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LATEST NEWS FROM PANAMA

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BUSINESS OPPORTUNITIES IN PANAMA

PANAMA BANKING CENTER GREW BY 11.4% IN 2010

Panama's International Banking Center grew an estimated 11.4% in 2010, reaching \$71.3 Bn in consolidated assets.

The center estimated that, in 2010, the Panamanian economy grew approximately 7% "marking a clear recovery and showing that the crisis has been overcome."

Net income in 2010 was \$1.67 Bn, an increase of 16.1% compared to the year before.

Deposits to the national banking system amounted to of \$44Bn in the same year, of which 44.3% are fixed term deposits, 18% savings and 15% cash deposits

Liquidity reached 65.76% of assets, but well above the 30% required by international banking standards.

Foreign borrowing reached an estimated \$19Bn in 2010, up 22.6% compared to \$15.6 Bn in 2009.

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

DELL INVESTS \$13M IN ITS PANAMA OPERATION

The multinational will build a new 5,000- M2- building to meet the growing demand. The new facility will have capacity for 500 new staff members completing a payroll of 2.500 workers in the country. Martin Alvarez, general manager of the company in the country said: "The expansion will impact the entire continent. Panama is the hub of Dell's operations in the Americas and a service center for the continent."

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

PANAMA AMENDS MINING CODE

The Panamanian National Assembly approved Law 8, of 2011 which amends the Mineral Resources Code. The reforms adjust fees and royalties to be paid for mineral concessions, which will increase to 5%. Of that percentage, the state will allocate 2% for construction of infrastructure and social development programs in communities and regions close to the mining concessions. In addition, 1% is transferred directly to the Social Security Fund (CSS) to strengthen the financing of risk for disability, old age and death and the other 2% will go to the national treasury.

The bill, widely discussed in Parliament, contains provisions on corporate social

responsibility for mining companies in order for them to design, develop and implement policies, plans, programs and projects for the achievement of social objectives and improving the population's quality of life. These programs should focus also on prevention and remedying of environmental damage in the regions, sub regions or zones of mining influence. The document also provides for penalties to those who purchase and transport metallic and nonmetallic minerals from illegal exploitation, with fines not less than \$1.000 nor more than \$10.000 as well as confiscation of the extracted minerals. The Vice Minister of Commerce and Industry, Ricardo Quijano, said the approved proposal does not include the exploitation of the copper deposits in Cerro Colorado, province of Chiriqui, or other mineral reserves in indigenous areas.

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FIRST SUBWAY IN CENTRAL AMERICA BEGINS CONSTRUCTION

The construction of the first subway-metro in Central America began in Panama City, a \$1.6Bn project that will open to riders in 2014.

"Today we are beginning construction of line One of the Panama metro," Metro General Secretary Roberto Roy said.

The subway -- the ninth in Latin America but the first in Central America -- is being built by an international consortium that includes France's Alstom, Brazil's Norberto Odebrecht and Spain's Fomento de Construcciones y Contratas (FCC).

Roy said the system will open with an initial capacity of 15,000 passengers an hour in each direction with more being added over a period of years to peak at 40,000 passengers. When it is completed, trains will travel the 14-kilometer line in 23 minutes with stops at 13 stations, some above ground and others below. It will run between the densely populated San Miguelito municipality and the Albrook bus station.

The dig begins in Panama City's historic Cinco de Mayo Plaza where the first station will be built. Pipes, posts and other obstacles were being removed to clear the ground for the station, Roy said.

The government plans four subway lines in all, one of them over the Panama Canal.

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

REPORT ON HOWARD-PANAMA PACIFICO- DEVELOPMENT

Another 13 companies are preparing to benefit from the tax breaks obtained by locating offices at Panama Pacifico, the former Howard Air Force Base.

Seventy three companies have already registered for tax breaks, and 65 of them are already operating including Dell, 3M, Caterpillar and Sony.

Henry Kardonski, manager of London & Regional Panama, the British firm overseeing the development of Howard, said that investment in Howard has already reached \$110M and will increase to \$400M by 2015.

Ninety percent of the space in the office buildings has been sold and 60% of the first phase of residential properties in the development has been bought.

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ACP BUDGETS UP TO \$350M FOR ATLANTIC BRIDGE PROJECT

The Panama Canal Authority (ACP) has tendered a consultancy to complete designs for a new long-span cable-stayed bridge on the Atlantic side of the Panama Canal.

The consultant will deliver final designs, construction specification and estimated construction cost, which is not to exceed US\$350M.

ACP will reportedly award the tender at end-April 2011, and aims to tender construction of the bridge in February 2012.

The structure must have a vertical clearance of 75m above the canal, taking into account the possibility of a fourth set of locks, with a lifespan of 100 years.

The project also includes designing access roads on either side of the canal, as well as other bridges that may be required as part of those roads.

The contractor will have 270 working days from the award notice to complete the designs.

Bidders must have designed at least three comparable projects within the last 25 years. At least one of those designed must be within the last 10 years and must be built or at least 50% complete at the time of submitting the proposal.

