UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

EXXON MOBIL CORPORATION Plaintiff, v. CORPORACIÓN CIMEX S.A. (Cuba); CORPORACIÓN CIMEX S.A. (Panama); and UNIÓN CUBA-PETRÓLEO Defendants.	)))))))))))	Case No. 19-cv-1277-APM

SUSAN BAILEY declares under penalty of perjury that the following is true and correct:

1. I am an employee of Rabinowitz, Boudin, Standard, Krinsky & Lieberman, P.C. ("RBSKL"), attorneys for the Defendants in the above-captioned action.

2. At the instructions of attorneys at RBSKL I searched the decisions of the Foreign Claims Settlement Commission in its First Cuba Program for references to "Luis Parajon" or "Parajon e Hijo" or close variations thereof. I determined these references appeared in over 700 decisions of the Commission. I conducted this search in February 2020 by doing a word search of the decisions of the Commission that RBSKL had previously downloaded from the Commission's website at www.justice.gov/fcsc. I converted the decisions into word searchable form.

3. The exhibits to Defendants' Historical Appendix A in Support of Motion to Dismiss and Defendants' Historical Appendix B in Support of Motion to Dismiss that are referred to as "FRUS" are true and correct copies of documents reproduced in the Department of State's publication *Foreign Relations of the United States*. I downloaded the documents from

the publication as made available on the Department of State's website, https://history.state.gov/historicaldocuments/about-frus.

4. Defendants' Historical Appendix A and Historical Appendix B refer to additional United States Government documents. The corresponding exhibits to the Appendices are true and correct copies of the documents that I downloaded or duplicated from the sources indicated in the two Historical Appendices.

5. Defendants' Historical Appendix A refers to the record in *Exxon Corporation v. The United States*, No. 235-79T, United States Claims Court. The corresponding exhibits to the Appendix are true and correct copies of the exhibits that were obtained from the court files by Thompson-Reuters at the request of RBSKL.

6. Defendants' Historical Appendix A refers to the deposition of Robert B. Anderson in *Exxon Corporation v. The United States*, No. 235-79T, United States Claims Court. The corresponding exhibit to the Appendix is a true and correct copy of the transcript of the deposition obtained from the Eisenhower Presidential Library in Abeline, Kansas.

7. Defendants' Historical Appendix A refers to certain articles in the *Journal of Commerce* published in 1960. The corresponding exhibits to the Appendix are true and correct copies of those articles obtained from the archives of the New York Public Library.

8. Defendants' Historical Appendices refer to certain Cuban laws and resolutions. The corresponding exhibits to the Appendices are true and correct copies of same obtained from the following sources:

a. Law No. 851 of July 6, 1960 and Resolution No. 1 of August 6, 1960, from the Cuban *Gaceta Oficial*, Julio 7 de 1960, and Agosto 6 de 1960, respectively. The English translations of same are from the record in *Banco Nacional de Cuba*

v. Sabbatino, 376 U.S. 398 (1964) (Exhibit annexed to Reply Affidavit of Victor Rabinowitz, Esq.).

b. Resolution No. 33, issued by the Cuban Petroleum Institute, in June 1960, and Resolution Nos. 190 in June 1960, issued by Cuba's Prime Minister, are from the claim of Standard Oil Company to the Foreign Claims Settlement Commission, which, as explained in the Declaration of Michael Krinsky, Esq., was obtained by RBSKL in 1988-89 under the Freedom of Information Act.

c. Resolution Nos. 188 and 189, issued by the Cuba's Prime Minister in May – June 1960, from the Cuban publication *Revolución* of June 29, 1960, and the archives of the Instituto Cubana del Petróleo certified in 1960, respectively;

d. Article 44, Paragraph III of the Law of Combustible Minerals of May 9, 1938, from the Cuban *Gaceta Oficial*, Mayo 10 de 1938.

e. The Agrarian Reform Law of May 17, 1959 from *Folletos de Divulgación Legislativa, Leyes del Gobierno Provisional de la Revolución VII, 1º a 31 de Mayo de 1959*, "Ley de Reforma Agraria y Resoluciónes Sobre Ventas a Plazos," (Cuarta Edición, Nov. 1960, La Habana) (*Laws Enacted by the Provisional Revolutionary Government VII, May 1–May 31, 1959*, "Agrarian Reform Law and Resolutions on Installment Sales," (4th ed., Nov. 1960, La Habana)).

9. The Defendants' Historical Appendices refer to proceedings of the United Nation's Security Council. The corresponding exhibits to the Appendices are true and correct copies of the Official Records of those proceedings obtained from the website of the United

Nations at https://undocs.org or https://digitallibrary.un.org. The complete link for each document is provided in the Appendix where it is cited.

10. Defendants' Historical Appendix A refers to certain speeches of Cuban Prime Minister Fidel Castro in 1960. The English translations are true and correct copies that I downloaded from the University of Texas' website, http://lanic.utexas.edu/project/castro. The Spanish text of the speech at Exhibit 30 is a true and correct copy of the text from Centro de Estudios de Fidel Castro in Cuba. The Spanish text of the speech at Exhibit 40 is a true and correct copy of the text from periodical *Hoy* published on July 10, 1960.

