend Panama as a destination.

SARA PARDO APATEL is the Panama Hotel Association and we have been in Panama for more than 52 years. It is the board that oversees all of the objectives and roles that we have to do within the hotel business. For the past five years, hotel inventory has grown faster than visitors to Panama. If the number of tourist grows on an average of 15% per year, we have seen a growth of 330% in the supply of rooms over the past five years. The numbers have to reflect a decrease in the occupancy, and we have been losing more or less 10% every year. There are around 140 hotels throughout every province of the country, as well as in Panama City. There is not necessarily a particular area that is performing better because we have been lacking in international promotion for the last three to four years. We have been organizing a yearly congress with training sessions as well as seminars and guest speakers in different areas of the hotel business for the members, though we do not do promotion per se.

How can hotels in Panama better market themselves?

AJA Up until now, we have been targeting nearby countries in Central America, South America, the Caribbean, and the US. It is now time to start increasing our aspirations and targeting Europe and the Middle East. Countries such as Spain have a lot to offer to their tourists in certain seasons of the year; however, in Panama we have the advantage of being able to offer a lot, year-round. Hotels are worried because they are not receiving as much traffic, so they have started lowering their prices; the same has been true with rental car companies. Instead of getting together and presenting an option to attract more business, they have started lowering prices. That is not the way to confront the situation; tourists will not come simply because the prices are low. What we have to do is to work together with the private sector and government to create and promote the destinations. One of our priorities is to create a sense of unity and a strategic cooperation and collaboration between all the actors of the industry.

SP Panama definitely needs a sustainable strategic plan to promote the destination as a whole, and one of the things that we are working toward is the commitment of the government to have one strategy to sell the country. Panama should market itself depending on what area it is looking to leverage. We are working closely with the Panama Tourism Bureau (PTB) in order to increase international promotion. We have a strategic plan that we want to carry out every year—something that could be followed as a multi-annual promotion plan. We need to begin by focusing on the regions that form the main market for Panama and expand out from there, starting more or less with the places that have direct flight routes to Panama. We will be targeting such places as the Middle East, and Dubai in particular. Tocumen International Airport is a hub, and what we want to do is find out how we can attract these seven to eight million people that pass through the airport but do not stop in Panama. There has to be a marketing plan aimed at attracting these people to stay overnight. ✕

SAN BLAS ISLAND IN THE SUN

An archipelago of 378 islands located off the northeastern province of Guna Yala in the Caribbean Sea, San Blas offers visitors a different look at Panamanian life.



Far away from the hustle and bustle of Panama City, San Blas is the perfect tropical getaway

Image: Katiekk

Known for its crystalline waters and lush vegetation, the virgin islands of the San Blas archipelago are the top location for those looking to experience the best of Panama's ecotourism and are a popular destination for both foreigners and Panamanians looking to get away from everyday city life. Swimming and snorkeling are popular activities on the islands, as are sailing and fishing.

San Blas is largely uninhabited with the exception of a few of the larger islands, which

are home to autonomous native communities known as "Kunas" that administer the archipelago. Kunas abide by their own set of norms and laws and since the 1920s have been recognized as independent of the national government. This means that a mass tourism industry has not yet been established, and any attempts to develop hotelier infrastructure on the islands have to be approved by the Kuna General Congress, the highest political authority of Guna Yala.

GETTING THERE

A road runs directly from Panama City to the Gulf of San Blas, where a water taxi completes the rest of the journey to the islands. Flights are also available to El Porvenir, one of the larger islands and the capital of Guna Yala. San Blas is also reachable by boat from Colombia, which takes approximately 48 hours.

THINGS TO KNOW

Visitors are recommended to organize their trip through a guide that will arrange transport and other logistics. Entry to the islands incurs a cost, which differs for Panamanians and foreigners. Accommodation in San Blas typically entails eco-friendly wooden lodges or camping, though a limited number of islands run basic hotels and hostels. Although it is possible to visit San Blas for the day, a night’s stay will include an excursion to some of the nearby villages (where sojourning is prohibited). Overnight stays also offer guests the chance to visit one of the islands’ ‘natural swimming pools’ where irregular sand formations in the middle of the ocean create shallows of clear water, as well as to enjoy three meals of typical San Blas cuisine with fish, lobster, poultry, beans, and rice. It is important to note that the road back from the port closes before dusk.

The best season to visit San Blas is between December and April, when it experiences the least rainfall, although temperatures hover around 27° Celsius (90° Fahrenheit) throughout the year. Mobile phone reception is available on most of the islands, though electricity is not.

A more luxurious way to experience San Blas is by sailboat charter, which normally offers modern amenities not available on the islands themselves. Whichever way travellers choose to see the islands, San Blas is one of the most highly rated destinations in the Caribbean and not to be missed by anyone visiting Panama. ✘



Image: Sara Velezmoro

Unique flora and fauna await guests to the archipelago, which remains largely unspoilt



Image: Robert Bruce Lilley



Image: Simon Dannhauer

INTERVIEW



TBY talks to **Jorge Sánchez Urrutia**, President of Amador Foundation/Biomuseo, on the mission of the museum, integrating the museum into educational curricula, and a vision for fostering a common identity.

BIO

Jorge Sánchez Urrutia was born in 1964. He studied industrial engineering at the Universidad Tecnológica de Panama between 1983 and 1989. He has been President of the Board of the Biomuseo since 2015. He served as a member of the Board Directors of the Panama Chamber of Commerce, Industry, and Agriculture between 2001-2002, 2002-2003, and 2003-2004, and his previous professional experience includes his time spent as Vice President of Promed S.A.

in BLOOM

What is the museum's mission?

