



PATTON, MORENO & ASVAT  
INTERNATIONAL LAWYERS

# PMA BUSINESS LETTER



A PMA Group publication

*LATEST NEWS FROM PANAMA*

April 2011—N°4/2011

---

**In this issue**

---

**BUSINESS OPPORTUNITIES IN PANAMA**

---

**Copa Launches New Services**

**Oiltanking acquires Colon Oil and Port**

**Panama's Mining Code Reforms Revoked**

**Odebrecht Awarded Projects in Panama for \$ 945.5M**

**Internet Access Grows in Panama**

**FDI in Panama, Up 33% -- Panama's Economy Grew 7.5% in 2010**

**New Banks in Panama**

**Panama Insurance Market, the Largest in Central America**

---

## **PANAMA IN THE INTERNATIONAL NEWS**

---

**IMF Dominique Strauss-Kahn Statement At Conclusion Of Visit To Panama**

**Global Registers bid to keep up standards**

---

## **BUSINESS OPPORTUNITIES IN PANAMA**

---

**COPA LAUNCHES NEW SERVICES**

Copa Airlines, subsidiary of Copa Holdings, S.A. started March 1st operating a daily frequency between the cities of Tegucigalpa, Honduras, and Panama.

The route will be served through an Embraer 190 aircraft, capable of seating 10 passengers in business class and 84 in economy.

And the airline said it will begin June 18 a nonstop service four times a week between Panama City, Panama, and Brasilia, the capital of Brazil. Brasilia will be Copa Airlines' sixth Brazilian destination and its 56th destination overall.

"Copa Airlines' new nonstop Brasilia service demonstrates our commitment to establishing more routes to this important Latin American country and to continue uniting the Americas," said Pedro Heilbron, CEO, Copa Airlines.

The flight will operate four times a week, departing Panama at 6:32 p.m. on Mondays, Tuesdays, Thursdays, and Saturdays, and arriving in Brasilia at 2:40 a.m. The return flight will depart Brasilia at 5:41 a.m. on Tuesdays, Wednesdays, Fridays and Sundays, arriving in Panama at 9:48 a.m. Copa Airlines, which has one of the youngest fleets in Latin America, will operate a Boeing 737-700 Next Generation aircraft on the flight.

Copa Airlines offers more flights to international destinations than any other airline from any other hub in Latin America. At the Hub of the Americas in Panama, passengers can connect rapidly and conveniently to destinations throughout Latin America, North America and the Caribbean, without customs/immigration waits for in-transit passengers.

**If you are interested in receiving details of business ventures in the aviation sector, please contact Ms. Maria de Lourdes Marengo, [mmarengo@pmalawyers.com](mailto:mmarengo@pmalawyers.com) and of commercial ventures, please contact Ms. Ivette Martinez, [imartinez@pmalawyers.com](mailto:imartinez@pmalawyers.com)**

---

**OILTANKING ACQUIRES COLON OIL AND PORT**

Germany-based Oiltanking, the second largest independent tank storage provider for petroleum products and chemicals, with bunker facilities in Europe, Latin America and the US, has acquired Colon Oil and Colon Port Terminal in their entirety. The two companies will now be managed and operated by Oiltanking and renamed Oiltanking Colon. Oiltanking's overall storage capacity is now more than 17.6 million m<sup>3</sup>.

Oiltanking Colon is situated on the Panama Canal at the Atlantic entrance in Cocosolo Bay and transits marine fuels via vessels to the ports in the area.

Currently the first phase of construction is underway at the terminal and the rest will be commissioned in Q3 2011.

The first phase is building 300,000 barrels of tank storage capacity and for the handling of fuels, as well as a 260m jetty with a draft of 12.5m.

The jetty will also be capable of dealing with Panamax vessels and will have two barge positions.

Oiltanking is also expanding another 450,000 barrels and truck loading facilities which will open in 2012. There is still land for further expansion if needed.

**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](mailto:mmarengo@pmalawyers.com) and Mr. Belisario Porras, [bperras@pmalawyers.com](mailto:bperras@pmalawyers.com)**

---

## **PANAMA'S MINING CODE REFORMS REPEALED**

Panama's National Assembly approved a bill revoking Law 8 of February 11, 2011, which amended the Mining Code. The reforms, which are now no longer in effect, had intended to boost the exploitation of mining resources in Panama by, among other things, allowing foreign governments to become shareholders in mining companies.