11. In late 2019 and early 2020, I obtained from the New York Public Library and the University of Texas Library the pages attached hereto as Exhibit A showing entries for "Esso Standard Oil, S.A." in the *Directorio Comercial e Industrial de Panama* (Commercial and Industrial Directory of Panama) published in 1960, 1961, 1963, 1975-76, 1976-77 and 1980-81. The *Directorio Comercial e Industrial de Panama* (Commercial and Industrial Directory of Panama) indicates that it is a directory published by the *Cámara de Comercio de Panama* (Panama Chamber of Commerce) that identifies "the principal commercial and industrial firms operating in Panama … [that are] affiliated to the Panama's Chamber of Commerce, Industrial Sindicate and the Wholesale Business Association." *Directorio Comercial e Industrial de Panama* 2 (1961).

12. In January and February 2020, I obtained from the University of California San Diego Library the Country Commercial Guide ("CCG") for Panama from 1996, a true and correct copy of excerpts of which is attached hereto as part of Exhibit B. In February 2020, I downloaded from the followings websites of the U.S. Department of State, the CCG for Panama from 2000 and 2001, https://1997-

2001.state.gov/about_state/business/com_guides/2001/wha/panama_ccg2001.pdf and https://1997-2001.state.gov/about_state/business/com_guides/2000/wha/panama_CCG2000.pdf. They are attached hereto as part of Exhibit B. Each of these three CCGs identifies Essosa as well as Exxon Corp., as "Major Foreign Investors." The CCG indicates that it "presents a comprehensive look at Panama's commercial environment through economic, political and market analyses" and that the "Country Commercial Guides are prepared annually at the U.S. Embassies through the combined efforts of several U.S. government agencies." Country Commercial Guide 3 (1996).

13. I attach hereto as Exhibit C, a true and correct copy of the Amended Complaint in *Garb v. Rep. of Poland*, 207 F.Supp.2d 16 (E.D.N.Y. 2002) (No. 99-cv-3487), which Thompson-Reuters obtained from the court files at RBSKL's request.

14. I attach hereto as Exhibit D, a true and correct copy of the Verified Complaint for Forfeiture in *U.S. v. $717,200,000 in U.S. Currency*, Case No. 18-cv-10783 in the United States District Court for the Southern District of New York as well as Exhibit 1 attached thereto, a Deferred Prosecution Agreement ("DFA") between the United States Attorney for the Southern District of New York and Societé Genérale, S.A., ("SG") dated November 18, 2018.

15. Attached hereto as Exhibit E is a PDF printout of the only entry for the trademark or trade name "Cupet-Cimex" on the *Oficina Cubana de la Propiedad Industrial* [Cuban Office of Industrial Property] ("OCPI") database located at http://www.ocpi.cu/. I printed this entry to PDF on June 4, 2020 by first going to OCPI's website located at http://www.ocpi.cu/. On that website, I clicked on the link labelled as *Dibujos y Modelos Industriale, Patentes, Marcas y Otros Signos Distintivos* [Industrial Designs, Patents, Trademarks and Other Distinctive Signs] under the heading *Base de Datos Nacional* [National Database]. On the webpage that appeared

on my screen, there were three possible choices: *Marcas* [Trademarks], *Diseños* [Designs] and *Patentes* [Patents]. I separately clicked on the links for *Marcas* [Trademarks], *Disenos* and *Patentes* and typed in "Cupet-Cimex" in the text box labelled *Ingrese las palabras claves* [Enter the key words] that appeared on my screen. There were no results listed on the *Disenos* and *Patentes* webpages and only one result appeared on the webpage for *Marcas*. I clicked on that entry – which was for "Cupet-Cimex" – and printed to PDF what appeared on my screen, a true and correct copy of which is attached hereto as Exhibit E.

Executed on: June 15, 2020
New York, New York

By: _____
Susan Bailey

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

EXXON MOBIL CORPORATION	)	
	)	
Plaintiff,	)	
	)	
v.	)	Case No. 19-cv-1277-APM
	)	
CORPORACIÓN CIMEX S.A. (Cuba);	)	
CORPORACIÓN CIMEX S.A. (Panama); and	)	
UNIÓN CUBA-PETRÓLEO	)	
	)	
Defendants.	)	

<u>EXHIBITS TO THE DECLARATION OF SUSAN BAILEY</u>

DECLARATION OF SUSAN BAILEY – EXHIBIT A

Planta Eléctrica Diesel
Caterpillar
M. R.

Motoniveladora Diesel
Caterpillar
M. R.

Cardoze & Lindo, S. A.

Avenida Ancón, No. 11-57
Apartados: 112 y 7342
Teléfonos de Almacén: 2-1544 - 2-1538
Teléfono: de Taller: 2-1536
PANAMA, R. DE P.

Tractores Diesel Agrícolas
Caterpillar
M. R.

Motores Diesel Estacionarios
Caterpillar
M. R.

Inversiones en Panamá

Investing in Panama

DIRECTORIO COMERCIAL E INDUSTRIAL DE PANAMA

1 9 6 0

Esta edición contiene un resumen de las principales leyes que atañen al Comercio y a la Industria, publicadas en Castellano e Inglés.

This issue of the Commercial and Industrial Guide from the members of the Chamber of Commerce of Panama contains an extract of the most important laws concerning business and industry in English and Spanish.

Panamá, República de Panamá

JBM
4/1/-25

CONTENIDO DE ESTE DIRECTORIO

Ofrece este Directorio una información de carácter general sobre Panamá; país de inversión, cuya lectura nos permitimos recomendar muy especialmente, pues se dan a conocer las facilidades que brinda la República a los inversionistas extranjeros.