The museum began with a vision of developing a tourism strategy for Panama based on scientific research about the tropics. A small gathering of international experts was organized, including architect Frank Gehry, and the Biomuseo project was created as a part of a bigger plan. Both Frank Gehry and the Amador Foundation, which created the museum, wanted it to be a celebration of something important to Panamanians. The Smithsonian Tropical Research Institute and the University of Panama joined the cause to contemplate what the mission of the museum would be. It was decided that the museum would promote awareness of biodiversity, the first project of its kind. The idea is to create not just an exhibition space, but a way of learning how we are supposed to live and design our sustainable future for the 21st Century. Our mission is first of all to teach the importance of biodiversity; to educate on not only what it is, but also on things that we must learn to do.

How did your partnership with Grupo Rey come about, and how did you manage to incorporate the museum within school curricula?

The idea is to try to bring each year an important number of students from public schools to the museum for free, but more importantly to make each visit a part of what they do in the classroom; to make schools and museums partners in education. We worked for three years developing this program with Grupo Rey, and we have trained over 3,000 teachers, even in remote ar-

reas. Grupo Rey donated \$1 million for the implementation of this program even before the museum started and for several years to come thereafter.

What do visitors learn at the Biomuseo?

The museum teaches us about the important role that Panama plays in shaping the modern natural world. In the late 1980s, the Biomuseo started doing research on the geological history of the Isthmus of Panama. They discovered that about 40 million years ago, North and South America were separated, and the Atlantic Ocean and Pacific Ocean were one. Once Panama closed that gap, the oceans started changing; their currents changed, the temperature changed, the Caribbean was formed, and it created the Gulf Stream as we now know it. Many experts believe that it also triggered the Ice Ages, as the isthmus prevented warm water from reaching the North Pole. The Ice Age allowed man to cross over the Bering Strait and come to America. It transformed Africa, which used to be more like the Amazon, into a continent of deserts and savannahs, and in turn this climate change, some authors think, changed the way that man evolved. When we tell that story at the museum, we tell the story of how Panama shaped the world in a sense because it triggered all of these changes. One of the phrases in Steven M. Stanley's book, *Children of the Ice Age*, is that we are all Panamanian due to the central evolutionary role of the isthmus. This shifts the narrative for locals regarding their

30-40% of visitors come from abroad

Nominated for 2015 Leading Culture Destination Award

Received 130,000 foreign visitors in the first year

identity in relation to the natural landscape, and emphasizes to non-Panamanians the underlying unity of all our stories as humans on Earth. We are tied by nature all over the planet, which is the lesson of biodiversity that we want to teach. Every country should introduce itself in this way, because we all have amazing stories; this is the vision of the Biomuseo. In the same way that plants and animals use color to attract other organisms, we designed our blooming building in the middle of this amazing part of the city to attract visitors. In experiencing the museum, visitors actually realize that the whole building and the whole project is actually helping them to connect physically with nature, with the landscape, and with culture in a physical and emotional way. ✖

WHAT'S NEW

Among the various redevelopment projects currently under way throughout Panama, the urban renovation of the old town of Colón stands out as one of strategic importance. This \$500 million megaproject is aimed at improving quality of life for its citizens, attracting private investment, and placing Colón on the map as a leading tourist destination.

DUE TO ITS ADVANTAGEOUS location, Colón has played a key role in Panama's history. Located 80km north of the capital on the Caribbean Coast, the city was founded by Americans in 1850 as the starting point of the trans-Panama railroad. Surrounded by—though not a part of—the former Panama Canal Zone, Colón has long been a hub for commerce, logistics, and banking. It was made a free trade zone in 1953 and is the world's second largest duty-free port. Today, its main economic activity revolves around the Free Trade Zone, which is also the second largest in the world, and three major port terminals of Colón Container Terminal, Manzanillo International Terminal, and Cristóbal.

Following a tender process in which consortiums CCA-MCM (China Construction America, MCM Construction) and Aspinwall (Constructora Meco, REC Engineering) competed with Odebrecht-led Nuevo Colón, the contract for the project was awarded to the latter in June 2015, despite its bid of \$537 million being the highest among the candidates and lingering questions regarding the future of Odebrecht's president remaining with the company. The Brazilian conglomerate, which formed the Nuevo Colón consortium with Panama's Constructora Urbana (CUSA), has previously participated in large-scale infrastructure projects in Panama, including the first line of the Metro, which created 11,000 jobs, 90% of which have benefited Panamanian workers.

The project involves fully reconstructing the old town's 16 streets and building 5,000 homes in the community of Alto de los Lagos in the district of San Cristobal, benefiting some 25,000 inhabitants. The plans also call for reconstructing Colón's drainage and sewage system, undergrounding cables, restoring designated heritage buildings, increasing the number of parks and public spaces, and renovating sidewalks as well as creating new cycling routes.

Nuevo Colón, which began work on the project at the end of 2015, has been given a dead-

line of 720 days to build the first 1,000 houses, and must deliver a subsequent 500 houses every 60 days thereafter until the total of 5,000 is reached. The entire project, including public spaces, is scheduled for completion in November 2018. According to the Ministry of Housing and Land Management, approximately 3,200 workers will be employed simultaneously at the peak of construction.

According to the Mayor of Colón, Federico Policani, the renovation has not only economic targets, but also social and cultural components. Education will be an equally vital feature of the project that will go hand in hand with the physical renovation. "We want to give people the tools and the knowledge to build their own future," Policani said. In addition, the project aims to make the city a safer destination for both locals and tourists. "We want to make Colón one of the safest cities, if not the safest city, in Panama, to complement what we expect from the renovation." The municipality hopes that the renovation will also attract private investment into Colón and address the shortage of working and middle-class housing, a segment that has been largely ignored by the private construction sector.

