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BUSINESS OPPORTUNITIES IN PANAMA

FLORIDA PLANS EXPORT MISSION TO PANAMA IN DECEMBER

Florida targets auto parts, construction equipment and other exports to Costa Rica and Panama. Florida State is organizing an export sales mission to Panama from December 6 to December 11 this year and will targets auto parts, construction equipment and other exports to Panama.

Panama relies on Florida for goods, with Panama buying more than \$1.5Bn worth from the state last year, said Enterprise Florida, the public-private partnership organizing the mission. The mission will include companies selling hotel supplies, construction materials and warehouse equipment, the group said. The trip includes one-on-one meetings for Florida companies with potential buyers and distributors in both countries.

If you are interested in receiving details of commercial ventures, please contact Marleni Paolo, mpaolo@pmalawyers.com

PANAMA TRUST COMPANIES ON THE RISE

Panamanian trust companies have seen their net worth increase 20% during the first quarter of this year according to Panama's Banking Superintendence. Trusts assets are valued at \$7.3Bn, up \$1.3Bn compared to same period last year, Q1, 2008. The increase was registered according to the following: Official Banks, \$1.6 Bn; Private Banks, \$3.1Bn, Law Firms, \$1.0Bn; Insurance Companies, \$46M; and other trust companies, \$1.4Bn. The reasons for such attraction in trusts companies –which have registered sustained growth during recent years-, are the flexibility and the diverse benefits offered by the instrument. Trusts are now widely known to be a tailor-made financial instrument and offered many a benefit including administration, tax benefit, investment and equity protection.

If you are interested in receiving details of trust funds benefits and organization, please contact Jose Manuel Jaen, jjjaen@pmalawyers.com

PANAMA CANAL AWARDS CONTRACT FOR DREDGING THE ATLANTIC ENTRANCE

BELGIUM'S Jan De Nul was awarded the contract to dredge the Atlantic entrance of the expanding Panama Canal. The Panama Canal Authority said the company offered by far the lowest bid: \$89.6M. The ACP executive VP Jorge Quijano said: "Not only has the ACP benefited from a competitive price, but the winning company has previously dredged in this area of the canal." The contract includes underwater dredging of about 15M m³ and 800,000 m³ of dry excavation.

It includes deepening the Canal's Atlantic entrance to 15.5m to allow transit of post-Panamax vessels through the new set of locks that are planned. The contract's dredging area will cover about 13.8km and enlarge the Atlantic access channel to at least 225m, up from 198m, and the access channel north of the new Atlantic locks to a minimum of 218m.

Jan De Nul is also part of the consortium building the new locks and is chartering its heavy-duty backhoe Il Principe to the canal's dredging unit for work on the Gaillard (Culebra) Cut.

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

➤ PANAMA CANAL EXTENDS PRICE-REDUCING PROGRAM FOR CUSTOMERS

The Panama Canal Authority (ACP) has agreed to continue its temporary price-expire on 30 September will continue until 30 April 2010. The main one is the temporary redefinition of 'ballast' voyages, which are charged at lower rates. The ACP's said its move was in response to shipping customer demand.

Before June, box ships had to be empty to qualify. Since then, ships with 30% or less capacity qualify for ballast rates, which are \$57.60 per teu, with \$72 per teu for laden vessels. Other temporary measures include a reduction in the reservation rate for all vessel segments, a reduced late arrival fee, and enhanced flexibility for slot substitutions. "The ACP is committed to keeping an open dialogue with its customers through these uncertain times," said ACP administrator Alberto Aleman. The ACP was "doing what we can to help mitigate the impact of the economic crisis" on its customers, he said.

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

➤ US-BASED CB&I LANDS PANAMA PIPE JOB

US engineering firm CB&I has won a \$100M engineering, procurement and construction job on the phase two expansion of the Panama Trans-Isthmic pipeline.

The contract was awarded by Panama's Petroterminal de Panama (PTP). CB&I said its work scope includes the design and construction of 5.4M barrels of crude oil storage and the associated civil, mechanical and electrical work at PTP's terminal facilities in Chiriqui Grande on Panama's Atlantic coast, and Puerto Armuelles on the Pacific coast.

CB&I, which built the original PTP storage tanks in the late 1970s, won the engineering, procurement and construction contract for the expansion's first phase in May last year.

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

➤ **LE MERIDIEN HOTEL OPENS IN PANAMA**

Starwood Hotels & Resorts Worldwide, Inc. has announced the opening of Le Méridien Panama, the European rooted hotel brand's first property in Central America. Set in the heart of Panama's cosmopolitan capital city, Le Méridien Panama, owned by developers Bern Hotels & Resorts Panama, is a modern, contemporary building located on the edge of the Bay of Panama, with spectacular views of the Pacific Ocean and the Panama City skyline. Near Panama City's vibrant Uruguay Street, Le Méridien Panama is within the city's financial district and a short distance from Panama City's major tourism attractions.

Designed by renowned Panamanian architect Ignacio Mallol, Le Méridien Panama offers 111 guestrooms, including 29 suites, the hotel also has 4,000 square feet of function space ideal for corporate meetings and events as well as intimate social affairs. In addition, Le Méridien Panama features a signature restaurant, Latitudes. The hotel also offers spa treatments and a fully-equipped fitness center and outdoor pool and terrace, overlooking the Bay of Panama.

If you are interested in receiving details of commercial ventures, in the tourism sector, please contact Lorena Velasquez, lvelasquez@pmalawyers.com.