The Mining Code of 1963 is now back in force. The proposal was submitted by the Minister of Trade and Industry, Roberto

Henrriquez, who stated that because of the climate of unrest the country suffered in recent weeks, the Government has found it necessary to take measures to restore public order and peaceful coexistence. Law 8 of February 2011 amended the 1963 Mining Code, eliminating, among other reforms, the ban on foreign governments to have equity participation in Panamanian mining projects.

Statement from Inmet Mining Corporation, which in 2008 acquired 100% of the shares of Cobre Panama: "In any case, given the financial strength of Inmet and the significant progress made since Inmet acquired 100 percent of Cobre Panama, Inmet Mining Corporation continues to have several alternatives available to finance the development of the project." Cobre Panama is located in Donoso, province of Colon and not in the indigenous populated Comarcas. The project is governed by a Contract-Law enacted in 1997 and is supported by Panama's government and nearby local communities.

**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](mailto:imartinez@pmalawyers.com)**

---

## **BRAZILIAN ODEBRECHT AWARDED PROJECTS FOR \$945.5 M IN PANAMA**

Brazil-based construction company Odebrecht has been awarded two major infrastructure projects for a total value of \$945.5M.

The contract includes design, construction and financing of the interconnection of Balboa Avenue to Avenida de los Poetas, the third phase of the coastal strip along the Avenida de los Poetas, a new seafood market, the underground relocation of the Avenida Balboa high voltage lines, walkways and installation of traffic lights at Avenida Balboa, besides maintenance of all adjacent roads. Odebrecht proposal was for \$ 776.9M. The other contracts for \$168.6M include works at Panama City, Panama Viejo and Casco Antiguo.

**If you are interested in receiving details of commercial ventures and opportunities in the infrastructure and construction sectors, please contact Ms. Ivette Martinez, [imartinez@pmalawyers.com](mailto:imartinez@pmalawyers.com)**

---

## **INTERNET ACCESS GROWS IN PANAMA**

The number of Internet users has tripled over the past 5 years, from 422.000 in 2005 to 1.4M in 2010.

As the number of customers rise, access speeds have increased and prices have dropped. A 4MB service is currently available for less than \$20 a month and in certain locations at the capital, connections between 15 and 25 MB for residential use are offered.

Demand has soared in recent years because a high percentage of users are under 25 years, and this segment uses social networks such as Facebook, YouTube and Twitter which demand higher speeds, said local media.

Cable Onda has invested \$15M over the last three years in platform technology, while rival Cable & Wireless invested \$10M to provide speeds of up to 25 MB. While most of the high-speed access is via ADSL and cable modem, wireless connections are starting to become popular. Claro Panama said that since 2009, it has invested \$200M on its 3.5 G network, which enables speeds of up to 21 MB.

**If you are interested in receiving details of commercial and additional information on opportunities in the telecom sector, please contact Ms. Ivette Martinez, [imartinez@pmalawyers.com](mailto:imartinez@pmalawyers.com), and Ms. Maria Lourdes de Marengo, [mmarengo@pmalawyers.com](mailto:mmarengo@pmalawyers.com)**

---

## **FDI UP 33% IN PANAMA**

2010 Foreign Direct Investment (FDI) in Panama grew by 33% compared to year 2009.

According to a report by the Comptroller General, the country received \$ 2.362M in foreign investment during 2010. Panama's Minister of Trade and Industry Roberto Henriquez attributed the growth to real estate, hotels and investments at both the Colon Free Zone and the Special Economic Area Panama Pacific-(Panama Pacifico) in the former US Howard Air Force base.

**If you are interested in receiving details of commercial ventures and opportunities, please contact Ms. Ivette Martinez, [imartinez@pmalawyers.com](mailto:imartinez@pmalawyers.com)**

---

## **PANAMA'S ECONOMY GREW BY 7.5% IN 2011**

The Panamanian Economy grew by 7.5% in 2010, reaching a gross domestic product (GDP) of \$ 20.862M.

Production of goods and services in Panama saw an increase of 7.5% over the previous year. GDP at constant value of 1996 prices, according to the Comptroller-General office estimates, registered \$ 20,862.9M, showing an annual increase of \$ 1,448.8M.

The growth is explained by the recovery of global economies, affecting the behavior of economic activities related to external sectors. Among these activities: ports, air transport, tourism, trade at the Colon Free Zone as well as bananas and pineapple exports. On the other hand, contributions by the Panama Canal and melon and watermelon exports showed decreases. The domestic sector showed growth in the following activities: cattle and poultry, mining, construction, electricity and water, retail, restaurants and hotels, passenger

and cargo transportation, shipping, telecommunications, education, private health, community services and household services. The GDP over the fourth quarter showed a positive trend of 8.7% compared to the same period last year.