On the attractions of Colón as a tourist destination, the Mayor highlighted St. Lorenzo and Portobello, two provinces that have been declared UNESCO World Heritage sites. In addition, the area benefits from beaches, rivers, and a rich biodiversity. Tours to indigenous Kuna Indian communities, fishing, numerous canal observation points, and the railway are some of the activities that Colón has to offer.

Gastronomically, the presence of well-established Arab and Jewish communities as well as minority Italian, Spanish, and other European cultures has had an influence, allowing it to develop a distinct characteristic. As part of a wider tourism strategy, the government hopes to promote the inclusion of Colón as part of new cruise ship routes, along with such islands as Aruba and Curacao. ✕



INTERVIEW



TBY talks to **Federico Policani**, Mayor of Colón, on the highlights of the city, the vision for its future, and the impact of ongoing restoration projects.

What are the main tourist attractions of Colón?

There are many popular attractions in Colón. In the city itself, renovations are taking place. We have highly interesting architecture. Recently the Christ Church by the Sea has been restored; this is the first church built in Colón and a one-of-its-kind building in Latin America. Many other historical buildings are being restored as well. At just a short distance from the city within the province of Colón, the forts of Portobelo and San Lorenzo can be seen, both of which have been recognized by UNESCO as World Heritage Sites. Then there is of course the Panama Canal and its Visitor Center, where the canal can be viewed. The Colón Free Zone is a great place for shopping. Colón features beautiful beaches and rivers, fishing tours, railways, the lake, indigenous communities that can be visited by boat, and lots of flora and fau-

no STOPPING NOW

- \$800 million investment in renovation of Colón
- Two UNESCO World Heritage Sites in Colón
- Goal to make Colón the safest city in Panama

na to explore. Food is also an important part of what Colón has to offer, considering that we have culinary influences from many different cultures, including West Indian, Chinese, Spanish, Arab, and Italian. There are a lot of options in Colón. As part of a wider tourism strategy, the government hopes to promote the inclusion of Colón as part of new cruise ship routes, along with islands such as Aruba and Curaçao.

What are the current administration's priorities and vision for Colón?

We want to renovate and renew the city. We want to improve its living conditions and convert it into a key tourist destination. Not only do we want tourists to see Colón as a shopping center, we also want them to explore and truly discover our city. It is a different city since it is not colonial, but rather American and French in its

architectural order. The old city can be traversed on foot in 15 minutes, and we want to encourage visitors to do that. Walking through the old city is the best way to see and experience the most interesting and historical district of Colón. We want to make Colón one of the safest cities in Panama, and we are also promoting the development of its public spaces.

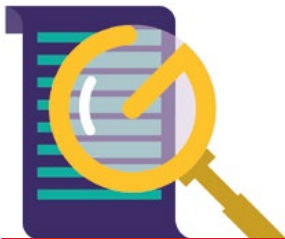
An Odebrecht-led consortium recently won the contract to renovate of the old city. What does this megaproject entail, and what will it represent in terms of job creation?

The renovation will have a big impact on three critical aspects, the economy, culture, and society. We want to empower our people with the tools and the knowledge to build their own future, not only as employees, but also as entrepreneurs. Colón has a major housing problem; many of its houses are uninhabitable, dating back to 1917-1920 when the Panama Canal was being built. All of these houses need to be renovated, as houses have a limited lifespan, especially when they lack proper maintenance. Certain heritage sites like Casa Wilcox and Maison Blanche are going to be renovated as well. We want to give people better places in which to live and better buildings, more public spaces, and a better quality of life. The government has invested a lot in this project, starting with a \$500 million commitment that has since grown to \$800 million. We would also like to see private

companies investing in this renovation. We want people to come out of the Free Trade Zone and project into the city, thus integrating the two. We are learning from similar experiences in other places like Curundú in Panama City, which has become a much healthier sector with access to water and sanitary conditions. We also want to construct more housing facilities for middle-income and working-class citizens, which currently presents a deficit. We hope that all of this will be a great incentive for the private sector to invest in Colón. ✕

BIO

At the age of 18, Federico Policani enrolled in the Panameñista Party, and in 2002 he assumed leadership of the Juventud Panameñista, the youth division of the Party. In 2009, at just 26 years old, he ran for the position of Alternate Legislator. In 2011, he assumed the challenges facing the Province and was elected Regional President of the Panamanian Party in the province of Colón. In 2012, he ran in the Party's internal primaries for mayor and won the national elections, thus becoming Mayor of the District of Colón for the 2014-2019 term. He is currently the youngest mayor in the Republic of Panama.



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TBY talks to Juan David Morgan G., CEO of Morgan & Morgan Group, on what makes Panama a great place to do business.

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TBY talks to Rubén Bustamante, President of BDO Panamá, on advising clients during periods of slow growth.

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Panama's consistently strong growth rates and business-friendly environment make it a haven for consulting firms.

Executive Guide

REVIEW DOING BUSINESS

THE PANAMANIAN WAY

A short yet vital overview of key information necessary before setting to work in Panama: from red tape and regulation, to day-to-day customs and the etiquette of doing business in the country.

The World Bank ranks Panama 69th out of 189 economies for its ease of doing business, a fall of three places on 2015. In the same tables, the country is ranked 44th for starting a business. The country was largely built upon the tenets of international trade and commerce, business-friendly initiatives, and a growing reputation as the region's business hub. The Panama Canal gives it an unrivalled strategic importance in the region. But understanding this diverse and fast-changing economy takes patience, and it is important to be well briefed on the country's business scene before arrival in Panama.

SETTING UP A COMPANY

The government is actively promoting Panama as a first-rate place to do business, and is encouraging foreign companies to open offices in the country. There are many advantages to setting up a company in Panama. The government offers support and advice at all stages of the process, and has recently passed laws to make it easier for foreigners to locate there. The economy is diversified and grew at 5.8% in 2015, and inflation is low and manageable, having rarely risen above the 2% mark. The expansion of the Panama Canal is forecast to boost the economy still further. Famously, Panama offers numerous tax advantages for international businesses located there, and there are currently more than 400,000 companies domiciled in the country.