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, bperras@pmalawyers.com

BASF TO INVEST IN PANAMA

German chemical company BASF has decided to expand its presence in Panama, Ralph Schweens, president of the BASF Group in Mexico, said. To win business opportunities in the expansion of the Panama Canal and construction of hydroelectric dams and highways, BASF has established a plant for offering services in Panama, the company's biggest investment this year in this area.

There is an investment program in Panama of almost \$10Bn in infrastructure, and it has attracted us, said Ralph Schweens, adding that the BASF plant will produce products for Panama's megaprojects.

The BASF is also considering exporting products from its plant in Panama to countries in North and South Latin America.

Besides its new plant in Panama, the BASF has two in Mexico, one in the Dominican Republic and one in Costa Rica.

BASF, headquartered in Ludwigshafen, Germany, is one of the world's largest integrated chemical companies with a portfolio ranging from chemicals, performance products, agricultural and fine chemicals to crude oil and natural gas.

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PANAMA IN THE INTERNATIONAL NEWS

LOGISTICS AND SUPPLY CHAIN: PRICE WAR FOR PANAMA PROJECT CARGO

**FAIRPLAY WEEKLY MAGAZINE
FEBRUARY 10, 2011**

Big engineering projects boost terminal traffic

With the historic Panama Canal expansion in full swing, the country's terminal operators are in the thick of a project cargo boom, moving everything from steel bars to trucks to tunnel-borers.

And it's not just about the canal expansion, although that mega-project certainly dominates the business landscape.

Panama also has a number of major hydroelectric developments in the works, which require significant import components. Further, Panama suffered unprecedented rains in December. These rains caused \$168M worth of infrastructure damage, spurring tenders for repair work and, as a result, demand for even more project cargo.

Sources told Fairplay that there is now a price war raging among Panama's terminals to attract this coveted cargo category to their respective wharves. The competition is benefiting cargo shippers, including those who are not involved in construction of the new locks.

Offering an update on the canal project, Panama Canal Authority engineering VP Jorge Quijano told Fairplay that progress is "on many fronts – including dredging, dry excavations, lock design and field work". Overall canal project progress was at 20% as of early February, so the project-cargo flow has far from peaked.

According to Quijano, power-generation systems, crushers, a cooling conveyor system and a batching plant are in the final stages of testing, in preparation for concrete placement to potentially begin in late March or early April at both Pacific and Atlantic sites.

The driver of most of the project cargo is Grupo Unidos Por el Canal (GUPC), the consortium handling expansion construction. GUPC general manager Antonio Zaffaroni told Fairplay the consortium would bring in 840,000 tonnes of cement and 197,000 tonnes of steel this year, in addition to “plants and machinery valued at \$100M from the United States, Europe, Korea and China”.

Zaffaroni predicted that the amount of project cargo that will need to be imported to Panama for the canal expansion this year will remain roughly the same in 2012.

Manzanillo International Terminal (MIT) on the Atlantic entrance of the waterway is handling “a big share of the project cargo bound for Panama,” said MIT port manager Jose Iribarren.

MIT registered a spike in project cargo last year, with volumes surging 70% to 63,000 tonnes from 37,000 tonnes in 2009. Two to three vessels laden with project cargo were handled each month in 2010.

Iribarren noted that a significant portion of last year’s project cargo was related to the country’s hydroelectric developments. In terms of canal expansion demand, he said MIT had handled about 25,000 tonnes of steel to date. For 2011, Iribarren predicted “a significant increase for this type of cargo” compared with 2010.

He acknowledged that bringing heavy equipment into a terminal poses logistics issues, but noted that the “ro-ro team has done an amazing job of handling this type of cargo”.

“At times, we have been used as a staging area for some of this cargo, which always creates interesting logistics situations,” he added. Yet despite the challenges, project cargo offers an important advantage to terminal operators. As one terminal executive explained: “It does not take up yard space for long” because it is quickly evacuated to its destination.

So far, most of the heavy equipment and project cargo for the canal expansion has been arriving at Panama’s Atlantic side terminals. “We have not seen project cargo at Balboa [on the Pacific],” Panama Ports Co (PPC) general manager Luca Versari told Fairplay. “We have handled some plants and equipment arriving in flat racks, which are considered a container move.”

Nor has PPC’s Atlantic facility in Cristobal seen the canal expansion project-cargo surge reported by competitor MIT. But Versari noted: “Some agencies have advised us that they will shortly start discharging project cargo for the canal expansion at Cristobal.” He said this would primarily consist of steel bars.

Meanwhile, the heated competition for project cargo has a new player in the mix this year: PSA-Panama, which inaugurated operations in December. The 450,000teu/year PSA facility is the first Panamanian terminal to launch operations in the past 15 years and is located next to the excavation site for the new Pacific locks.

Tellingly, the first arrival at PSA-Panama was the 12,777dwt Beluga Festival, with a cargo of 10,000 tonnes of steel bars for the GUPC consortium.

197,000---tonnes of steel to be imported for canal work in 2011

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