



PATTON, MORENO & ASVAT
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LATEST NEWS FROM PANAMA

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BUSINESS OPPORTUNITIES IN PANAMA

PANAMA TENDERS SECURITIES CONSULTING FOR \$2M

Panama's government is launching an international bid seeing to find providers to assist in the sale of stock packages.

The tender is for purchase of services to advise the National Authority of Public Services (ASEP) in the process of selling the majority share packages of electricity distribution company Metro-Oeste SA, Empresa de Distribución Eléctrica Chiriquí and Elektra Noreste SA. The date for submission of proposals is March 16, 2011.

If you are interested in receiving details of financial ventures and additional information on financial opportunities, please contact Ms. Ivette Martinez, imartinez@pmalawyers.com

AEI SELLS NSA IN PANAMA

The Spanish group Iberdrola has agreed to buy the Latin American assets of Ashmore Energy International (AEI) which include the Panamanian company ENSA. The transaction was valued at \$ 8,000 million.

In the case of the Panamanian ENSA, AEI currently has 51% of the company, 48.3% is owned by the state of Panama and 0.7% belongs to company employees.

If you are interested in receiving details of commercial ventures, please contact Ms. Ivette Martinez, imartinez@pmalawyers.com

THE 2011 INDEX OF ECONOMIC FREEDOM

According to the Heritage Foundation, who developed the index in association with The Wall Street Journal, "economic freedom is the fundamental right of every human to control his or her own labor and property. In an economically free society, individuals are free to work, produce, consume, and invest in any way they please, with that freedom both protected by the state and unconstrained by the state. In economically free societies, governments allow labor, capital and goods to move freely, and refrain from coercion or constraint of liberty beyond the extent necessary to protect and maintain liberty itself".

Panama is well positioned in Latin America's Index of Economic Freedom with a score of 64.9, making its economy the 59th freest in the 2011 Index.

Its score remains essentially unchanged from last year, with gains in monetary freedom largely offset by a reduced score for government spending. Panama is

ranked 13th out of 29 countries in the South and Central America/Caribbean region, and its overall score is above the world and regional averages.

ALOFT BRAND TO DEBUT IN PANAMA

Starwood Hotels & Resorts Worldwide, Inc. has announced the debut of its fast-growing Aloft brand in Panama City, Panama, set to open in December 2012.

Located in the capital city of Panama, the newly constructed hotel is being developed by Nuevos Hoteles de Panama S.A. which will also operate the hotel under a franchise agreement with Starwood. Nuevos Hoteles de Panama, S.A. also owns the Sheraton Panama Hotel & Convention Center.

The future Aloft Panama, featuring 312 rooms and over 4,000 square feet of flexible meeting space, will offer business and leisure travelers easy access to downtown and local attractions. This new urban development boasts an ideal location across from the Atlapa Convention Center, 15 minutes from the Tocumen International Airport and 10 minutes away from the financial center.

Aloft Hotels is the sizzling "style-at-a-steal" brand from Starwood Hotels and Resorts Worldwide Inc. With nearly 50 properties now open worldwide, the brand has enjoyed the fastest ramp-up in hospitality-industry history. With the opening of the aloft Panama, Starwood will have over 1,700 hotel rooms in Panama supporting both the business and tourism sectors with employment opportunities in the regional economy.

Starwood Hotels & Resorts currently features four hotels in Panama including the Four Points by Sheraton Colon, Four Points by Sheraton Panama, Sheraton Panama Hotel & Convention Center, Le Meridien Panama.

If you are interested in receiving details of commercial ventures and opportunities, please contact Ms. Ivette Martinez, imartinez@pmalawyers.com

COPA TO BEEF UP SERVICE TO THE US AND CANADA AND ANNOUNCES ITS 2011 EXPANSION PLAN.

Panama's Copa Airlines has announced today that it will fly to three new destinations and increase frequencies on other key routes as part of its 2011 expansion plan.

Copa's new routes will begin in June when the carrier adds service from Panama City to Toronto Pearson, Nassau in the Bahamas and Porte Alegre, Brazil.

Copa also will add one daily round-trip flight on five routes from its Panama City hub. Two of those routes are to Florida, where Copa's Miami service will increase to four daily round-trip flights and Orlando will go to three daily round-trip flights.

Bogota (up to six daily round-trip flights), Lima (three) and Santiago, Chile, (three) are the other routes.

