Panama

Land of promise and opportunity

TUESDAY, JUNE 25, 2002

INSIDER VIEW

SINCE HER ELECTION IN 1999, PRESIDENT MOSCOSO AND HER ADMINISTRATION HAVE TAKEN GREAT STRIDES IN EDUCATION AND IT. NOW SHE IS APPEALING TO FOREIGN INVESTORS TO HELP BOOST PANAMA'S ECONOMY

JUST A FEW MONTHS before Panamanian President Mireya Moscoso begins her third year in office, the country’s first female head of state is more concerned with a different anniversary celebration that kicks off in 2003, the Republic of Panama’s 100th birthday, as she knows it will be a time of reflection.

The U.S. handover of the Panama Canal in 1999, the same year President Moscoso began her leadership, was the final chapter to Panama’s tumultuous past and signaled to the world that true democracy at long last had taken root on the isthmus.

There was a 22-year transition period from the signing of the treaty to the actual handover on December 31, 1999, in what was perhaps the most important act of diplomacy in the hemisphere in recent memory and an event that will surely be among the world’s geographic integration. It radically changed trade and the world’s commerce, transportation and tourism.

And while there will be good cause to celebrate, Panama is presently going through a challenging economic period. The country depends heavily on investments from abroad, and its economy is closely linked to that of the U.S. Panama’s Colon Free Zone has been hit hard by the economic problems in its export markets, namely Venezuela, Colombia, Ecuador and most recently, Argentina, and the nation’s banks are just now recovering from their pre-Asian-crisis strength.

Despite the setbacks, however, the Moscoso administration has spent far more money and effort on education, health, housing, security and agriculture than any other Panamanian government in more than a decade.

“We have reconstructed at least a third of the national education infrastructure and we have brought information technology and the Internet to dozens of communities,” President Moscoso points out. Panama’s overall growth last year was about 1%, and the Moscoso administration hopes to increase that to 3% this year, although a lot will depend on the strength of the world economy and the local investment climate. U.S. investors have been called upon and have shown great interest in Panama’s most robust sectors: telecommunications, transportation and tourism.

The President says she has no doubt that once investors become more informed of the opportunities that exist in her country, the economy will quickly warm up. And if anyone was wondering whom Panamanians prefer to do business with, she leaves no doubt: “The relationship between Panama and the United States is very special. U.S. presence in Panama since the moment we emerged as a nation has given us access to a level of life that is far more advanced than that of any of our neighbors. That fact is highly valued by a wide majority of Panamanians who feel this relationship in a very special way. We want that feeling to grow and strengthen. By a simple matter of desire, the path of the United States and Panama have been intimately joined, and we want it to stay that way.”

MIREYA MOSCOSO President of the Republic of Panama is confident that once investors are more informed of opportunities, the economy will warm up.

Superintendence of Banks Republic of Panama

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Panama City View

FACTS & FIGURES

POPULATION
2.8 million
(July 2001 est.)

AREA
52,100 sq. miles

CAPITAL
Panama City

ECONOMY
Panama’s economy is based primarily on a well-developed services sector accounting for 80% of GDP

RESOURCES
Copper, mahogany forests, shrimp, hydropower

INDUSTRIES
Construction, brewing, cement and other construction materials, sugar milling

SUMMIT COMMUNICATIONS would like to express its sincere thanks to the Embassy of Panama in Washington D.C., in particular Ambassador Guillermo Alfredo Ford Boyd, for its assistance in the production of this report.
A continuing history of healthy relations

FEW COUNTRIES CAN BOAST HEALTHIER RELATIONS WITH THE U.S. AND PANAMA’S DOLLAR-BASED ECONOMY AND SPECIAL AGREEMENTS EASE THE WAY FOR U.S. INVESTORS AND TRANSPORTATION THAT ARE NECESSARY TO MINIMIZE COSTS AND MAXIMIZE EARNINGS FOR INVESTMENTS MADE BY U.S. BUSINESSES.” MR. HUNT STRESSES.

The Change d’Affaires at the U.S. Embassy, Frederick A. Becker, who had previously served in Panama and jumped at the first opportunity to return, agrees that there has never been a better environment for U.S. companies to do business in Panama.

“We have sought to help Panama improve conditions favorable to international business. In 2000 we signed an Overseas Private Investment Corporation (OPIC) agreement with Panama. It was one of the only three countries in Latin America with which we did not have an OPIC agreement, the other two being Mexico and Cuba,” Mr. Becker points out.