Continúa el Directorio propiamente dicho con una relación de las principales firmas comerciales e industriales que operan en Panamá, de las cuales se dá, el Apartado Postal, Teléfono y Referencia de Negocio, firmas todas afiliadas a la Cámara de Comercio de Panamá, al Sindicato de Industriales y a la Asociación de Mayoristas.

Como parte final contiene esta edición un resumen de las principales leyes que atañen al comercio y a la industria y todos estos datos han sido publicados en Español e Inglés.

PABLO ABAD,
Editor.

• • •

CONTENTS OF THIS DIRECTORY

This Directory offers general information of Panama, as a country open for investments, and which reading we especially recommend, because it shows all the facilities the Republic offers to foreign investors.

The Directory establishes a description of some of the principal commercial and industrial firms operating in Panama giving their postal and Telephone addresses and Business reference of all the firms affiliated to Panama's Chamber of Commerce, Industrial Sindicate and the Wholesale Business Association.

As final collaboration this edition contains a summary of Panama's principal laws appertaining to commerce and industry. All this information has been published in Spanish and English.

PABLO ABAD,
Editor.

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ELGA, S. A.
Dirección: Vía España (entre calle 46 y 50)
Apartado: 4395
Teléfono: 3-1650

Referencia de negocio: Especialistas en la venta de equipo eléctrico y refrigeración para el hogar y para la preparación de comestibles y bebidas; art. para abarrotería y panadería, bicicletas, etc.

EMPRESA CAPITOLIO
Dirección: Ave. 7a. Central y Calle "P"
Apartado: 214
Teléfono: 2-0402

Referencia de Negocio: Administración de Teatros.

EMPRESA PANAMEÑA DE CURTIDOS
Dirección: Calle Estudiante 14-100
Apartado: 3082
Teléfono: 2-2889

Referencia de negocio: Tenería.

ENTEBI JACOBO
Dirección: Calle 12 Este No. 5-23
Apartado: 1734
Teléfono: 2-0999

Referencia de Negocio: Importación y venta de adornos para vestidos Cristalería, Souvenirs.

ESSO STANDARD OIL CO., S. A.
Dirección: Calle "Q" (final)
Apartado: 3136
Teléfono: 2-0515

Referencia de Negocio: Distribuidores de productos de petróleo y sus derivados. (Gasolina, Diesel, kerosín)) (gasolina de aviación, aceite crudo, grasas).

ESTAMPILLAS DE ORO NEGOCIABLE, S. A.
Dirección: Ave. Cuba, Edf. Laredo.
Apartado: 4710
Teléfono: 3-0291
Referencia de Negocio: Promoción de ventas por medio de Estampillas Chico de Oro.

EQUIPO DE OFICINAS, S. A.
Dirección: Ave. Justo Arosemena 28-40
Apartado: 5035
Teléfono: 3-7867
Referencia de Negocio: Representación de casas extranjeras en las líneas de equipos de oficina en general.

— F —

FARMA, S. A.
Dirección: Ave. 6a. Perú, No. 36-18
Apartado: 5302
Teléfono: 3-5023
Referencia de Negocio: Representantes y Distribuidores de Productos Farmacéuticos.

FASTLICH, INS. A (CASA FASTLICH)
Dirección: Ave. 7a. Central No. 22-25
Apartado: 323
Teléfono: 2-0894
Referencia de Negocio: Joyería, Relojería y Platería.

FABRICA NACIONAL DE SALCHICAS, S. A.
Dirección: Ave. "B" No. 102
Apartado: 832
Teléfonos: 2-1821
Referencia de Negocio: Fabricación de salchichas y embutidos.

FABRICA DE BOLSAS Y CARTUCHOS DE PAPEL, S. A.
Dirección: La Locería.
Apartado 1877
Teléfono: 3-1212
Referencia de Negocio: Fábrica de bolsas y cartuchos de papel.

WIZNITZER BROS.

ZONA LIBRE DE COLON

Importadores y Exportadores

de Telas y Ropa hecha

COLON: Apartado 389 **COLON. Teléfono. 1515**

PANAMA: Apartado 978 **PANAMA: Tel.: 2-0463**

Dirección Panamá: Ave. 8a. No. 13 A-31

(Antigua Calle 14 Oeste)

LISTA DE PRODUCTOS POR FIRMAS IMPORTADORAS
(List Of Products By Imported Firms)

ABONOS — Fertilizers
Fabricantes — Manufacturers
Abattoir Nacional, S. A.

Importadores — Importers
Armour Inc.
Geo. F. Novey Inc.
Vila Hnos., S. A.
Endara Hnos., S. A.
Julio Anzola, S. A.
Representaciones Pan-Americanas
Melo y Cía. Ltda. (El Agricultor)

ACCESORIOS DE AUTOMOVILES CAMIONES — Automobile Supplies
Auto Servicio, S. A.
Autos Omphroy, S. A.
Motores de Colón, S. A.
Motores Colpan, S. A.
Smoot y Paredes
Motores Nacionales
Cía. de Llantas y Accesorios S. A.
Tambor, S. A.
Firestone Interamérica C.
Goodyear de Panamá, S. A.