Copa also plans to reorganize its flight schedule, saying in a press release that it will transition from a schedule of four daily flight banks to a six. That will begin June 15, with Copa saying it "will allow the airline to better utilize (Panama City's) Tocumen Airport's existing infrastructure as well as offer passengers more and better scheduling options."

"With the opening of these new destinations and increased frequencies from our Hub of the Americas in Panama City, Copa Airlines continues to expand coverage and reaffirming its leadership in Latin America and the Caribbean, offering more international destinations than any another hub in Latin America," stated Pedro Heilbron, president of the airline.

If you are interested in receiving details of business ventures in the aviation sector, please contact Ms. Maria de Lourdes Marengo,

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and of commercial ventures, please contact Ms. Ivette Martinez,

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PANAMA CANAL AUTHORITY WILL SPONSOR RETAIL CONFERENCE IN ORLANDO AND HOST MAJOR RETAILERS IN PANAMA

The Panama Canal Authority (ACP) will sponsor the Retail Industry Leaders Association (RILA) Logistics Conference in Orlando, Florida February 20-23, 2011. The conference will bring together representatives of all major retail and consumer product segments, along with relevant solutions providers.

In addition, the ACP will host a select number of representatives from major retailers on a post-conference trip to Panama.

As part of the ACP trip, retailers will have the opportunity to visit Panama alongside ACP leaders to learn about the various advantages and opportunities that Panama has to offer. Panama is fast becoming the transportation and logistics hub of the Americas with its unmatched regional connectivity, strategic location, world-famous Canal that joins more than 144 trade routes across the globe, and strong economy. All of these things, combined with its dollarized economy, make Panama an attractive location for foreign companies to establish their Latin American headquarters.

The country offers unparalleled special incentives for multinational companies doing business abroad, such as tax exemptions and flexible relocation procedures for executives in managerial positions and their families. Today's supply chain leaders rely on safe, reliable and efficient service to get their goods to market and recognize the added value when doing business in Panama.

As a result, multinational corporations like Maersk Central America, VF Corporation, Procter & Gamble, LG Consulting, Roche, Caterpillar, Nestlé Central America,

Phillips, Hyundai Heavy Industries, Cemex, Dell, 3M and Heineken, among many others, have all established their regional headquarters in Panama.

This trip will occur February 23-25, and will include meetings with key government officials and business leaders, including Panamanian Vice Minister of Foreign Trade José Domingo Arias. In addition, tours to the country's logistics facilities will include the Manzanillo International Terminal Port, Colon Free Zone, Panama Canal Railway, Panama Pacific Special Economic Area and the Panama Canal expansion site.

If you are interested in receiving details of business opportunities and commercial ventures in the maritime sector, please contact Mrs. Maria de Lourdes Marengo, mmarengo@pmalawyers.com and Mr. Belisario Porras, bporras@pmalawyers.com

PANAMA WILL UPDATE ITS MINING CODE

Panama Minister of Commerce and Industries, Roberto Henríquez has presented a bill to the National Assembly to update the mining code. A process of consultations has already taken place in the trade committee of the Legislative Assembly.

Minister Henríquez said the fees, royalties, fees, fines which are generated according to the 1963 mining code, both for non-metallic mining and metal, are very low and aims at rising royalties to 4% up from 2%. According to Minister Henriques, the Executive branch has not given a single metal mining concession, since the existing ones were given by previous administrations.

Henríquez explained that the concessions for Minera Panama and Petaquilla Gold, had been given during the administration of former president Ernesto Pérez Balladares in 1997.

If you are interested in receiving details of commercial ventures and opportunities in particular in the mining sector, please contact Ms. Ivette Martinez, imartinez@pmalawyers.com

PANAMA TENDERS MANAGEMENT SOFTWARE FOR \$20M

Panama will put to international tender the supply and implementation of a comprehensive software solution for the accusatory penal system.

Purchase, supply and implementation services include the installation of the initial stage in the second judicial district which includes the provinces of Veraguas and Cocolé.

The bids are to be received on February 15, 2011.

If you are interested in receiving details of commercial ventures and opportunities, please contact Ms. Ivette Martinez, imartinez@pmalawyers.com

PANAMA IN THE INTERNATIONAL NEWS

SHIPPING ROUTES EXPECTED TO BE REVOLUTIONISED IN THREE YEARS

FAIRPLAY WEEKLY MAGAZINE

January 6, 2011

The Panama Canal Authority (ACP) is entering 2011 with more optimism – fully expecting volumes to rebound at a faster rate from recession lows.