COLÓN FREE TRADE ZONE

Many foreigners' point of entry to doing business in Panama is the Colón Free Trade Zone (CFTZ), the largest free port in the Americas, and the second largest in the world. In operation since 1948, Colón is now home to 1,751 companies and is a vital conduit of trade and goods between the Americas and Asia and Panama and its neighboring states. Although even freer of red tape than the rest of the country, the CFTZ nonetheless issues operational permits to companies located in the zone, ranging from \$2,000 to \$3,000 a year. The CFTZ's regulators ask for a guarantee deposit upon arrival, which costs \$5,560 in 2016. In May 2016 Panama announced new regulations for the CFTZ, including tightened rules for banks working in the zone and provisions for anti-money laundering.

PRACTICAL ADVICE

Most companies have a dress code, and men are expected to wear suits and ties, and women a skirt and blouse or a trouser suit. Shaking hands is the usual form of greeting, although if you know someone well you should expect to be embraced. Titles are used until people are on familiar terms, and although many Panamanians use both their father and mother's surnames, it is the former you should use (listed first on most business cards and email signatures). While decision-making can be a time consuming process, Panamanians do expect you to be punctual, so allow plenty of time to arrive at your meeting place on time. ✖

INTERVIEW



the PLACE to be

What has allowed the company to grow from Morgan & Morgan Attorneys to a successful international group?

My father initiated this group in 1923 when he became a lawyer in Chiriqui, and we are the largest law firm in Panama because we have the largest litigation department. After we finish working here, we will not own anything. We were inclusive from the beginning and that is one of the secrets of our firm's growth, because people stay with us. We started expanding in Panama and elsewhere. We had a large fiduciary company that was providing the kind of services that Panama needs in the off-shore world.

What attracts people to Panama?

Panama is a service economy and more than 80% of the economy is dependent on services. This leverages the

TBY talks to **Juan David Morgan G.**, CEO of Morgan & Morgan Group, on why Panama is the best place to do business, social responsibility, and what is in store for the future.

location and the facilities of a banking community that is regionally connected. The law firms that work here are good law firms. Having the dollar as our currency makes it is easy to do business in Panama, as we do not have to exchange. We do not have a central bank in Panama, so we cannot print money, making our economy robust in that sense. We have enacted some laws to attract foreign corporations into Panama. Many multinational companies put their headquarters in Panama to provide services to the region. They have incentives for doing that. There are at least 125 of those established in Panama, which is important and contributes a lot to the economy.

What are the drawbacks of operating here?

We were ranked 69th on the World Bank's ease of doing business index and that is nothing to be proud of; we need to improve. Although Panama has had a functional democracy since the 1990s following the US invasion, we have not been able to educate our people, especially our politicians, to understand our need for civil service in Panama. The reason other countries are considered advanced is because they do not change their civil servants every four or five years. We have not reached that point, but I hope we will. Education is the main point here where we are falling behind. Politicians are learning that they have to work on long-term state projects, not just for the years when they are in office.

- Founded in 1923
- International and local clients
- Emphasis on social responsibility

How important is social responsibility for Morgan & Morgan?

I am proud to say we are the only law firm in Panama that has a social responsibility program and a pro bono program. We are deeply involved with social responsibility issues. At the beginning of 2015 I took the decision as CEO that it would be personally handled by me. It is sometimes difficult to make people understand the importance of social responsibility. It is not just giving back to the country, but also doing business. Companies that are not perceived well by the clients suffer. Clients love when they learn that we are involved in social responsibility because they, too, are doing it, especially clients from the US and Europe.

What are your plans for 2016?

We will be more involved in arbitration in Panama. We have participated in several arbitration procedures, but we are not yet as big as we should be. That is an area of practice that I want to get into and we are working enthusiastically on that. We look

at the world now and it is constantly changing. We see where the opportunities are and we react to that. We are not on the lookout for things to do, as we have enough already, but if we see an opportunity we will pursue it. There are other areas of practice where we want to expand internally. We are working hard, but we need more lawyers. Sometimes they are not easy to get. We have enough with what we have today, and if we do something, it will be to become larger in certain areas that we already have today in Panama. That is the way that I will continue this. ✕

BIO

Juan David Morgan obtained his degree in law and political science from the University of Panama and a master's in international law from Yale University. Along with his father and brother he founded the Morgan & Morgan law firm. He was a professor in the faculty of Private International Law at the University of Panama and served as Vice Minister and Interior Minister of Foreign Affairs between 1967 and 1968. He participated in the Consultative Committee of the Centennial of the Republic of Panama in 2003, and between 2005 and 2009 he was part of the National Council of Foreign Affairs under the Ministry of International Affairs.

ALL THE DETAILS

Setting up a business in a new location can be a challenge, but with the right help Panama can be the perfect platform for developing a business in the Americas and beyond.

WHY PANAMA?

Panama is a key destination for foreign investment for all of its advantages:

- Strategic geographic position
- Economic, financial, and political stability
- The most important destination for tourists and investment according to recognized international media
- World-class communication platform
- Highest economic growth in Latin America and the Caribbean
- Economy based on a developed service sector
- Complete logistics platform
- Panama Canal as main shaft
- Colón Free Zone as the largest free zone in the western hemisphere and second largest in the world
- Legal and tax benefits per areas and special programs such as the SEM (Headquarters of Multinational Companies), Panama Pacific Special Economic Area, and free zones, among others

BUSINESS ENVIRONMENT

Regulatory agencies

Panama's economy and commerce is based on a free market approach, where most goods and services are produced and rendered depending on demand, and prices fluctuate accordingly.