ACEITES, GRASAS Y LUBRICANTES
Oils — Grease Lubricators
Auto Servicio, S. A.
Cía. de Lantas y Accesorios, S. A.
Esso Standard Oil, S. A.
Fidanque Hnos. e Hijos
Garage Carbonell Ltda.
The Texas Co.
Gulf Petroleoum Co.
Sedda Agustino

ADMINISTRACION DE BIENES
Real State
American Trade Dev. Co.
Casanovas Jaime
Familia de la Guardia
Cía. de Lyons, S. A.
Quijano, Carlos Julio
A. B. de Obarrio
Méndez y Zubieta S. A.
Ford y Sosa, Cía. Ltda.
Ruby Latrope C. de Streichen

ARTICULOS ORIENTALES — ALMACENISTAS
Oriental Goods Stores
Bazar Hindostán
Bazar Oriental
Bazar Pakistán
Bazar Karachi
Bazar Delhi
Casa Salomón
Casa Oriental
India Moderna
P. Jhangimal y Hno.
La Nueva India
Sol de la India
Casa Victoria
Casa Ghandi

AGENCIAS DE TURISMO
Tourist Agencies
Agencias de Viajes Tívoli
Boyd Bros. Inc.
Fidanque Hnos. e Hijos
Agencias Giscome
Panama Agencies
Panagra

AGENCIAS DE PUBLICIDAD
Publication Agencies
Agencia Internacional de Publicaciones
Agencias Steer, S. A.

AGENTES COMISIONISTAS
Commission Agents
Agencias Giscome
Agencias Steer, S. A.
Agencias W. H. Doel, S. A.
Agencias Int. de Publicaciones
Agencias Escoffery, S. A.
Agencias Tropicales
Agencias Ctis McAllister, S. A.
Agencias Troncoso, S. A.
Agencias Feduro, S. A.
Agescias de Sedas
Agencias de Frank
R. Alfaro — Borgianni
Bohammon (Panamá) S. A.
S. Betancourt y Cía. Ltda.
Canal Agencies, S. A.
Cía. Levonel
Cía. Alfaro S. A.
Cía. Internacional de Ventas, S. A.

Mario Galindo & Cía., S. A.

(Antes The Wilcox Mercantile Agencies)

Materiales de Construcción

Ferretería en General

Pinturas y Barnices de

Primera Calidad

•

MARIO GALINDO & CIA. S. A.

AVE. ELOY ALFARO No. 15-33

Teléfonos: 2-2219 — 2-2375 Apartado: 502

PANADERIAS Y DULCERIAS — Bakeries

PANADERIA ASIS
La Bola de Oro (García Ltda.)
La Tahona (García Ltda.)

PASAJES — AGENCIAS DE VIAJES — Travel Agents

Agencias de Viajes Tívoli
Boyd Bros., Inc.
Fidanque Hnos. e Hijo.
Lindo y Maduro, S. A.
Panama Agencies
United Fruit Co.
Agencias Giscome

PESQUERIAS — Fisheries

Cooperativa Pesquera Panameña, S. A.
Cambra Hnos., S. A.

PASTEURIZADORAS DE LECHE — Milk Pasteurizers

Cía. Suavel de Helados y Leche
Central de Lecherías, S. A.
Cía. Suavel de Helados y Leche
Cía. Azucarera La Estrella, S. A.
Fábrica Nacional de Helados, S. A.
Industrias Lácteas, S. A.

PERFUMES — DISTRIBUIDORES
Agencias Otis McAllister, S. A.
Lindo y Maduro, S. A.

PETROLEO Y DERIVADOS — DISTRIBUIDORES — Oil Dealers

Esso Standard Oil, S. A.
Fidanque Hnos. e Hijos, S. A. (Shell) Co.
The Texas Co.
Gulf Petroleum Co.

PLATERIA — Silverware

A. Fastlich, Inc. (Casa Fastlich)
Méndez Nathaniel — (Joyería Méndez)
Medlinger y Cía. Ltda. José (Joyería Tahití)
G. L. Bettsak - (Joyería Internacional)

PELICULAS CINEMATOGRAFICAS — DISTRIBUIDORES — Motion Pictures — Distributors

Películas Mexicanas de Centro América, S. A.
Canal Agencies

PESQUERA:
PROVEEDORA MARINA, S. A.

RADIOS ALMACENISTAS — Radios

González Eusebio (Mueblería Europea)
Guardia y Cía., S. A.
Herrera y Franco (Casa Admirable)
Panama Radio Corp.
Pérez y Cía. Ltda. Carlos C. (Casa Sparton)
Rodríguez Antonio (Casa Sport)
Rodelag, S. A.
Tropelco, S. A.
Halman, S. A.
Pemco, S A.
Gibco, S. A.
Elga, S. A.
Almacén Elga
Casa Philips
El Disco de Oro
Radio Centro Panamá
Grecha, S. A.

REFRIGERADORAS Y AIRE ACONDICIONADO — Refrigeration and Air Condition

Hojalatería Panamá
Econogas, S. A.
Guardia y Cía., S. A.
Elga, S. A.
Villanueva y Tejeira, Ltda.
Halman, S. A.
Pemco, S. A.
Rodelag, S. A.
Ingeniería Amado, S. A.

RADIODIFUSORA — Broadcasting
Corporación Panameña de Radiodifusión

Decora
Diseña
Realiza

Obtenga belleza interior
y recreo visual...

INTERIORES
Decoración

TELEFONO: 3-4567 APARTADO: 4188
CABLE: CARPIA
Panamá, República de Panamá

UN PASAJERO DE CIUDADELA ESCRIBE:

....expresarles nuestra admiración por el extraordinario interés de la Compañía en atender a sus pasajeros y brindarles minuto a minuto las máximas comodidades, las más finas atenciones y un verdadero calor de hogar a bordo de sus aviones....

Parte de una carta no solicitada. Podrá obtener una fotocopia de KLM, Depto.LE, La Haya, Holanda.