The agency now predicts volume of 304.5M tons (measured by the Panama Canal Universal Measurement System, or PCUMS) for FY11. That would represent a 1.5% increase compared with the previous year, which runs from October to September.

Despite these gains, the waterway's numbers should still remain below pre-recession levels until FY12 at the earliest. The ACP logged 309.3M PCUMS tons in FY08.

ACP VP for marketing and research Rodolfo Sabonge told Fairplay: "In the first two months [October and November 2010], we witnessed an increase in some segments, mainly grain going from the Gulf of Mexico to Asia, and we expect this to continue in 2011 at a moderate rate."

The recovery of the container segment has progressed as initially forecasted six months ago, although the market continues to send mixed signals.

Starting this month, Panama Canal tolls were increased by 12-16%, depending on the segment. The exception was the reefer sector, which won a reprieve until April.

New tolls-- Box ships are being charged under an entirely different formula than other sectors, cutting costs for empties-laden backhauls. The toll for a ship's rated capacity has increased just \$2/teu to \$74/teu, but there is an \$8/teu charge for loaded containers.

When this new toll structure was announced last June, ACP administrator Alberto Aleman noted that the loaded-box fee can be more easily passed along to shippers. That appears to be exactly what carriers plan to do, via surcharges.

Meanwhile, the historic canal expansion project continues, with Grupo Unidos por el Canal (GUPC) handling construction of the third lane and the future locks.

In spite of two strikes by GUPC workers last year, the contractor is "back on schedule and works have improved at the Pacific site of the locks excavation," ACP VP of engineering and programme management Jorge Quijano told Fairplay.

"GUPC has already achieved 7% [of its contract] and together with the expansion work done by the ACP, the total expansion programme is at 17.6%," said Quijano in December.

The opening of the expanded Panama Canal in 2014 will allow larger vessels to transit, improving economies of scale.

Once larger container vessels transit the expanded Canal, it is believed these vessels will not call at as many terminals, prompting a surge in Caribbean transshipment and greater concentrations at larger US East Coast ports.

“This change in trade patterns will improve the potential of Panama as a logistics hub for the Americas,” asserted Sabonge.

The ACP is also preparing to welcome a new segment: LNG. “This will be a new vessel type that will be transiting the Canal in three years’ time,” said Sabonge. “There are also other segments, such as bulk carriers, which are studying the possibility of designing vessels that would maximise the dimensions allowed by the new locks.”

COMUNIQUE

ASSOCIATION OF INTERNATIONAL LAWYERS

Panama’s Association of International Lawyers wishes to provide the following clarification concerning incorrect information which has been spread in recent weeks, both nationally and internationally, which seems to indicate that services provided by the Republic of Panama have undergone structural changes:

- Panama has not any made structural changes to its banking system, or to its company, foundation or trust regimes, which is likely to have an adverse effect on its national or international competitiveness.
- Since 1956, the year in which Panama adopted a Tax Code, its tax system has been based on the principle of territoriality. Therefore, entities which do not conduct business within Panama are not required to pay taxes in Panama, to file tax returns or to publish or maintain their accounting records or financial statements in Panama.
- Panama continues to recognise privacy as the legitimate right of any person who uses its services for lawful purposes. Therefore, banking secrecy continues to be the basic pillar of the system, and separate corporations, foundations and trust regimes also remain in force.
- Panama is in the process of implementing a State-sponsored strategy with the purpose of complying with international requirements, which will enable it to continue projecting itself internationally as an important services market.
- As regards the double taxation treaties recently signed by Panama which give rise to obligations concerning the exchange of information, a number of principles remain in force which guarantee the basic rights of users, among which we find the following:

- (i) The exchange of information shall only take place in strict compliance with procedures which ensure that privacy is maintained and defended against improper interference.
- (ii) Requests for the exchange of information shall not be processed if they lack legal grounds (no “fishing expeditions”).
- (iii) Reasonable evidence must be provided which proves that the party under investigation has committed an unlawful act.
- (iv) Prior to making the request, the requesting country must prove that it has exhausted all other means available to it under its own legislation for obtaining such information.
- (v) Prior to processing such requests, each one shall be assessed individually in order to determine whether there are sufficient grounds therefor.
- (vi) Information provided by a country cannot be sent on to another country.
- (vii) There will be no automatic exchange of information with any country.

Panama’s policies on the subject of exchange of information aim to find an appropriate balance between its international obligations as a member of the community of nations, and the legitimate expectation of privacy of any users of our platform of international services.

Panama, 22 December 2010.

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