Nationals and foreigners (residents or not) can open, own, and operate businesses. The general rule is that commercial acts and ventures can be carried out by any person, either an individual or legal persona, national or foreign, with the exception of retail sales, which is restricted to nationals and foreigners acquiring Panamanian nationality.

The main entities involved with incorporation of a business entity are:

- Public Registry of Panama (Registro Público de Panamá): controls incorporation of companies and other legal entities. Real estate transactions, mortgages, and shipping registries are also regulated through this entity
- Superintendence of Securities (Superintendencia de Mercado de Valores): encourages, establishes, and controls the activities of the Stock Exchange and companies whose shares are traded on Panama's securities exchange market
- Ministry of Economy and Finances (Ministerio de Economía y Finanzas) through the General Revenue Bureau (Dirección General de Ingresos or DGI): collects, monitors, and regulates all issues related to taxes
- National Customs Authority (Autoridad Nacional de Aduanas): collects and safeguards customs duties and controls the flow of goods
- Banks Superintendence (Superintendencia de Bancos): maintains international financial integration, security of financial intermediation, and control of the monetary system

Accounting records

All companies operating in Panama are required to maintain their accounting records according to the following rules:

- In chronological order, indicating the date on which transactions are occurring or periods that are affected
- In Spanish. It is permitted that invoices and support documentation may be issued in a different language
- In the local or commercial currency, which is the US dollar
- Indicating the amount for each commercial transaction, professional services or service performed
- Nature and identification of each transaction
- Reversions, corrections, errors, and omissions must be properly registered and identified
- All accounting records must be the responsibility of a Panamanian certified public accountant (CPA)
- All technological systems and programs to maintain accounting records need to be certified by a CPA according to the requirements established by Panamanian regulations
- Specific Chart of Accounts. There is no requirement in Panamanian regulations for a specific chart of accounts
- Language: Panamanian regulations are very specific about the language of the accounting records, indicating that these are to be maintained in Spanish, but there is no indication of language requirement for financial statements. It is safe then to conclude that FS may be issued in English, but translations must be made to authorities upon requirement
- Overseas preparation of accounting records. The CPA definition for these matters is for a Panamanian certified public accountant. A CPA must be responsible for the accounting records and must countersign financial statements
- General ledger requirements. General ledger requirements include that all transactions must be listed in chronological order, in accounts classified as assets, liabilities, equity, income, expenses, and order accounts, making reference to specific journal entries

Financial statements

Financial Statements must follow the below guidelines:

- Financial statements must be prepared in accordance with generally accepted accounting principles in Panama (IFRS), countersigned by a certified public accountant, and issued within 120 days after closing of the fiscal period
- Financial statements must include at least: general balance, income statement, statement of equity and retained earnings, and statement of cash flows
- Financial statements must be approved by the Board of Directors, shareholders, or partners

and kept available for review by the authorities within the company's premises.

Invoices and regulations

With respect to invoices, companies operating in Panama must comply with the following requirements:

- Designation as appropriate, depending on the type of document (invoice, receipt)
- Consecutive and unique numbering of the records
- Numbering of the fiscal equipment or fiscal cashier machine
- Name of the individual or company engaging in the business activity, its address, and taxpayer unique registration number (RUC) of the issuer of the invoice
- Date of issuance of invoice or equivalent document, constituted in a way that clearly refers to the day, month, and year of its issuance
- Description of the operation, with an indication of quantity and amount. Those operations in which the amount, because of its nature, cannot be expressed may be omitted
- Breakdown of VAT and any other tax withholding levied on the transfer
- Indication of the total value of the transfer, sale of goods or provision of the service, or the sum of both if applicable
- In cases where any other costs in addition to the price or remuneration agreed upon are levied or charged, or discounts, bonuses, cancellations, and any further adjustment to the price are made, description and value of said change shall be indicated.

ESSENTIAL BUSINESS FORMS AND LEGAL ENTITIES

Joint-stock Company (Sociedad Anónima) or Panamanian Company

Companies in Panama are governed by Law 32 of February 26, 1927. It offers a flexible corporate structure, the possibility of issuance of bearer or nominative shares, and protection of the ownership of the shares (Corporate Veil), as the shares register only has to be kept by the Resident Agent, who is a lawyer, thus having its relationship protected under professional secrecy.

According to legislation, the companies may be formed with two or more individuals, whether or not citizens or residents of the Republic of Panama. Every company should have an Articles of Incorporation document, organized through a public deed and registered at the Commercial section of the Public Registry.

The establishment of a company takes about a week and has a low annual maintenance cost compared to other jurisdictions.

Limited-Liability company (Sociedad de Responsabilidad Limitada)

Limited-liability companies in Panama are governed by Law 4 of January 9, 2009.

According to the law, limited liability companies must use a name or company name that the organizers agree to assign, adding, however, the phrase 'limited liability company' or the initials "SRL." Limited liability companies may

engage in any kind of lawful, civil, or commercial activity.

Two or more individuals or companies may incorporate a limited liability company and establish its managers. The number of members for the venture must be no less than two.

The limited company will be established by private document or public deed protocolized before a Public Notary and registered in the Public Registry.

Joint Venture (Sociedades Accidentales o Cuentas en Participación)

Joint Ventures lack legal personality, are not subjected to any solemnity, and their existence may be attested by the common test.

TAX STRUCTURE

Tax structure and scope

Taxes in Panama are levied only on income or gains derived from business and activities carried out on in Panama itself, as Panama's taxation system is conceived on a territorial basis.

Persons, either natural or legal entities, undertaking business both inside and outside the territory of Panama are subjected to taxes only on income generated within the territory of Panama. There are several special taxation regimes for companies operating under incentive regimes, such as companies located in the Colón Free Zone and other special commercial areas, as well as for companies specifying certain investments, services, or productions.