Fotografía sacada a bordo de un KLM DC-8 en pleno vuelo

En tierra o en el aire KLM conserva feliz a los pasajeros. El secreto es el servicio de KLM. Respondiendo a todo deseo del pasajero . . . sirviéndole deliciosos manjares y bebidas . . . y viendo por su comodidad todo el trayecto. En resúmen, el servicio que resulta de 40 años complaciendo a sus pasajeros. ¡Compruébelo usted mismo! Vea a su agente de viajes o llame a la oficina KLM más cercana.

EN EL MUNDO ENTERO
KLM
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Inversiones en Panamá

INVESTING IN PANAMA

DIRECTORIO COMERCIAL E INDUSTRIAL DE PANAMA

- 1961 -

Esta edición contiene un resumen de las principales leyes que atañen al Comercio y a la Industria, publicadas en Castellano e Inglés.

This issue of the Commercial and Industrial Guide from the members of the Chamber of Commerce, Industrial Syndicate and the Wholesale Business Association of Panama, contains an extract of the most important laws concerning business and industry in English and Spanish.

Panamá República de Panamá

CONTENIDO DE ESTE DIRECTORIO

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PABLO ABAD,
EDITOR.

* * *

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PABLO ABAD,
EDITOR.

EL MOLINO CRIOLLO, S. A.
Dirección: Ave. Balboa y Calle 26 Este
Apartado: 2049
Teléfonos: 2-1609 y 2-1883

Referencia de Negocio: Molinos y Torrefacción de granos.

ELGA, S. A.
Dirección: Vía España (entre calles 46 y 50)
Apartado: 4395
Teléfono: 3-1650

Referencia de Negocio: Especialistas en la venta de equipo eléctrico y refrigeración para el hogar y para la preparación de comestibles y bebidas; artículos para abarrotería y panadería, bicicletas, etc.

EMPRESA CAPITOLIO
Dirección: Ave. 7ª Central y Calle P.
Apartado: 4281
Teléfono: 5-1528

Referencia de Negocio: Administración de Teatros.

EMPRESA PANAMEÑA DE CURTIDOS
Dirección: Calle Estudiante 14-100
Apartado: 3082
Teléfonn: 2-2889

Referencia de Negocio. Tenería.

ENTEBI JACOBO
Dirección: Calle 12 Este, Nº 5-23
Apartado. 1734
Teléfono: 2-0299

Referencia de Negocio: Importación y venta de adornos para vestidos. Cristalería, Souvenirs.

ESSO STANDARD OIL CO., S. A.
Dirección: Calle 'Q" (final)
Apartado: 3136
Teléfono: 5-1600

Referencia de Negocio: Distribuidores de productos de petróleo y sus derivados. (Gasolina, Diesel, Kerosin). (Gasolina de Aviación, Aceite crudo, grasas).

ESTAMPILLAS CHICO DE ORO NEGOCIABLE, S. A.
Dirección: Ave. Cuba, Edif. Laredo
Apartado: 4710
Teléfono: 5-0664

Referencia de Negocio: Promoción de ventas por medio de Estampillas Chico de Oro.

EQUIPO DE OFICINAS, S. A.
Dirección: Ave. Justo Arosemena, 28-40
Apartado: 5035
Teléfono: 5-0626

Referencia de Negocio: Representación de casas extranjeras en las líneas de equipos de oficina en general.

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CIA. PANAMEÑA DE ACEITES, S. A.
Apartado: 1910 Panamá, R. de P. Teléfono: 3-7300

Vila Hermanos, S. A.

REPRESENTANTES Y DISTRIBUIDORES EXCLUSIVOS DE

Farbenfabriken Bayer

Leverkusen, Alemania

Almacén
ANGELINI

Importadores - Exportadores

LICORES — TABACOS — PASTILLAS
CHOCOLATES — PERFUMES — VASOS

AVENIDA CENRAL 22-125 TELEFONOS: 2-0356
2-0359

Panamá, República de Panamá

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LISTA DE PRODUCTOS POR FIRMAS IMPORTADORAS

(List Of Products By Imported Firms)

ABONOS — Fertilizers
Fabricantes — Manufacturers
Abbattoir Nacional, S. A.

IMPORTADORES — IMPORTERS
Armour Inc.
Julio Anzola, S. A.
Endara Hnos., S. A.
Melo y Cía. Ltda. (El Agricultor)
Geo. F. Novey, Inc.
Representaciones Pan-Americanas
Vila Hnos., S. A.

ACCESORIOS DE AUTOMOVILES Y CAMIONES—Automobile Supplies.
Agencias Cosmos, S. A.
Auto Servicio, S. A.
Autos Omphroy, S. A.
Cía. de Llantas y Accesorios, S. A.
Firestone Interamérica Company
Goodyear de Panamá, S. A.
Garage Carbonell, Ltda.
Garage Exposición
Motores Nacionales
Motores Colpan, S. A.
Motores de Colón, S. A.
Smoot y Paredes
Partac
Tambor, S. A.

ACEITES, GRASAS Y LUBRICANTES
Oils—Grease—Lubricators
Auto Servicio, S. A.
Cía. de Llantas y Accesorios, S. A.
Esso Standard Oil, S. A.
Etación La Cresta
Esso Standard Oil, S. A.
Garage Carbonell, Ltda.
Garage Exposición (A. Sedda)
Gulf Petroleum Co.
The Texas Co.
The Shell Co.