He explained that OPIC provides risk insurance guarantees for U.S. investors. He also noted that an addendum was signed and ratified last year concerning the two countries’ business and investment treaty that provided additional assurances for U.S. businesses, particularly with respect to resolution of commercial disputes. According to Mr. Becker the three most ripe sectors for U.S. investment in Panama are telecommunications, transportation and tourism.

“A major U.S. interest in Panama is promoting U.S. exports and investment, in part by encouraging open markets and practices favorable to business,” Mr. Becker says.

“In this hemisphere we are negotiating a Free Trade Area of the Americas (FTA) agreement, with a target completion date of 2005. Panama is the temporary site for the FTA secretariat for 2001-03, after which it will move to Mexico City. But Panama is already lobbying to become the permanent site for the secretariat, and I must say the country is providing very good administrative services to all the delegations that come here,” he concludes.

The Canal has become the driving force behind Panama’s growth and progress

JUST A LITTLE more than two years have gone by since the transfer of the Panama Canal to the Republic of Panama, and despite initial concerns in the global transportation industry about the management abilities of the Canal’s new owners, the Panama Canal Authority (ACP) has succeeded in not only keeping the gates open to the shipping community, but has also turned the waterway into a major driving force of Panama’s progress and growth.

“There was a lot of doubt about whether Panama had the ability to run and operate this route efficiently, safely and scientifically. More than two years have passed since the handover and the country has shown the world that it can,” notes Alberto Alemán Zubieta, Administrator of the Panama Canal Authority. Mr. Alemán says it has been a proud accomplishment for ACP and especially for the 9,000 Panamanians who work at the Canal. “We feel that we have not only done what was expected of us, but much more. It’s not that we want to blow our own horn, it is just a simple fact that we have met the needs of our clients and the representatives and leaders of other countries who have acknowledged our accomplishments publicly.”

One of the most important changes has been the Canal’s transition from a government-structured, break-even management system. Today it is a state company using a more business-minded management model. “We have a board of directors that names the Canal’s administrator and operators to make a profit, just like any other business. We are very aware that we have to compete and provide excellent service to our clients,” Mr. Alemán explains.

Since 1996 a $1-billion development plan has modernized and continues to improve the Canal’s capacity-20% more to be exact-by always using the best and most up-to-date technology.

“I believe that Panama, the U.S. and the Canal are making each other better,” Mr. Alemán muses. “Panama is the only port in the world that has terminals on two oceans,” says Mr. Alemán. “The terminals are intercommunicated, privatized and efficient, giving them a clear advantage at a passageway where 141 international trade routes converge.”

The United States is the largest user of the Canal in terms of cargo tonnage, although Asian countries are beginning to close the gap. About 12% of U.S. sea-borne international trade, tons of tonnage, passes through the Panama Canal annually.

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ACP has been successfully running the Canal since the handover.

Investing in Panama's Future

ESTI HYDROELECTRIC PROJECT: 120 MW
Chiriqui River Dam

Bayano Hydroelectric Plant Expansion: 110 MW
Unit 3 Spiral Casing

AES Panama is investing $400 million in the construction of the Esti Hydroelectric Project and the expansion of the Bayano Hydroelectric Plant. These projects will generate 230 MW and 672 GWH per year of clean hydroelectric power for Panama’s energy market.
Securing a place in the world economy

As the world’s crossroads, Panama is seeking to take advantage of its strategic location to become the region’s leading international commerce hub. Bilateral agreements are under negotiation to achieve this goal.

In a bid to get the most from its best-known asset, Panama is busy redefining itself as a 21st century hub for Western Hemisphere trade. But it will not be starting from scratch. For over half a century, the Colon Free Zone has functioned as the largest merchandise distribution center for Latin America and the Caribbean, the world’s second largest after Hong Kong. In 2000, total imports rose 6.4% to $4.3 billion while exports were up 3.8% to $9.1 billion. “We have a series of advantages that need to be consolidated and developed. That’s the basis of our plan to transform the zone into the multimodal logistics center of the Americas, and help reposition Panama in the world economy,” says Colon Free Zone’s General Manager, Jorge L. Fernández. By integrating two or more modes of transport to move goods from origin to destination, he says, the economies of scale achieved and the possibility of just-in-time delivery are sure to attract new industries to join the 1,800 international companies already doing business there.