PANAMA IN THE INTERNATIONAL NEWS

➤ **POSITIVE GDP RESULTS OBSERVED IN PANAMA DURING Q2, 2009** **IHS GLOBAL INSIGHT, September 17, 2009**

Panama's statistics authorities have estimated GDP expansion of 1.9% year-on-year (y/y) in the second quarter of 2009. Weak demand from abroad, particularly the export of fresh fruit and fish, diminished activity in the Colón free-trade zone (FTZ), and a setback in the retail sector tempered the positive results in the construction, transportation, haulage, and telecommunication services, as well as the lodging and hospitality services.

A reduction in the production of fresh fruit such as bananas, melons, pineapple, and watermelons for export were the main reason for the negative result in the agricultural sector; moreover, this sector suffered a setback due to a lack of sufficient financing availability, marketing problems, and adverse climate conditions. On the other hand, a positive result was seen in crops such as corn, rice, and sugar cane. Higher domestic demand for livestock and processed meat also contributed to mitigating the decline in the primary sector. Meanwhile, fishery reported a drop (down 2.5% y/y) attributed to a decrease in production of seafood, and industrialized fishing.

Elevated levels of activity in the food and beverages sector, along with an increase in the production of processed meats (slaughter) were not able to compensate for the drop in the production of non-metallic minerals, cement, and other construction materials leading to negative results for the manufacturing sector as a whole (down 0.4% y/y).

Construction stimulated economic activity throughout 2007 and 2008 and continued to do so in 2009, although at a much slower pace in the second quarter of the year (up 2.3% y/y). Among the main contributors to this expansion were, once again, residential and non-residential construction projects such as high-rise luxury residential buildings. In addition, a positive performance was recorded by projects involving the expansion of major ports in Panama, construction activity in the Panama Canal, and by the investments made by the central government in highway construction. Real-estate services also expanded as a result of the increase in residential property sales. Commercial real-estate services showed some positive growth, though a much slimmer increase when compared to previous years.

Commerce and retail posted a decline in value-added during the second quarter of 2009 as a result of a marked drop in activity in the free-trade-zone. Indeed, activity in the Colón FTZ was driven down by the drop in international trade as a result of the global economic crisis, which in turn affected many countries in South America. On the other hand, wholesale activities were pushed up by sales of food items, and personal care items. Meanwhile, retail activities also expanded, although at a much slower rate than in previous years. The lodging and hospitality sector was pushed by an increase of activity in restaurants during the period under analysis.

The deceleration in the expansion in volumes of traffic through the Panama Canal was compensated by increased communications services and air transportation activity, encouraging growth in the transport, haulage, and communications sector. The sector's production accounts for nearly 22.6% of the country's GDP. The volume of merchandise passing through the Canal decreased 4.5% y/y, while the decline in container traffic reduced port activities. An increase in the mobile phone, international calling services, and internet services sector drove an expansion in the telecommunications category, up 17.1% y/y in April-June 2009.

Financial intermediation, accounting for 9.0% of the country's GDP, registered a below-average increase in value-added (up 0.5% y/y) during the second quarter of 2009. This result was led by a tempered performance of the international banking sector on the domestic front with a reduction in demand for credit and, to a lesser extent, on the external front. Activity in the insurance sector rose, driven by increases in the number of life, automobile, and fire policies issued in April—June 2009.

The actual annual growth seen in the second quarter of 2009 (of 1.9% y/y) has kept the country in position as the fastest-growing economy in Latin America. This positive performance should encourage domestic demand and lift consumer confidence in the next few quarters. The impact of the economic recession in the United States and other major world economies was reflected in the decrease in the volume of merchandise

transported through the Canal; the United States is the Panama Canal main client, transporting high volumes of inter-coastal trade and the crisis has affected port activities, especially on the Pacific side. In the last three years, Panama seems to have broken away from being closely linked to economic behavior in the United States. Increased global trade, extraordinarily strong economic growth in Latin America generally, continued fiscal incentives to the construction sector, and the redevelopment of the international banking sector can be identified as the main contributors to the divergence in growth trends currently seen between Panama and the United States. China was the Canal's second-most important client in 2008. Nonetheless, the impact of diminished global trade was more palpable in the second quarter of 2009.

So far, the domestic economy has been able to sustain growth, showing resilience to the external shock. For the remainder of 2009 and 2010, signs of an early recovery in the United States and the stronger growth forecast for China lead IHS Global Insight to believe that there will be room for economic growth in Panama in the short-term, albeit with a significant slowdown from the stellar performance of 2008. In addition, the global recession has not affected the Panama Canal expansion venture and the project is currently on track. Nonetheless, a major external shock, such as a reversal in the positive signs currently seen in major economies (leading to a "W"-shaped scenario in the global economic recession), would elevate the risks of a severe slowdown in Panama through diminished volume of merchandise passing through the Canal.

➤ **AIR CARGO SHIPPERS MAY SHOW INTEREST IN PANAMA TOO**
LOGISTICS MANAGEMENT
September 17, 2009

While the Canal expansion is getting most of the ink, Panama is also wooing U.S. air cargo shippers.

As a consequence, the U.S. Trade and Development Agency (USTDA) has awarded a \$258,000 grant to Gulf Coast International Cargo Panama S.A. to help conduct a feasibility study on the construction of an air cargo facility with cold storage capability at Tocumen International Airport.

U.S. companies may compete for the USTDA-funded study through the Federal Business Opportunities web site. Gulf Coast Panama will select the company. "At present, few air cargo facilities in Latin America and the Caribbean have cold storage capacity, which hampers the region's ability to develop international markets for its perishable products and contributes to the region's food insecurity," USTDA said.

Gulf Coast Panama, a private cargo and distribution firm, proposed to build a 2,330-square-meter air cargo facility at Tocumen that would include a refrigerated storage area for perishable goods.

USTDA spokesmen said the study will provide Gulf Coast Panama with a market analysis, an assessment of facility requirements, a financial plan, and both developmental and environmental impact analyses, all of which are needed to order to move to project implementation.