



Doing Business in Panama

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Grab your opportunities in the fastest growing economy of Latin America. Because of the Panama Canal, Tocumen Airport and the geographical position of the country, Panama has been termed the 'Hub of the Americas'. Thanks to the excellent connections and the favorable business climate, the Dutch presence in Panama has grown considerably in recent years. The biggest opportunities for Dutch companies lie in the fields of agro-logistics, maritime, retail, and water sector

Natural Partners / Socios Evidentes

Since Panama and the Netherlands are immediate neighbors in the Caribbean, logistical maritime hubs and gateways to larger regions, both countries are natural partners. Dutch companies are involved in major projects around the Panama Canal and several companies have a regional head office in Panama.

Fastest Growing Economy

Since 2010, the Panamanian economy has grown by more than 5% every year, with peaks of more than 10% in 2011 and 2012. Last year, the economy grew a steady 5.4%. The GDP per capita rose in 2016 to USD 13,680, which is one of the highest GDP's in the region. In addition, unemployment and inflation rates are the lowest of Latin America. Panama has a territorial tax system meaning that companies only pay taxes on the income they

generate in Panama. The tax rates are low and there is a uniform tax rate on business income. The country ranks 79th in the Ease of Doing Business Index and 50th in the 2016 Global Competitiveness Index. The presence of the Panama Canal makes the maritime, logistics and water sectors crucial sectors for Panama. Coincidentally, these are sectors in which Dutch companies excel. Apart from the mentioned sectors, there are many other business opportunities. For example in agro-logistics, energy and waste management.

Maritime & logistics sector

One of the first things that comes to mind if you think about Panama is of course the Panama Canal. As the movement of container cargo increased globally, the Canal Authority (ACP) decided to expand the Canal. Since its inauguration in June 2016,

the expanded Canal increased the waterway's capacity to meet the growing demand of maritime trade. The expansion of the Panama Canal has led to new projects such as:

- The construction of the cruise terminal in Amador at the Pacific side, which will act as a homeport for large ships. It will further include passenger parking, administrative buildings and green spaces.

The ACP has expressed interest in purchasing tugboats, as well as pilot boats. A tender for 6 + 4 tugboats and pilot boats is expected in October/November 2018. In addition, a tender for a floating dry dock is expected to be published in the same period of time. The development of the Panama Canal West Bank, an area of 1200 hectares, foresees investments in logistics parks, a Roll-on/Roll-off terminal and road connections, ensuring optimum commercial use of the area.

In addition to this, there are other projects foreseen on a long(er) term:

- The construction of the new port of Corozal is possibly one of the biggest new developments by the ACP, with a total investment of USD 750 million. It is expected to become the biggest container terminal on the Pacific side. At this moment there are no open tenders, but the ACP is discussing new possibilities with new actors.
- The ACP is already looking into the building of a fourth set of locks in order to better compete with the Suez Canal in Egypt. The project is estimated to cost between USD 16 and 17 billion and could be completed within 15 years.

Apart from the Panama Canal itself, Panama has a network of seaports that provides a variety of services to containerized, bulk, liquid and general cargo, as well as to passengers in cruise terminals. These ports are divided into two groups: state-owned ports and private ports.



Water sector

Panama is one of the five countries worldwide with the highest rainfall per year. This causes flooding regularly. At the same time, there are also periods of drought, causing water shortages for agriculture. Furthermore, restrictions on the draft of ships passing through the Panama Canal are made. The country has also problems in the field of drinking water supply, *urban resilience*, water policy and water purification. For the coming years, investments worth USD 5 billion have been announced to address these problems.

An example of Dutch involvement in the Panamanian water sector is the project in Juan Diaz, Panama City. The project included flood protection studies and institutional strengthening and thanks to their involvement, Dutch companies are well positioned in these tenders. Another example, is a wastewater treatment plant being built in the region of Chiriquí by a Dutch company and Dutch knowledge institute, advising the Canal Authority on waterquality.

Agro-Logistics sector

Due to the presence of the Canal, many products pass through Panama. Panama's main challenge is adding value to cargo handled in the country. Agro-logistics is therefore developing as an interesting sub-sector, in which Panama would like to make better use of the flow of perishables trade through the Canal.

A Dutch consultant is developing a masterplan for the Panamanian Ministry of Agricultural Development (MIDA). The project entails the development of a free zone for modernized production, processing and distribution of food products on an industrial scale. This so called 'Foodhub' would have two objectives: to connect local production, but above all, to add value to the products that are passing through the Canal.

Furthermore, the first Panamanian Agribusiness office, to promote and strengthen export of Panamanian products, will be established in the Netherlands. This new agribusiness office will operate in the Port of Rotterdam. The office will be a gateway for Panama and its relations with the Netherlands and the large European market.

Do's and don'ts in Panama

Personal relationships and networking

Business relationships in Panama are mainly achieved through personal contact. Attending trade fairs, lectures or other business events is highly recommended. To build up a personal relationship with a Panamanian partner, face-to-face contact is very important.

Spanish is the official language in Panama and it is most commonly spoken when doing business. At international companies (where many expats work) it happens that English is used as the language of instruction.