## **NEW BANKS IN PANAMA**

In 2010, nine new banks entered the banking sector in Panama.

Of these, four are local private banks, three have international license and two are foreign banking entities. The new operations launched are : Banco Lafise Panama (March 10), Bank of Nova Scotia (Panama) SA (Oct 10), Prival Bank (March 10), Balboa Bank & Trust Corp (May 10), Banco La Hipotecaria (June-October), Uni Bank & Trust Inc. (Dec-10),

Andbanc (Feb-10), Banca Privada D'Andorra (April-October) and International Bank of Peru (May 10).

**If you are interested in receiving details of financial ventures and additional information on financial opportunities, please contact Ms. Ivette Martinez, [imartinez@pmalawyers.com](mailto:imartinez@pmalawyers.com)**

## **PANAMA'S INSURANCE MARKET, THE LARGEST IN CENTRAL AMERICA**

The insurance rating company A.M. Best published a report on the insurance sector in Panama, highlighting it as the largest in Central America and noting also that significant growth is expected in the coming years, supported by an increase in tourism and the construction sector and Panama's efforts to implement transparent financial and tax laws. Insurance premiums rose by 9.5% in 2009 and 8.5% in 2010, reaching \$918M in total.

Some highlights from the report:

- Life insurance shrank 2.7% over the last year, falling to \$ 232.5M, it represents the first reduction in this sub market since 2005.
- The non-life insurance (including accident and health), grew 12.9% to \$ 686.4M.
- The market leader is International Insurance Company with about 19% (\$172M in premiums), followed by ASSA Insurance Company SA (17%, \$159M) and World Insurance (13%, \$118M). The three companies make 49% of the market.

To serve a growing insurance market, Crawford & Company has established an office in Panama City, Panama. Crawford's claims office will handle property, casualty and marine and transportation losses; coordinate large claims with Crawford Global Technical Services(SM), the Company's adjusting unit for complex, high-end losses; and develop new business for Crawford, the world's largest independent provider of claims management solutions.

**If you are interested in receiving details of commercial ventures and opportunities in the insurance sector, please contact Ms. Ivette Martinez, [imartinez@pmaalawyers.com](mailto:imartinez@pmaalawyers.com)**

---

## **PANAMA IN THE INTERNATIONAL NEWS**

---

### **IMF DOMINIQUE STRAUSS-KAHN STATEMENT AT CONCLUSION OF VISIT TO PANAMA**

**EURASIA REVIEW, REUTERS**

**MARCH 1, 2011**

Mr. Dominique Strauss-Kahn, Managing Director of the International Monetary Fund (IMF), issued the following statement today in Panama City at the conclusion of his visit to Panama:

“It has been a great pleasure for me to visit Panama—my first visit as Managing Director of the IMF. I met President Ricardo Martinelli Berrocal, Finance Minister Alberto Vallarino Clement and his team, and financial sector authorities. I would like to thank them for their warm hospitality, and for the interesting and productive discussions we had.

“Building on a remarkable economic performance over the last few years, Panama is expected to remain one of the fastest-growing countries of the Americas. The economy grew in 2009, when output in the region shrunk, expanded by 7 percent in 2010 and is expected to continue to grow rapidly in 2011. Prudent macroeconomic policies, a strong banking system and dynamic investment in infrastructure have been critical for this remarkable performance.

“In our meetings, I emphasized to President Martinelli and Minister Vallarino that, notwithstanding the strong anchor of the U.S. dollar, inflationary pressures could intensify owing to the impact of higher world commodity prices, low unemployment and the ambitious public investment program. I encouraged the economic team to build on the recent tax reforms and continue with their policy of gradual fiscal consolidation in order to keep domestic demand in check and prevent overheating. I also welcomed the authorities’ plans to deepen the financial sector’s resilience to shocks.

“I welcomed the government’s long-term economic and social strategy, which aims at expanding economic opportunities and reducing growth bottlenecks. I stressed that broad-based reforms that boost productivity provide the strongest assurance that the benefits of the current prosperity will be widely shared by the population, and contribute to reducing poverty and inequality. In that regard, I commended President Martinelli for the ongoing efforts to expand and upgrade the country’s social safety net and to improve public transportation, education, health, and water and sanitation infrastructure.”