ADMINISTRACION DE BIENES
Real State
American Trade Dev. Co.
Casanovas Jaime
Familia de la Guardia
Cía. de Lyons, S. A.
Quijano, Carlos Julio
A. B. de Obarrio
Ford y Sosa, Cía. Ltda.
Ruby Latrope C. de Streichen
Zubieta y Zubieta, S. A.

ARTICULOS ORIENTALES ALMACENES
Oriental Goods Stores
Bazar Hindostán
Bazar Oriental
Bazar Pakistán
Bazar Karachi
Bazar Bhuiar
Casa Salomón
Casa Bhana
Casa Victoria
Casa Ghandi
India Moderna
P. Jhangimal y Hnos.
La Nueva India
Sol de la India

AGENCIAS DE TURISMO
Tourist Agencies
Agencias de Viajes Tivoli
Boyd Bros. Inc.
Fidanque Hnos. e Hijos
Agencias Giscome
Panama Agencies
Panagra

AGENCIAS DE PUBLICIDAD
Publication Agencies
Agencia Internacional de Publicaciones
Agencias Steer, S. A.
Grant Advertising de Panamá, S. A.
Fergo Publicidad, S. A.
Publicaciones y Publicidad — Hindi Diamond
Publicidad Universal
Propaganda, S. A.

PLAZA 5 DE MAYO
Apartado: 406 — Panamá, R. de P.
Dirección Radiográfica: "PARADCO" Panamá
Teléfono: 2-0880

Distribuidor

Televisión — Radios — Tocadiscos

Whirlpool

Lavadoras — Refrigeradoras — Estufas

Cardoze & Lindo. S. A.
F. Icaza y Cía., S. A.
Guardia y Cía., S. A
Melo y Cía., Ltda. (El Agricultor)
Aristides Romero (Almacenes Romero)
Cía. Desarrollo Agrícola, S. A.

MAQUINARIAS INDUSTRIALES — ALMACENISTAS — Industrial Machinery
Ingeniería Amado, S. A.
F. Icaza y Cía., S. A.
Guardia y Cía., S. A.
Ramón Suazo

MATADERO — Slaughter — House
Abattoir Nacional, S. A.

MATERIALES DE CONSTRUCCION ALMACENISTAS — Construction Materials
Cía. Louis Martinz, S. A.
Industrias Unidas, S. A.
Ricardo A. Miró, S. A.
Mario Galindo y Cía., S. A.
Geo. F. Novey, S. A.
Fausto Salazar, S. A.
Villanueva y Tejeira, Cía. Ltda.
Romero Aristides (Almacenes Romero)
J. Compañy e Hijos Ltda.

MATERIALES REFRACTARIOS — Refractory Materials
Navarro y MacMurray, S. A.

MUEBLERIA — Furniture
American Supply Co.
Eusebio A. González (Mueblería Europea)
Herrera y Franco (Casa Admirable)
Aaron Eisen y Cía., Ltda. (La Garantía)
Mueblería Tuñón (Federico Tuñón)
Casa Sparton
Casa Spart
Mueblería y Joyería Panameña
Mueblería La Paz
Mueblería Bellas Artes
Mueblería La Macarena
Mueblería Calidonia

PRODUCTOS PARA CONCRETO (Importadores) —Concrete Products (Importers)
PROPACO, S. A.

PANADERIAS Y DULCERIAS — Bakeries
PANADERIA ASIS
La Bola de Oro (García Ltda.)
La Tahona (García Ltda.)

PASAJES — AGENCIAS DE VIAJES —Travel Agents
Agencias de Viajes Tivoli
Boyd Bros., Inc.
Fidanque Hnos. e Hijo
Lindo y Maduro, S. A.
Panama Agencies
United Fruit Co.
Agencias Giscome

PESQUERIAS — Fisheries
Cooperativa Pesquera Panameña, S. A.
Cambra Hnos., S. A.

PASTEURIZADORAS DE LECHE — Milk Pasterizers
Cía. Suavel de Helados y Leche
Central de Lecherías, S. A.
Cía. Azucarera La Estrella, S. A.
Fábrica Nacional de Helados, S. A.
Industrias Lácteas, S. A.

PERFUMES — DISTRIBUIDORES
Agencias Otis McAllister, S. A.
Lindo y Maduro, S. A.
Agencias Feduro, S. A.

PETROLEO Y DERIVADOS — DISTRIBUIDORES — Oil Dealers
Esso Standard Oil, S. A.
The Texas Co.
Gulf Petroleum Co.
The Shell Company

PLATERIA — Silverware
A. Fastlich, Inc. (Casa Fastlich)
Méndez Nathaniel — (Joyería Méndez)
Medlinger y Cía. Ltda. José (Joyería Tahití).
G. L. Bettsak—(Joyería Internacional)
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Inversiones en Panamá

INVESTING IN PANAMA

DIRECTORIO COMERCIAL E INDUSTRIAL DE PANAMA

-1963-

***

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INVERSIONES EN PANAMA

PUENTE DEL MUNDO

Desde la época de la Colonia, Panamá ha sido el centro del comercio en el mundo occidentatl. En los últimos años, Panamá ha asumido un papel mucho más importante no sólo como zona de intercambio, sino como eje del comercio y las finanzas internacionales.

La terminación del Canal de Panamá en 1914 dió un gran impulso al desarrollo nacional, motivando un rápido aumento de población y la consecuente expansión de la ciudad capital. La construcción del moderno Aeropuertto Internacional de Tocumen y a la recién establecida Zona Libre de Colón, importantes vías al vasto mercado de América Latina, han fortalecido la posición de Panamá como Puente del Mundo.