Main taxes

Income Tax

What is taxed?

Taxable income: income from Panamanian source, territorial.

How is tax applied?

For taxpayers with annual gross taxable revenues over \$1,500,000, Panamanian source income is subject to a 25% corporate income tax rate assessed on the higher of:

- The taxpayer's actual net taxable income; or
- a presumed net taxable income of 4.67%

Deductions

Expenses or costs of the enterprise used to generate taxable income or to preserve the business are deductible in tax returns and must be documented by the fiscal printers.

Rates of income tax

General rate: 25%

Annual tax returns

Three months after the fiscal year ends.

VAT

What is taxed?

This income applies to imported merchandise, or products and services, sold in Panama.

Who is the contributor?

The importer, seller, or service provider.

Rates

- General: 7%
- Alcoholic beverages: 10%
- Hotels: 10%
- Tobacco: 15%

CAPITAL GAINS

What is taxed?

Securities, bonds, and shares:

The transfer of taxable securities is subject to a 10% tax over the gain and to an advance over the sale price of 5%, which must be withheld by the purchaser. The seller may opt for this 5% to be the definitive tax.

Real estate property

For the ordinary course of business with construction permits issued before January 1, 2010, the general tax regime applies.

For the ordinary course of business with construction permits issued after January 1, 2010, a definitive tax is paid over the sale price as follows:

Value of the new real estate property:	Tax:
Up to \$35,000	0.5%
From \$35,000 to \$80,000	1.5%
Over \$80,000	2.5%
Commercial properties	4.5%

A non-ordinary course of business is subject to a 10% tax over the gain and an advance over the sale price of 3% that the purchaser must withhold. The seller may opt for this 3% to be his definitive tax. With this tax the seller must pay a 2% Real Estate Transfer Tax.

In all regimens, Dividend and Complementary Tax is paid.

DIVIDEND TAX

What is taxed?

Net after-tax profits for the shareholder.

Rates

Nominative shares: 10%

Exempt incomes: 5% f) and l) of the Article 708 of the Fiscal Code, free zone companies, foreign source income.

Bearer shares: 20%

Tax returns

Ten (10) days following the date of distribution.

NOTICE OF OPERATIONS TAX

What is taxed?

Net Assets.

Rates

• 2% annual over the net assets of the company up to a maximum of \$60,000.

• 0.5% annual over the net assets of the company (free zones) up to a maximum of \$50,000. ✖



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INTERVIEW



the RIGHT advice

TBY talks to **Rubén Bustamante**, President of BDO Panamá, on advising clients during periods of slow growth and updating legislation in the country.

Can you give us an overview of your clients?

What makes us stand out is that we have clients from a wide range of sectors. We have offices in Chiriquí, Colón, and two in Panama City. We provide our services locally and can meet clients all over the country to serve and assess a whole range of sectors such as international commerce, hotels, tourism, education, retail, industry, automotive, financial services, and attorneys in law, real estate, and development. We serve our customers by providing seminars, book publishing, and technical material on fulfilling the laws and regulations of each of the sectors. We are also in the agricultural and agro-industrial sectors and have clients dedicated to handling and producing bottled water. Our clients are family businesses as well as international corporations that operate in different countries around the world.

How have your clients performed over the past year?

It has definitely been a period of adjustments and stabilization, not only in Panama but on a global level. I have clients in the retail market

that have seen sales go down by as much as 30%. In international commerce, the duty free zone of Colón was greatly affected due to the economic and political problems in South American countries. I tell my clients to be creative and not rely on just one business source. They cannot rest on their laurels and must research, innovate, and develop new products. It is a good time to invest, but this means purchasing wisely. It is a good time to invest in the science and technology sectors. We have focused on services and commerce, but I recently met an engineer who was able to produce vegetables using a new system, capable of harvesting vegetables up to 10 times per year instead of just once or twice as under normal production. We need more of this type of innovation to help promote and share scientific knowledge in Panama. A scientist is very valuable to society in such times of climate change and challenges in water, health, and food.

What are your expectations for 2016?

It looks like 2016 will be a year of new adjustment. It will not be the best year economical-

Third-largest
consultancy in
Panama

ly. However, we are arguably growing in a more stable way. We are adjusting to an orderly growth. My message to investors who visit us is that Panama is a country with a lot of advantages, being economically stable, democratic, and relatively safe with a modern legal framework. We need to support the maritime, logistics, and canal-related sectors. We aspire to constantly update legislation, as the private sector on its own cannot function without the right legislation in place. The same is true of the transport sector. In 2016 Panama will consolidate its position as a growth leader in Latin America, and we are ready to work on building these sectors to the same levels as three years ago. We need to strengthen the maritime and logistics sectors, which need better and more specific legislation. We also need to work to modernize the education

sector and tackle the lack of high-level specialists, which is an issue highlighted in national surveys. We have a number of international schools that have seen this opportunity to develop private education as good business in Panama. The private sector takes the initiative but the public sector now needs to align itself and prepare people not just for work, but also to invent and innovate. I am a great believer in robotics and science as knowledge will propel Panama toward its new future. Even though we are more focused on some sectors such as sports, we need to export talent in other professional specializations as well. ✕

BIO

Rubén Bustamante is an authorized public accountant and holds a master's degree in taxation. He is a member of the Association of Certified Public Accountants of Panama and a member of the Chamber of Commerce, Industry, and Agriculture of Panama. He is a representative of the Jesús Luz de Oportunidad Foundation. He has 40 years of professional experience, with over 20 years delivering seminars at accounting and taxation congresses and writing taxation articles. He is the author of books about sales and income taxes and founded Bustamante & Associates 29 years ago, known today as BDO, with 200 members and four offices.