But it isn’t all just a matter of location, location, location. “Nobody can match our experience and comparative advantages in the international service sector,” says Minister of Foreign Relations, José Miguel Alemán. His government has been busy negotiating bilateral free-trade accords and channeling investment into infrastructure updates that complement an already-wide ranging offer of foreign commerce related support services including banking, insurance, state-of-the-art telecom access, cargo-handling and warehousing facilities, plus a partly bilingual workforce.

Companies have come from as far away as Russia, says Minister of Commerce and Industry, Joaquín E. Jácome. “We have the region’s lowest tariff regime, enviable political stability and an open, bilaterial accorded economy,” he says, noting that Panama last year tended nearly 70 meetings held by delegates from 34 countries at- tended by Panama as a pro tempore venue for the comprehensive Free Trade Area of the Americas (FTAA), the hemispheric version of NAFTA that is expected to be just as successful as its three-nation predecessor. Panama is not only committed to the project but lobbying actively to make sure that the FTAA’s permanent administrative center is located there when the 34-country common market is up and running sometime in 2005.

“Panama is an interesting place,” says Nito Rossana Castellón, Executive Director of the presidential commission set up to nail down permanent venue status. “Historically we are South American, geographically, we’re Central American, and culturally, Caribbean. Apart from that, we have these close historic ties with the U.S. dating back a century and a half. As a temporary venue for the complex FTAA negotiations, Panama has already hosted almost 4,000 delegates from 34 countries attending nearly 70 meetings held since 2001. Making Panama the permanent seat of the FTAA might be appropriate politically for the country that can claim, with justification, to have divided itself in order to unite the world.

ETESA (Empresa de Transmisión Eléctrica SA) is one of the eight private companies that were created with the privatization of the Panamanian Electric Sector in 1997. The company is responsible for transmission infrastructure to ensure that all of Panama’s generators and distributors can meet the booming demand of the country’s consumers.

ETESA is a dynamic, growing company, that is fully aware of the potential of the electric sector in Panama and other Central American countries. ETESA is currently building 600 km of parallel transmission line spanning the whole country, to add 450 MVA to existing capacity. Additionally the company is connecting a 230 kV line along the Atlantic coast to Costa Rica, and a third line parallel to the Panama Canal.

Through the growth of its traditional business, ETESA is also promoting investment in new businesses. Electricity demand in Panama through 2015 is expected to double, requiring an extra 1,000 MW, while an integrated market from Panama to Guatemala will require some 5,840 MW of additional capacity. ETESA is developing an extended grid to attract the investment in hydroelectric and thermal power required to meet this demand.

International giant with a social conscience

Ever since Switzerland-based Nestlé—the largest food company in the world—inaugurated its first dairy production plant in Nata, Panama in 1938, the company has constantly contributed to both the economical and social well-being of the nation and has been an important source of nutrition for the entire region.

“Nestlé has played a pioneering role in the development of dairy production and its industrialization in Panama,” explains Ricardo Ramos G., President and General Manager of Nestlé Central America Region. “These developments show that Panamanian agriculture offers opportunities and that the company contributes to the livelihoods of the rural populations. It is also worth noting that a good part of the output is exported and therefore contributes to the country’s trade balance.”

The bulk of Nestlé’s exports from Panama are earmarked for countries in Central America and the Caribbean, regions of great strategic importance for the company, Mr. Ramos says. “Panama occupies a privileged place in the Central American context, for both its geographical location and for the quality of services it offers the region, such as transportation, communication and financial services.”

“Nestlé’s headquarters for the whole of Central America is in Panama City, and that is due to the easy access to specialized and highly-educated personnel.”

However, Mr. Ramos notes that despite its proximity to the U.S., Panama is still relatively unknown to the majority of Americans. “Any investor considering doing business in Central America should seriously consider the opportunities Panama has to offer. Whether it be an industrial, commercial or logistic enterprise, one should also keep in mind that Panama is the vertex where the great routes between Asia, America and Europe converge.”

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TRANSPORT IS AT THE TOP OF THE GOVERNMENT'S AGENDA AS A TARGET FOR DEVELOPMENT. IF PANAMA IS TO BECOME A
REGIONAL TRADE HUB, ROAD NETWORKS MUST BE EXTENDED AND IMPROVED—AND PROJECTS ARE ALREADY UNDERWAY

HEAVY INVESTMENTS are being made to improve infrastructure in Panama.