En los últimos diez años, conteplando la realidad de que los recursos agrícolas, industriales y de materia prima están relativamente poco desarrollados y convencidos de la incomparable y estratégica posición geográfica del Istmo, gradualmente aumenta el convencimiento de que si existen oportunidades de inversión en diferentes campos.

Además, el Estado aprobó en Febrero de 1957 la Ley de Fomento Económico, en la cual se puede apreciar su completo apoyo e interés en las inversiones de capital extranjero. La Ley establece que el Estado "fomentatrá la inversión del capital privado en la explotación de los recursos naturales, las actividades agrícolas, la ganadería, la pesca e industrias provechosas". Garantiza también una serie de privilegios y consecjones para fomentar octividades productivas, como por ejemplo: la exoneración de varios impuestos de importación y exportación por períodos hasta de quince años. En algunos casos se ofrece protección arancelaria para evitar la competencia de productos extranjeros importados.

Las ventajas que ofrece Panamá para la creación de nuevas empresas productivas y para el establecimiento de compañías subsidiarias, la convjerten en uno de los países más propicios para la inversión en el área del dólar. Estas ventajas se pueden resumir así:

- No se requiere aprobación para abrir y operar cuentas bancarias a base de dólar.
- No hay restricciones para transferir activos, dividendos e intereses que se posean en el extranjero.
- La moneda está a la par del dólar.
- Panamá es el eje de una gran red de transportes con conexiones en todos los puntos del Hemisferio Occidental. Hay 64 líneas de vapores de 34 países que llegan regularmente a los puertos de la Zona del Canal y 15 líneas utilizan con regularidad el Aeropuerto Internacional de Tocumen en las afueras de la ciudad de Panamá.
- Las leyes mercantiles de Panamá por lo general no hacen distinción entre las compañía nacionales y las extranjeras, en cuanto a a formación y administración de empresas comerciales: las leyes que rigen las sociedades anónimas en Panamá son liberales y bastantes flexibles.
- Los impuestos panameños son bajos en comparación con los de los Estados Unidos y Panamá no grava las ganancias obtenidas fuera de la República, ni hay impuestos sobre el superávit o el capital.
- Los recursos minerales, agrícolas y forestales están prácticamente inexplorados y ofrecen magníficas posibilidades de desarrollo.
- La Zona Libre de Colón ofrece inigualables ventajas geográficas, de

ESSO STANDARD OIL CO., S. A.
Dirección: Calle Q, final
Apartado: 3136
Teléfono: 5-1600
Referencia de Negocio: Distribuidores de productos de petróleo y sus derivados (Gasolina, diesel, kerosían, gasolina de aviación - aceite crudo, grasas).

EISENMANN, S. A. (BAZAR AMERICANO)
Dirección: Edif. Las Vegas - Planta Baja
Apartado: 92
Teléfono: 3-5152
Referencia de Negocio: Almacén de ropa para caballeros.

EISEN Y CIA. LTDA., ARON (MUEBLERIA LA GARANTIA)
Dirección: Calle I No. 11-00
Apartado: 3255
Teléfono: 2-1752
Referencia de Negocio: Fábrica de muebles; Almacén de muebles; Fábrica de vidrios y espejos.

EMPORIO ITALIANO
Dirección: Vía España, No. 37-114
Apartado: 5287
Teléfono: 3-7715
Referencia de Negocio: Mercancías secas, cosméticos, perfumes, etc.

ENDARA HNOS.
Dirección: Vía España - final
Apartado: 1157
Teléfono: 3-1137
Referencia de Negocio: Fabricantes de alimentos para animales; Aire acondicionado y refrigeración.

ENTEBI, JACOBO
Dirección: Calle 12 Este, No. 5-23
Apartado: 1734
Teléfono: 2-0299
Referencia de Negocio: Importatción y venta de adornos para vestidos; cristalería, souvenirs.

EQUIPO DE OFICINAS, S. A.
Dirección: Ave. Justo Arosemena y Calle 31, No. 3-80
Apartado: 5035
Teléfono: 5-0626
Referencia de Negocios: Representación y venta de equipos para oficinas.

"F"

FABRICA DE BAULES, MALETAS Y ESOBAS, S. A.
Dirección: Ave. J. de la Ossa, No. 28
Apartado: 4898
Teléfono: 5-0378
Referencia de Negocio: Fábrica de baúles, maletas y escobas.

FABRICA DE BOLSAS Y CARTUCHOS DE PAPEL, S. A.
Dirección: La Locería
Apartado: 1877
Teléfono: 3-1212
Referencia de Negocio: Fábrica de bolsas y cartuchos

FABRICA DE CALZADOS LA CENTRAL
Dirección: Vía Simón Bolívar
Apartado: 1015
Teléfono: 5-0485
Referencia de Negocio: Industria de calzados.

FABRICA DE CALZADOS BALBOA
Dirección: Ave. 3a. No. 24-72
Apartado: 670
Teléfono: 2-0466
Referencia de Negocio: Industria de calzados.

FABRICA DE PIELES LA NACIONAL, S. A.
Dirección: Chivo-Chivo - Las Cumbres
Apartado: 3053
Teléfono: 2-1483
Referencia de Negocio: Tenería.

RODELAG, S. A.