HERE TO HELP

Panama's consistently strong growth rates and business-friendly environment make it a haven for consulting firms looking to leverage their expertise in support of the country's development.



JAVIER ROSADO
*Partner & General
Manager, Llorente &
Cuenca*



FRANCISCO CORNEJO
MIGNONE
*Country Managing Partner,
Ernst & Young*



ARISTIDES
BATISTA
*Managing Partner,
RSM Panamá*

We have clients from different sectors, with an interesting mix of important local companies like Ricardo Pérez or Copa and large international companies like Samsung. Most of our clients are corporate, but we also work with government institutions. Our sector has seen a rapid development worldwide over the last 15 years. When we came here, nobody was talking about strategic communication; we started the movement. We are proud to contribute to the development of our sector in Panama, and because of this, traditional PR companies have had to adapt to the new competitive environment. We took a decision to open our network and intelligence through Desarrollando Ideas Llorente & Cuenca, which is our channel where we share all our studies with everyone. Until now, most of the literature in our field was in English, with few materials available in Spanish or Portuguese; therefore, we have been trying to fill that gap. Most of our studies are focused on our specialized communication areas. My colleagues in the Dominican Republic and Ecuador recently released a study about the digital print on the most important CEOs in their countries. We also have political context papers that provide a platform for discussing the challenges facing governments. We plan to have a solid footprint in the Spanish and Portuguese markets, which is why we implemented an acquisition strategy in 2015.

We have clients from a range of sectors. Telecommunications represents one of our main sources of clients. We have a strong presence in retail and airlines, and many of our clients operate in financial services, consumer products, and government sectors. It is, therefore, important for us to have people that specialize in these different sectors. Because most multinational companies have operations here, many of which are our clients, it is important to be able to help them. Panama is one of the key countries in the growth of EY in Central America, as we have experienced double-digit growth here over the last five years. M&As are of great importance to our future strategy. We are always looking for companies, firms, and people that want to join us in order to build up our team here in Panama, which is one way we in which contribute to Panama's excellence. Panama has earned a reputation as the Hub of the Americas. It is amazing not just because of the excellent communication with every other place in the world, but also because of the possibilities that Panama offers for doing business. For the same reason, people are open to new types of businesses; if someone from abroad comes here with an opportunity, there will be people here interested in hearing what they have to say.

There are a number of services that the company offers worldwide, but our main business in Panama is providing auditing for medium-sized companies and consulting, compliance, planning, and outsourcing for large companies. There are about 60 people working in this office and we have a yearly growth rate of about 15%. We do not focus on any specific industry, as the variety of services that we provide can be catered to many different sectors and many companies have approached us recently because of the services that we provide. We have many companies from the US that come to us on the referral of RSM's operations in the US. We want to continue to retain our employees and help them grow professionally and economically, as well as develop in their personal lives. I want RSM to continue to grow and retain key personnel and to continue its ethical principles, while benefiting everyone. With the exception of the US invasion in 1988-1990, Panama's economy has been growing since I was young and I see no signs of this stopping now. People see both the strengths and weaknesses of Panama's economy. The economy has remained strong mainly due to the construction sector. The expansion of the Panama Canal and the surrounding roads has inspired confidence, as have many other projects, including the second and third line of the metro.

WHEN IN PANAMA... WHERE TO STAY

PANAMA CITY

01 The Westin Playa Bonita

Playa Bonita, Km 6 Camino a Veracruz, Panama City
T +507 304 6600

starwoodhotels.com/westin

Rooms 611 guest rooms with rainforest views. **Guest Services** Business Center, Westin Executive Club Lounge, Fitness Studio, Kids Club, four beachfront swimming pools, sensory Spa by Clarins, and kayak rentals. **Dining** Six restaurants and three bars offering a wide variety of cuisines, from exotic Asian fusion to fresh international crowd pleasers.

02 Hotel Las Américas Golden Tower Panamá

Av Balboa y Calle 53 Esquina Marbella, Panama City
T +507 214 2144

lasamericasgoldentower.com

Rooms 285 air-conditioned rooms feature minibars, coffee makers, and safes. Flat-screen TVs come with cable channels and pay movies, and guests can stay connected with free Wi-Fi. Bathrooms offer hair dryers and free toiletries. Phones, ironing boards, and desks are other standard amenities. **Guest Services** Guests enjoy a full-service spa, an indoor pool, and a fitness center. Free valet parking is included with every stay. The 24-hour front desk has staff standing

by to help with dry cleaning and laundry, concierge services, and luggage storage. Additional amenities include free Wi-Fi in public areas, seven meeting rooms, and a business center.

03 Aparthotel Sevilla Suites

Av Eusebio A. Morales, Apartado 89-7758 Zona 9, Panama City
T +507 213 0016

sevillasuites.com

Rooms Each apartment at the accommodation provides a flat-screen cable TV, dining area, sofa, and seating area. Featuring an oven and stovetop, the fully equipped kitchen comes complete with a microwave, refrigerator, and kitchenware. Private bathrooms include a bath or shower, hairdryer, and free toiletries. **Guest Services** Featuring an outdoor pool, Aparthotel Sevilla Suites is located in Panama City. This self-catering accommodation offers a fitness center and a terrace. Free Wi-Fi access is available. Aparthotel Sevilla Suites offers an array of amenities, including laundry facilities, ironing services, and shuttle services. The property offers free parking.

04 Best Western Plus Panama Zen Hotel

Gaspar Hernández y vía Argentina, corregimiento El Cangrejo-Sector Bellavista, Panama City
T +507 301 3333

www.bwpanamazenhotel.com



Rooms 90 contemporary rooms in complete harmony with the environment to bring comfort, relaxation, and tranquility to our guests. Strategically located in the financial district of Panama City, close to the best malls, restaurants, casinos and entertainment centers. The metro station, vía España, is 200m from the hotel, allowing our guests to mobilize quickly and at the lowest cost through Panama City.