SINCE THE construction of the Panama Canal in the early years of the last century, the country has learned just how important transport is to its economy and to its standing in the world. With increased globalization and regional trade agreements, Panama’s role as a world transport hub will continue to expand. The country’s public and private sectors are preparing for such a future.

At the same time, the administration of President Mireya Moscoso has ambitious plans to improve transport for Panamanian citizens, especially in Panama City itself where traffic congestion has long been a concern of the government.

"We are planning our two most important projects for the capital: a second bridge over the Canal and a light rail network," explains Public Works Minister Víctor N. Juliao Gelonch. "Two lines, the blue line and the red line will cross the city and of the two, the 13-kilometer-long blue line, which has been budgeted at $200 million, will carry the most passengers," he continues. "Our other project, the second bridge over the Panama Canal, will reduce the existing overload of traffic which now use the Bridge of the Americas by 50% and help lower transport costs, ease congestion and boost productivity of businesses," he adds.

The canal itself is also undergoing major improvements, according to Alberto Alman Liubieta, Administrator of the Panama Canal Authority which operates the strategic waterway.

"The current modernization program will be wrapped up by the end of 2004," he says. "We recently began deepening the navigable section of Lake Gatun and that will ensure there is more water in the canal for its future operation.

"Over the past several years we’ve been carrying out a study for a series of capacity-enhancing projects which includes plans for damming new water sources, building hydroelectric plants, new locks and widening and deepening some of the channels."

Complementing the canal’s maritime activity is the Panama Canal Railway Company, which has been operating freight and passenger service for the past two years between the Atlantic and the Pacific.

The Panama Maritime Authority (AMP), was created in 1998 and merged four other maritime bodies and agencies under one roof. For anything that has to do with shipping or maritime services in Panama, AMP will surely be involved.

"We made the construction of the Panama Canal Railway possible," AMP Administrator Jerzy Salazar says proudly. "And that was a major success in the transportation of cargo from the Baltic port to the ports of the Atlantic sector, and also in the transportation of passengers from the many cruise lines that stop in Panama."

Together with land and maritime transport, air transport is also key to Panama’s development and Copa Airlines is the leading air carrier in the country. In 1998, it signed an agreement with Continental Airlines as a Rome carrier in the country. Currently, two of its most important tasks are building a new parallel line of transmission along the existing line and setting down new lines in areas not receiving the service.

"And like any other company in the sector, we are guided by what is happening in the market and that is changing," explains ETESA General Manager José Ignacio Quirós Ponce. "Our main task of restructuring the electricity sector and its three main divisions: transmission, generation and distribution. Sales from restructuring brought in some $600 million and guaranteed further investment in the sector.

"The transmission division was assigned to one company, which is 100% owned by the State but is run like a private enterprise. Generation isn’t regulated and prices are fixed according to the market. Distribution and retail falls under regulation and that division was assigned to three companies operating within three different areas of the country," explains Mr. Arroyo.

The Electric Transmission Company, known as ETESA, is the state entity that took control of the sector’s transmission division. ETESA only deals with this particular division and is in charge of the maintenance and construction of public infrastructure for the transmission of electricity.

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"At AES we are expanding our programs in each of the three areas—generation, transmission and distribution—and adding new ones in order to continue growing in capacity in 32 nations. AES also distributes electricity in nine countries through distribution businesses and sells electric power to more than 153,000 customers through its various retail electricity supply businesses.

Mr. Sundstrom says AES Panama is more than just your average power company seeking profits at any cost. He points out that AES is noted for helping the communities in which it operates, everything from providing medical treatment to supporting local schools. "AES is an interesting company founded basically on four shared values that are easy to understand and identify with: integrity, fairness, social responsibility and fun. With all the things affecting the electric power sector in the United States and the world today, including the collapse of Enron, I cannot emphasize enough the importance of a company founded on those values," Mr. Sundstrom concludes.

"We are spreading out our

POWER TO THE PEOPLE: AES Panama’s Bayano hydroelectric plant.

United States power giant becomes Panama’s lowest-price electricity producer

WHEN PANAMA opened up its electric power sector in 1998, the U.S. power giant AES spotted a golden opportunity and immediately put down its bid, eventually acquiring two of the four electric generation companies up for privatization. The two companies were then merged to form AES Panama, the leader in the development and expansion of Panama’s power generation capacity and production.