## **GLOBAL REGISTERS BID TO KEEP UP STANDARDS**

**LLOYD’S LIST**

**MARCH 28, 2011**

**By Steve Matthews**---The leading three global ship registers are all open international flags and between them account for about 40% of the world fleet by deadweight capacity.

Although Panama, Liberia and the Marshall Islands only feature less than 12% of the number of ships over 100gt in the world fleet, their big share of cargo-carrying capacity shows their dominance in commercial shipping and large tonnage, in particular bulk carriers and tankers. When other leading open registers are added, such as the Bahamas, Malta, Cyprus and Singapore, their combined total soars to nearly 60%. The only national flags featuring among the top 10 registers are Greece and China.

Despite the open nature of the leading international registers there are still some close links between certain flags and nationalities of owners, often historic, but also for business reasons such as compatibility of legislation and financial protection.

The global leader in terms of both ships and tonnage, Panama retains strong links with owners in Asia, especially Japan and South Korea, but also Greece. The Liberian register was traditionally closely associated with US owners, but for various political and business reasons that link has reduced and US owners have preferred to use the Marshall Island, whose legislation is closely linked with the US and with many corporate ties. Both registers are still managed from the US.

Liberia is still favoured by many German and Greek owners, although most Greek owners have remained loyal to their national flag, which is unusual among developed maritime nations. German owners also have close links with the Cyprus register, with many German-owned ships managed by Cyprus-based companies. Russian owners commonly feature among users of the Malta register.

Demonstrating the close and longstanding link between Japanese owners and the Panama register, at the end of 2010 the tonnage of Japanese class society vessels registered in Panama exceeded 100m gt, the first time any flag state has reached that figure for any class society. This historical link goes back to before the Second World War when the first Panama-flagged vessel joined ClassNK.

ClassNK managing director Takuya Yoneya says that class societies and ship registers are forging closer relationships because “both flag states and classification societies have been expected to play more important roles with even greater responsibilities. We are being called upon to play a greater role in the prevention of environmental pollution, and new conventions for ballast water management and emission reduction will pose many challenges for our industry.”

The Panama register also maintains close links with other international class societies. For example, it has recently agreed that Germanischer Lloyd can offer its

extended drydocking programme for Panama-flagged vessels, allowing drydocking intervals to be extended by 2.5 years.

In January, Panama came off the Paris MoU Grey List of higher risk flags which boosted its standing.

The issue of flag state implementation of internationally-agreed legislation is an increasingly important topic at the International Maritime Organization, with the auditing process being tightened to ensure that flag states carry out their responsibilities to apply and uphold international regulations.

This is an important issue for owners and investors because of the business risk involved in vessels being detained or targeted by port state control authorities due to deficiencies or where registers have a poor record. Maintaining their position on the White Lists of port state control regimes is therefore critical for the credibility and standing of ship registers.

### **Leading open registers**

**Panama:** 28922.-- 6%

**Liberia:** 14211.--1%

**Marshall Islands:** 786.--1%

**Bahamas:** 64--5%

**Malta:** 564.--5%

**Cyprus:** 312.--5%

**Source: Unctad Maritime Review 2010**

---

#### Legal Disclaimer

The content and the opinions expressed on this publication have been provided for information purposes only. It should not be relied on as a substitute for specific legal advice on any particular topic. If you require advice or have questions or comments on its subject, please speak to your usual contact at Patton Moreno & Asvat.

#### Copyright and Reproduction Notice

Unless otherwise stated, the contents of this website are the property of Patton Moreno & Asvat and copyright © Patton Moreno & Asvat. Reproduction of part or all of the contents of the website pages in any form is prohibited except in accordance with the following exceptions:

#### License to copy for personal use

You may download or print extracts from the website pages ("the material") for your personal use only.

#### License to Recopy for Limited Purposes

You may forward or recopy the material to individual third parties for their personal use only provided always that:

- You acknowledge **Patton Moreno & Asvat** as the source of the material. You must include the acknowledgement and the Patton Moreno & Asvat website address ([www.pmalawyers.com](http://www.pmalawyers.com)) in the forwarded or the copy of the material.
- You expressly inform the third parties that these Disclaimer, Copyright and Reproduction Notices apply to them and that they must comply with them.

This license to forward or recopy does not permit incorporation of the material or any part of it in any other work or publication, whether in hard copy, electronic or any other form. In particular (but without limitation) no part of the Patton Moreno & Asvat website pages including but not limited to this publication may be distributed or copied for any commercial purpose.

**Patton, Moreno & Asvat ©**