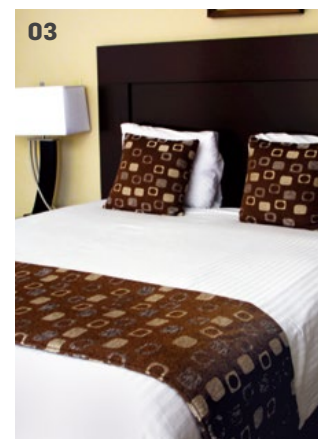
05 Courtyard Panama at MetroMall Shopping Complex

Avenida Domingo Díaz via Tocumen, Centro Comercial MetroMall Shopping Complex, Panama City
T +507 304 9595

marriott.com

Rooms The hotel boasts 120 rooms **Guest Services** Located four miles from Tocumen International airport and within the

MetroMall shopping complex, its spacious rooms are a short step from over 260 stores adjacent to the hotel. **Dining** Have lunch or dinner either buffet or a la Carte at Centro Restaurant, while Centro Lounge offers an informal center, a pool, and a business center.



HELPFUL HINTS

1 Tap water is safe to drink throughout most of the country.



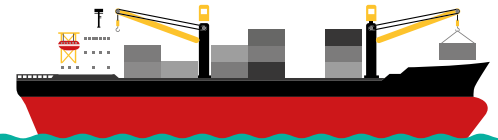
2 US dollars and balboa are both accepted currencies.



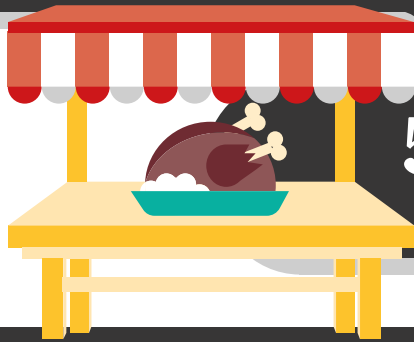
3 Expect a lot of rainfall during the wet season between April and December when it rains for hours nearly every day.



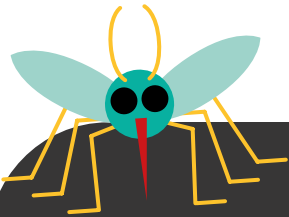
4 Most tourists visit the Miraflores Locks from Panama City, while boat trips along the canal are also available.



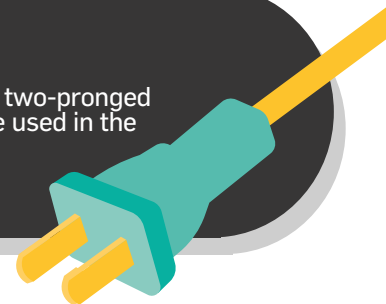
5 Meals from local food stalls cost around \$2-5 for chicken, rice, and beans, while popular restaurants cost between \$7-10 per meal. Expect to pay \$30-40 for a more upscale meal with wine.



6 Mosquito-borne illnesses such as Dengue, Chikungunya, and Zika are a concern, especially in rural areas. Do not forget to include mosquito repellent when travelling to wet regions.



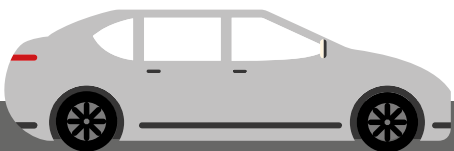
7 US-style two-pronged plugs are used in the country.



8 Intercity bus rides cost between \$10 and 20, while overnight buses cost around \$25.



9 Uber is a common alternative to taxis. Taxis in Panama do not use meters, so negotiate a price first if using them.



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ONLY OCEANS APART
The idea of transport could have been invented for Panama. The ...

VIP INTERVIEWS




Julian Palacio
Colombia
Director General, Latinports

"Colombia is investing heavily in the 4G Concessions."




José Koechlin
Peru
Founder & CEO, Inkaterra

"Working in far away, remote areas, you need staff to stay long term."



Alfredo Nolasco Meza
Mexico
Chief Country Representative, Bombardier in Mexico


"Bombardier cannot be understood today without factoring in its Mexico aerospace and transportation activities."



Mazin Saad Al-Nahedh
Kuwait
Group CEO, Kuwait Finance House (KFH)

"When our clients come to us with problems we tend to be more helpful than conventional banks."


FEATURED



Zambia
ECONOMY
REVIEW: ECONOMY

Wide Open Spaces

Zambia's economy is exposed to China, and commodity exports are limp; however, a new focus on smaller sectors is slowly changing the national production matrix.



Turkey
DEFENSE
REVIEW: DEFENSE

Be Prepared

The Turkish government is backing defense contractors with considerable results.

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For every edition, we interview over 100 leaders from the worlds of business and government. Many of the interviews published here have been abridged. The original, full-length versions can be read online, alongside a selection of unabridged, digital-only interviews.*

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*Digital-only interviews in this edition include:

Marisela Gonzalez, Former Administrative Director, PROINVE

Mauricio Abrad, General Manager, Banco de Crédito del Perú (Panama Branch)

Louis Robert Ducruet, Executive President, Unity Ducruet

Dean Del Mastro, Executive Director, Deltro GeneraSol

Javier Cáceres, General Manager, Energy Latam Corp

Mariah Karmen Ganthous Adem, Country Manager, FlexCom Panama

Aminta Orillac Arias, CEO, CMA Group

Rodolfo Martinez, General Manager Panama, Tecun Group

Vikash Deepak, CEO, Mercansa

Enrique Pesantez, General Manager, Pesantez Tours

Roberto Jean-François, Director, The Panama International Hotel School

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