"AES Panama is now the proven lowest-price electricity producer in Panama. In a new round of international bids in January, AES Panama made a clean sweep in the first round, winning every single contract," notes David J. Sundstrom, General Manager of AES Panama. "We are in a very good position as the lowest-cost producer and we are fully contracted until 2005 with a large amount of our capacity contracted through 2013," he says.

The U.S.-based AES is a leading global power company comprised of competitive generation, distribution and retail supply business in more than 20 countries. The company’s generating assets include interests in 173 facilities totaling more than 59,000 megawatts of capacity in 32 nations. AES also

IN A COUNTRY like Panama, which is focusing its economic future on the industries of transportation, telecommunications and tourism, it makes good sense to have one strong regulatory agency overseeing the most important infrastructure services on which those three sectors greatly depend.

This is exactly why in 1996 the government created the Public Services Regulatory Entity, commonly referred to simply as "ENTE" in Panama, with the task of regulating the electric power sector as well as the telecommunications, gas, water, radio and television sectors.

"Part of ENTE’s work involves setting norms and arbitrating disputes in these sectors," ENTE President Director Alex Anel Arroyo explains. "The most active sector recently has been telecommunications as it has opened up to competition in two stages, first for non-basic, and then for basic services. Panama wants as much competition as possible in the telecommunications sector."

In 1998 the government took on the major task of restructuring the country’s electricity sector and its three main divisions: transmission, generation and distribution. Sales from restructuring brought in some $600 million and guaranteed further investment in the sector. "The transmission division was assigned to one company, which is 100% owned by the State but is run like a private enterprise. Generation isn’t regulated and prices are fixed according to the market. Distribution and retail falls under regulation and that division was assigned to three companies operating within three different areas of the country," explains Mr. Arroyo.

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Mr. Quirós concludes: "Which to develop our activities." According to ETESA's general manager, everything is in place for the company to complete its ambitious expansion plans by the year 2003 or 2004 at the latest.

"We haven’t hit a snag so far," he says. "Everything is going as planned to receive something in the region of $170 million worth of investments. The tenders have been made and we have been able to secure their services, but we have also been able to search out the best opportunities in which to develop our activities." Mr. Quirós concludes.

Modern sector appeals to investors

OPERATING IN THE COUNTRY SINCE 1997, CABLE & WIRELESS PANAMA IS WORKING TO IMPROVE TELECOM INFRASTRUCTURE. HAVING UPDATED LINES WITH DIGITAL TECHNOLOGY, THE MOST RECENT SUCCESS IS A CALL CENTER OF ALL OF Panama’s economic sectors showing promising growth, telecommunications stole the spotlight by far at last fall’s Panama Week trade-investment promotion show in Washington, an annual event sponsored by the U.S.-Panama Business Council. High-tech companies at the show were extremely enthused and pleasantly surprised by Panama’s modern, growing telecommunication sector, and particularly by the fact that five international fiber-optic cables intersect the country, making it a logically profitable destination for a company to set up a regional call center. But it was by no means a surprise to the telecommunication giants Cable & Wireless, which recently inaugurated a call center in Panama which was met with immediate success. "This is exactly the type of niche that Panama should pursue to make the best use of this extraordinary advantage," asserts José Miguel García, President and General Manager of Cable & Wireless Panama.

Cable & Wireless Panama is the country’s leading telecom operator. Mr. García.

"Also in that time, we have been able to obtain another 200,000 lines of penetration, which has been a real achievement in an emerging economy like Panama’s," he adds.

From the earliest days of the Republic, Citibank has been working for the people and businesses of Panama. To learn how we could be helping you in this dynamic, growing market, visit citibank.com/panama.
Connect to investment opportunities in Panama’s utilities and public services sectors.

As the policy of liberalization implemented in the 1990s takes root, Panama’s economy is growing fast, with electricity generation and telecommunications set to lead the way in attracting investment over the coming decade.

At the heart of this process is the Ente Regulador de los Servicios Públicos, the independent body charged with stimulating competition, implementing new technologies, and protecting the public interest.

Panama’s electricity consumption is estimated to double over the next 12 years. With significant hydroelectric resources, the country’s potential capacity is clear, as are the opportunities for investors. The opening up of Panama’s electricity sector, the Canal Zone, and the country’s growing telecommunications infrastructure will allow the largest ships to be transported by rail to the other end of the Canal, an improvement that is guaranteed to save both time and money.