Benefits and challenges of doing business in Panama

- Panama has a **territorial tax system**: companies only pay taxes on the income they generate in Panama. The tax rates are low and there is a uniform tax rate on business income.
- The Panamanian financial sector is one of the largest in the region, including 93 active banks.
- The government in Panama is **democratically elected** and supports foreign investments for the various major development projects in the country.
- In Panama, the **US Dollar** is the national currency.
- For the registration of a company there are five procedures that must be completed. In general, this takes **about 6 working days** and the related costs are around USD 600.
- Compared to other countries in the region, Panama is **relatively safe**.

Before starting to do business in Panama it is good to find out a number of practical matters. Dutch companies are advised to conduct market research in advance. Doing business in Panama can be a challenge, but a strategic approach contributes to good preparation. International organizations, such as the World Bank and the World Economic Forum, publish annual reports on the Panamanian business climate and the competitive position of the economy.

In 2017, Panama ranked 79th in the *doing business* report of the World Bank with the biggest challenges in the areas of paying taxes, enforcing contracts, protecting minority investors and resolving insolvency.

In the 2017-2018 *Global Competitiveness Index* of the World Economic Forum, Panama ranked 50th out of 137 countries. The most problematic factors for doing business in Panama according to this index are: (1) inefficient government bureaucracy, (2) corruption, (3) inadequately educated workforce and (4) restrictive labor regulations.

How can we support your business?

The embassy primarily focuses on Dutch companies and supports Dutch companies active in Panama in the following way:

- **Delivering market information**: the embassy has general sector information, answers specific trade questions from companies and conducts business partner scans. Read our business report 'Zaken doen in Panama' here: <http://www.internationaalondernemen.nl/nl/rapporten/landenrapport-zaken-doen-panama>
- **Panama Business News**: the Embassy provides a digital newsletter. This newsletter contains as much information as possible about new projects and public tenders. You can register for the Panama Business News via this link: <https://subscribe.government.nl/newsletters>
- **Promotional activities**: the Embassy tries to strengthen the market position of companies through the organization of trade missions, matchmaking, network events and Holland Branding, among others, via social media.
- **Troubleshooting**: the Embassy assists companies that encounter specific problems when doing business in Panama, for example in relation to international trade agreements such as the EU Association Agreement with Central America.
- **Government 2 Government**: the Embassy promotes international cooperation that facilitates (sustainable) trade and investments between Panama and the Kingdom, for example the conclusion of investment and trade agreements or the start of specific projects.

If you think the embassy can help your company in Panama, please contact us. Send an email with your question to pan-ea@minbuza.nl.

Business Support Instruments

- You can apply for a **Business Partner Scan (BPS)** via RVO. This scan offers you a comprehensive overview of potential business partners in Panama. During an intake interview with RVO, the profile of the type of partner you are looking for is discussed. The Embassy then seeks possible partners and contacts them to gauge their interest.
- The **Dutch Trade and Investment Fund (DTIF)** offers loans, guarantees and export financing. DTIF helps you take the next step towards achieving your international ambitions. DTIF can offer up to €15 million in financial support for each project. The total budget is €102 million.
- The subsidy scheme for demonstration projects, feasibility studies and investment preparation studies (**DHI**) supports Dutch enterprises that want to invest in or execute a project in emerging markets and in developing countries.
- The **Starters International Business (SIB)** aims to support companies likely to be successful with their first steps in a foreign market. Companies can apply for a voucher worth €2.400 that can be used for individual coaching support.
- The **Partners for International Business (PIB)** create market entrance and long-term positioning of clusters of Dutch SMEs in promising markets with the help of the unique role of the government.

Relevant links and contacts

Panama Embassy in The Hague: <https://panamaembassy.nl/>

Enterprise Agency (RVO): www.rvo.nl

Twitter: @NLinPanama

Upcoming Trade Missions

Terminal Operator Conference (TOC) Americas

TOC Americas is a market-focused conference & exhibition which takes place annually in one of the world's key shipping hubs. This conference-led event is the complete Container Supply Chain show for Americas, bringing together Shippers, Logistics Providers, Shipping Lines, 3PLs, Port Authorities, Terminal Operators and other key audiences to learn, debate and network. This year's edition will take place in Panama, **from 13 till 15 November**. More information on the event can be found on their website: <https://www.tocevents-americas.com/en/Home.html>

Water Mission

The Embassy will organize a trade mission on water in the second half of 2018 (exact date to be confirmed). Dutch companies active or interested in the Panamanian water sector are invited to participate. The Water Mission 2018 will bring together leaders from the Panamanian government, the private sector, academics. Main topics will be water purification, flooding protection, drinking water and water policy.

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<https://www.nederlandwereldwijd.nl/landen/panama>

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Official name	República de Panamá
Government type	Unitary presidential constitutional republic
Population	4.03 million estimate
Area	75,417 km ²
Time difference	(UTC – 5)
Currency	Balboa (PAB) and United States Dollar (USD)
GDP growth rate	5,4% (2017)
GDP per capita	13,680 (2016)
Trade volume	Total exports = \$11,194,931,374. Total imports = \$9,238,038,728. Trade Balance = + \$1,956,892,646 (2016)
Inflation	0.746% (2016)
Global Competitiveness Index	50 th (2017/2018)
Ease of Doing Business	79 th (2017)
Global Corruption Index	96 th (2017)
Main trading partners	United States, Colombia, China
Major exports	Organic Chemicals, Pharmaceuticals, Electrical Machinery
Major imports	Organic Chemicals, Pharmaceuticals, Electrical Machinery
Netherlands FDI in Panama	95 million (2014)
Netherlands – Panama trade	280 million (2015)