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BUSINESS OPPORTUNITIES IN PANAMA

SPANISH TECHNOLOGY FOR REGIONAL AIRPORTS

The Spanish information technology company Indra has won the contract to modernize the air traffic infrastructure in Panama. Indra will implement a Mode S secondary radar system, and equip airports at Enrique Malek, Bocas Del Toro, Gelabert and Howard with its SDC-2000 digital communications systems as well as VHF systems. It will also provide automated weather observation systems.

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

FTA PANAMA-GUATEMALA ENTERS FORCE

The Free Trade Agreement signed between Panama and Guatemala entered force July 1 following almost a decade of negotiations. The FTA was finally agreed upon and signed by the two

countries last February. Some sectors like the food sector, textiles, and material of construction will benefit from the FTA which will include investments and financial services. The Panama Canal expansion offers new possibilities to Guatemalan industrialists, said the ministers of economy of both nations.

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PANAMA ECONOMY GREW BY 2.5% IN QT1, 2009

Although Panama's economy shows signs of rapid cooling after five years of averaging above 8% GDP growth, economic growth registered 2.5% in the first quarter of 2009, compared with 8.2% in the same period last year and which makes Panama staying amongst the nations of highest economic growth in 2009.

The global recession has hit trade through the Panama Canal, port activity and commerce in the country's large free trade zone.

Construction, one of the motors of recent growth, is also beginning to slow, and some economists are revising a consensus GDP growth estimate for 2009 to 3%.

PANAMA CANAL AUTHORITY TO CALL BIDS FOR SECOND LARGEST CONTRACT

The Panama Canal Authority (ACP) will soon solicit bids for the fourth and last dry excavation project. The project will be the final phase in creating an access channel that will link the new Pacific locks with the Canal's existing Gaillard Cut (the narrowest stretch of the Panama Canal). As the second most significant contract of the Expansion Program, the scope of work will include the excavation, removal and disposal of approximately 27 million cubic meters of non-classified material. Moreover, the solicitation will call for the installation of an approximately 1.8-kilometer long backfilled cellular cofferdam water barrier and the construction of a 3.5-kilometer long impervious clay core-rock fill dam. The ACP expects to make construction plans, specifications and contractual requirements available by the end of the month of July.

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

COLOMBIA'S FERRASA BUYS PANAMANIAN STEEL PLANT

Colombia's steel Group Ferrasa bought the Panamanian steel plant Aceros Transformados Panama (ATP) while creating a distribution center in the isthmus with a total investment of around \$10M, according the Ferrasa's marketing director. The coming of Ferrasa [in the Panamanian market] responds to the need to provide products and servicios to the Colombian and foreign companies working in the Panama Canal expansion, he said.

Ferrasa exports at the moment some 8,000 tons of steel products and aims at increasing this figure to 30,000 tons and captures 15% of the Colombian market.

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PANAMA MARITIME AUTHORITY GETS NEW BOSS

Ricardo Martinelli who was sworn-in President of the Republic of Panama July, 1 has designated Roberto Linares as the new Administrator of the Panama Maritime Authority (AMP) and Minister of Maritime Affairs. Linares, 48, studied at Admiral Farragut Naval Academy and has a BA from the University of Arizona. The AMP Administrator's appointment has to be ratified by the National Assembly, expected in the first weeks of July. Linares has confirmed Eng. Alfonso Castellero in his position as head of the AMP's Merchant Marine Directorate that oversees Panama's commercial fleet. Castellero's confirmation will bring continuity to the administration of the Registry and Panama as a Flag State, said Linares.

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PANAMA IN THE INTERNATIONAL NEWS

PANAMA: INVESTORS BULLISH ON MARTINELLI

LATIN BUSINESS CHRONICLE

July 1st, 2009

Local and foreign investors are bullish on the outlook for Panama with the new government of 57-year old Ricardo Martinelli, who was inaugurated today as president for a five-year term.

"I'm very positive on Martinelli," says Kathryn Rooney, senior emerging markets macroeconomic strategist at Bulltick Capital Markets. "He's extremely market-friendly and will continue the positive trend of the economy." She especially singles out his plans to lower taxes and improve relations with the United States.

Robert McMillan, a former chairman of the Panama Canal Commission, is also upbeat on Martinelli. "Martinelli is pro business," he says. "Not only is he a businessman, but he was also chairman of the canal."

Martinelli, who was chairman of the Panama Canal Authority (ACP) and canal affairs minister between 1999 and 2003, understands the importance of the waterway and its workings, argues McMillan, the author of *Global Passage: Transformation of Panama and the Panama Canal*.

Martinelli will also be president when the canal is expected to finish its \$5.2 billion expansion in 2014.

Another advantage with Martinelli is that he is making security a top issue, McMillan says. "One of the advantages Panama will have with Martinelli is that he understands the police infrastructure," he says.

Among Martinelli's other top priorities is infrastructure projects – including a new subway in Panama City – and securing U.S. passage of the US-Panama free trade agreement. It was signed two years ago, but has been delayed by U.S. lawmakers.

"If the FTA were put into effect, we could export more goods than we do today," McMillan says.

"I hope ... Martinelli will ... set forth a program to wake up the [Obama] Administration and congress [on the urgency of passing the FTA]."

Although President Barack Obama has stated that he favors the FTA, there are growing demands from Democratic lawmakers and some U.S. officials to delay approval until Panama passes several tax and labor reforms.

PANAMA TO DEVELOP 31 HYDRO PROJECTS OF 1,047 MW BY 2013

HYDRO WORLD

July 1st, 2009

Panama's utility regulator predicts the nation will add 31 hydroelectric projects totaling 1,047 MW through 2013.

Autoridad Nacional de los Servicios Públicos (ASEP) said 15 of the projects are under construction "with a healthy rate of progress," while the other 16 are in final design. The agency said the projects represent investment of US\$2 billion, giving a strong boost to the Panama economy. "This gives peace of mind that the market is growing because they can meet demand in coming years," Asep said. Panama's current installed capacity is 1,663 MW, compared to peak demand of 1,120 MW, Asep said. Demand is expected to total 1,373 MW by 2013. Barring unforeseen setbacks, Asep predicted June 22, 2009, that three projects of 15 MW would come on line in 2009, seven of 97 MW in 2010, eight of 364 MW in 2011, 11 of 538 MW in 2012, and two of 33 MW in 2013.

Among Panama's recent hydropower activity, the European Investment Bank said it is considering proposals to fund construction of the 29-MW Barro Blanco hydroelectric project on the Tabasara River (HydroWorld 5/29/09) and the three-plant, 115-MW Los Mares hydroelectric complex on the Chiriqui River. (HydroWorld 2/3/09)

Russian equipment supplier Energomashexport Corp. LLC announced a contract in February to supply electro-mechanical equipment for the 85-MW Baitun hydroelectric project on the Chiriqui Viejo River (HydroWorld 2/13/09), while Generadora Pedregalito S.A. signed a contract to construct the 20-MW Pedregalito hydroelectric project on the Chico River. (HydroWorld 1/16/09) Istmus Hydro Power Corp. commissioned its 10-MW Concepcion hydropower project in January on the Piedra River in Panama's Chiriqui Province. (HydroWorld 1/15/09) Meanwhile, Suez Energy Central America is building the 26-MW Gualaca, 34.8-MW Lorena, and 57.4-MW Prudencia projects on the Chiriqui River. (HydroWorld 9/30/08)

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