Taxation and regulatory supervision are very aware of our possibilities, like telecommunications for example. For this reason we have developed a call center law that has allowed the country to develop as a center of operations for international calls and has facilitated economic activities on a large scale. Panama also has a very stable economy. Here, there is a bank failure every 10 years, which is going to change the whole economic outlook completely,“

ECONOMY THROUGH THE MOST PROMISING SECTORS: TELECOMS, TRANSPORT AND TOURISM

A further 12% of Panama’s GDP is taken up by manufacturing, mining, utilities and communications. These sectors have flourished since 1998.

FOREIGN INVESTORS hoping to take advantage of the many opportunities currently opening up in Panama should perhaps take note of one very important fact: one place where one must make a good impression is Panama’s powerful Economy and Finance Ministry, through which all contracts from public institutions must be approved.

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Tourism sector ripe for the picking

IT MAY SOUND Cliche but Panama really is one of central America's best kept secrets. To change this, the government is promoting the country's many tourist attractions, including its natural beauty and cosmopolitan society.

There seems to be no doubt as to where the current administration of Panamanian President Mireya Moscoso has chosen to place its bet among the country's three most robust sectors that are vying for the distinction as the immediate savior of the national economy.

While both the transportation and telecommunications sectors have the potential to bolt Panama into long-term economic stability, it is the tourism industry that is the inherent beauty of the country and its warm, friendly population that makes tourism the most promising avenue for development and environment-friendly exploitation.

Since the beginning of the Moscoso government there has been a strong push to develop Panama's tourism industry focusing on the government's training investment in tourism infrastructure and promotion, says Linika Pitti L., General Manager of the Panamanian Institute of Tourism (IPAT). "We have directly trained 14,000 people and invested $4.2 million in tourism infrastructure," she says. "Our biggest effort has been in the promotional area, investing huge amounts in advertising and public relations campaigns in the U.S., Canada, Europe and Latin American countries or capitals with direct flights to Panama." The promotional campaign, of which Pitti has the leading role, is part of the government's ambitious Tourism Development Plan to boost tourism.

One of the country's major selling points as a tourist destination can be traced to the Canal. People from all over the world came to build the waterway and later settled there, leaving Panama with one of the richest cultures in the region. The shipping industry brought further international influences that have made Panama "a melting pot of races and a place where all nationalities and religions live together in peace and warm hospitality," notes Ms. Pitti.

Tourism has become a state issue, and not a political party issue," Ms. Pitti stresses. "So whoever is governing the country will stick to those objectives, meaning that tourism development is here for the long term. This is a guarantee to investors that Panama is committed to the promotion and development of the sector and that commitment will remain stable for all tourism developments in the future.

Besides the Canal, in 1999 the U.S. also handed over some 364,000 acres of prime land and around 4,000 buildings and other infrastructure located in the former Canal Zone. Panama is committed to using these resources to foster the country's economic and social development.

CAESAR PARK HOTEL: A GREAT HOST FOR THE U.S. NAVY

As far as finance and banking are concerned, the country does well, namely telecommunication, transportation and tourism. "With the Free Trade Area of the Americas in sight, it is clear that we have to be exporters and attract more tourists." According to Mr. Delgado, the government's strategy is to concentrate on what it knows the country does well, namely telecommunication, transportation and tourism.

"When the Free Trade Area of the Americas is in sight, it is clear that we have to be exporters and attract more tourists. We don't want to weave fabric or make furniture; we want to transport them. Panama is a safe place to invest, and is a port nation that is going to develop what it needs to develop. "As far as finance and banking is concerned, Panama has strengthened its laws and two years ago the country created a strong, solid superintendence of banks. Between 1999 and 2002, all Panamanian banks have had to adjust to this new reality of transparency," Mr. Delgado stresses.

And that spirit of transparency is exactly what the National Securities Commission is looking for as it carries out its job of regulating and supervising the country's stock market, says President of the Commission Carlos A. Barsalou P.

"Transparency is the key word in all the agreements we dictate over. The laws are not simply applied on a whim. We have to follow a very rigorous procedure, something which several years ago didn't happen at all that often in Panama. It is one of the better aspects that we have modeled on the system in the United States," notes Mr. Barsalou.

The Caesar Park Hotel has been one of the favorite places to stay in Panama City for 20 years. Indeed, when heads of state and royalty visit, they stay here, notes Mrs. Margarita Garcia, the hotel's general manager. "Caesar Park really started as the hotel to back up the Atlapa Convention Center," explains Mrs. Garcia, pointing out that some of the most important events to be held in the country have taken place here. Indeed, the hotel has been selected to host the Temporary Venue of the Free Trade Agreement of the Americas until 2003. "There has been a $700,000 refurbishment of the hotel to meet the requirements of the talks," she says. Now Panama is bidding to host the Permanent Venue of the Free Trade Agreement of the Americas from 2003, a challenge Mrs. Garcia feels the country is more than able to meet. "First of all Panama is strategically located, with most of the world's major airlines serving the country. Furthermore, we are a stable, safe nation, with a stable economy to match. Panama really is the heart of Latin America." Investors looking to relocate in Panama will find a reflection of the drive for quality and modernization in the Caesar Park Hotel, says Mrs. Garcia, pointing to the excellent service, well-trained staff, and up-to-date infrastructure. The hotel is conveniently located in the center of the city, close to the business district, the historic 18th Century ruins, as well as the colonial city later built by the Spaniards. Nature lovers will want to take advantage of the Canopy Tower National Park, Ancon Hill, and Los Pueblitos, and of course the spectacular birdlife in Pipeline Road in the Canal Zone.

"Caesar Park: an excellent host of the Temporary Venue of FTAA in Panama"

FRANCISCO CONTO
General Manager of Caesar Park, N.A. Panama

“IN A LARGE MARKET WE ARE ALL WINNERS”

WITH THE FREE Trade Area of the Americas (FTAA), gaining speed towards its expected kickoff in 2005, international banks are scrambled to get a foothold in strategically located Panama. The need for capital will surge as companies expand to do more business abroad, and the banks, understandably, want to be at the center of the action.

But they will have a lot of catching up to do if they hope to grab a chunk of the market share Citibank N.A. has been cultivating in Panama since it became the first foreign bank to operate in the country in 1904.

“O ur operation has large coverage and penetration in the local market,” explains Citibank N.A. Panama General Manager Francisco Conto. “As far as products for the individual consumer are concerned, we are the leader in several areas, and we are the banks of choice of large corporations. There are few if any companies not taking advantage of the services we offer, such as innovative electronic banking products and the highest quality service.”

At the time Citibank moved into Panama, its main mission was to help finance companies involved in the construction of the Panama Canal. Today it is busy helping construct the foundations of regional free trade.

“Citibank has always played a very important role in such processes, like NAFTA, where we were one of the most supporting companies,” Mr. Conto recalls. “We, Citibank, are convinced that we have to eliminate the trade restrictions that exist today. In a large market we are all winners.”

But now the stakes and opportunities are even bigger as an entire hemisphere prepares to break down regional trade barriers.

“With the FTAA, businesses are going to grow, and they’ll need financing. And that’s something Citibank knows a lot about. Not only because we have offices in every one of those countries, but because we know how to work on an integrative level, managing clients to eliminate internal disputes and treating our international business customers as corporate clients, not just as individual clients in different countries,” Mr. Conto concludes.

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Panama’s central location and easy access from Europe and the United States have made Panama the first choice for a growing number of US companies interested in benefitting from its active liberalization program that is opening up such key sectors as tourism, transport, and telecommunications.

**Tourism**
Panama’s unique approach to developing its tourist potential is based on sustaining its unspoiled natural resources, a policy which has already attracted some of the world’s leading players. Recent years have seen the sector top world averages for investment. Nevertheless, tourism in Panama will continue to offer potential for many years to come.

**Telecommunications**
With the completion of the MAYA 1, GLOBAL CROSSING, OXYGEN, AND ARCOS 1 ring systems, Panama enjoys access to multiple high-bandwidth continental fiber optic networks in telecommunications infrastructure. The country offers competitive advantages and reliability of service for providers of Internet services, e-commerce, broadband, and new media, as well as exchange traffic that few other offshore jurisdictions can compete with.

**Infrastructure incentives**
Panama’s long history as an international banking and services jurisdiction has resulted in the availability of technical know-how in Internet and information technology, along with highly skilled human resources to install and maintain e-commerce operations. As of 2003, the country’s telecoms sector will be opened up to competition, offering opportunities in local and long distance telephone services, voice dedicated circuits, and public terminals.