Panamá - David

Avenida Justo Arosemena **Teléfono: 5-0220**

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- **Lámparas Comerciales y para el Hogar**
- **Radio y Telecomunicaciones. PARTES**
- **Motonetas RABBIT**
- **Artefactos Eléctricos RCA, NUTONE**
- **Materiales Eléctricos FRE, LEVITON, IUSA**
- **Motores DEUTZ, ACEC, U. S. MOTOR**
- **Equipos MASSEY Y FUERGUSON**
- **Llantas YOKOHAMA**

Aquilino de la Guardia
Gerente General

Apartado: 4503 **Panamá, R. de P.**

PETROLEO Y DERIVADOS —
Distribuidores
Oil Deales

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The Texas Co.
Gulf Petroleum Co.
The Shell Co (W. I.)

JOYEROS

Casa Fastlich
Joyería Nat Méndez
Joyería Tahití (J. Medlinger y Cía. S. A.)
Mercurio, S. A.
R. Werner y Cía.

PELICULAS CINEMATOGRAFICAS
Distribuidores — Motion Pictures Dist.

Películas Mexicanas de Centro América, S. A.
Canal Agencies

PESQUERA — Acc. para Industria
Goods for Fishers

Casamar, S. A.
Proveedora Marina, S. A.

RADIOS — ALMACENISTAS
Radio Stores

Agencias Crawford (Wallace W. Crawford)
Centro Televisión, S. A.
Casa Phillips
Casa Sparton
Casa Sport
ELGA, S. A.
Guardia y Cía., S. A.
Casa Admirable
González, S. A., Eusebio (Mueblería Europea)
Grecha, S. A.
Halman, S. A.
Pemco, S. A.
Rodelag, S. A.
Tropelco, S. A.

REFRIGERACION Y AIRE ACONDICIONADO
Refrigeration and Air Condition

Aire Frío
Endara Hnos, S. A.
Econogas, S. A.
ELGA, S. A.
Hojalatería Panamá
Halman, S. A.
Ingeniería Amado, S. A.
Pemco, S. A.
Rodelag, S. A.
Villanueva y Tejeira, Cía. Ltda.

RADIODIFUSORA — Broadcasting

Corporación Panameña de Radiodifusión

RELOJES — Almacenistas
Clock and Watches Stores.

Casa Fastlich, S. A.
Joyería El Arte Escorial
Joyería El Nuevo Arte Católico
Joyería y Mueblería Panameña (Víctor González)
Joyerí aCasal
Joyería Nat Méndez
Joyería Tahití (J. Medlinger y Cía., S. A.)
E. Kohn y Cía., Ltda.
Mercurio, S. A.

REFINERIAS DE PETROLEO
Oil Refineries

Refinería Golden Eagle de Panamá, S. A.
Refinería Panamá, S. A.

ROPA HECHA — TIENDAS DE
Ready — Made Clothes Stores

Bazar Español
Bazar Imperial
Bazar Francés
Bazar Madrid
Baazr Americano (Eisenmann, S. A.)
Bazar París
Chambonnet, S. A. L. C. (Quinta Avenida y Chambonnet)
La Parisién
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COMERCIAL E INDUSTRIAL DE PANAMA

1975 – 76

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JUN 5 1978
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SU BANCO DEL AHORRO

Teléfonos: 23-9881 (Vía España)
61-5121 (Suc. Bethania)

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FUNDADA EN 1915

Directorio Comercial e Industrial de Panamá

1975 – 1976

SEGUNDA – EDICION

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Apartado 74 Panamá 1, Panamá
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DIRECTORIO COMERCIAL E INDUSTRIAL DE PANAMA

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- ESTACIONAMIENTO PRIVADO

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APARTADO POSTAL:8735 - PANAMA 5, R.P.
Gerente: Lcdo. Jovito Salceda

A. **CIA. DE LLANTAS Y ACCESORIOS, S.A.**
Calle 1a. No. 2
Las Cumbres
Aptdo. 3270, Panamá 3
Tel. 68-0435
Almacén de llantas y accesorios para automóviles.

B. **CIA. PETROLERA CHEVRON**
Ave. Balboa y Calle 40
Aptdo. 7057, Panamá 5
Tel. 25-9207
Venta y Distribución de Productos de Petróleos y sus derivados.

A. **DIMAR, S.A.**
Edif. Centro Comercial
Vía Fernández de Córdoba
Aptdo. 8814, Panamá 5
Tel. 64-3074 + 64-3665
Venta de Balineras y Repuestos para Equipo Industrial y Automotriz.

A. **DISTRIBUIDORA CUMMINS DIESEL DE PANAMA S.A.**
Centro Industrial Los Angeles
Aptdo. 9682, Panamá 4
Tels. 60-0886 + 60-0666
Venta y Servicio de Motores Diesel

A. **ECONOPARTES, S.A.**
Ave. Nacional y Calle 31 No. 48
Aptdo. 9545, Panamá 4
Tel. 25-1500
Venta al por Mayor y Menor de accesorios y piezas para toda clase de equipo mecánico y eléctrico.

B. **ESSO STANDARD OIL, S.A.**
Vía Bolívar, final
Aptdo. 3136, Panamá 3
Tel. 67-2100
Distribuidores de Productos de Petróleo y sus derivados. Fertilizantes.

A. **FINANZAS Y ALQUILERES**
Calle 3ra. Parque Lefrevre
Aptdo. 8446, Panamá 7
Tel. 21-2177
Exportadores de Chatarra de Bronce, Cobre, etc.

A. **FIRESTONE INTERAMERICANA, CO.**
Vía Simón Bolívar
Aptdo. 511, Panamá 1
Tel. 25-6830
Venta de Llantas. Reconstrucción de Llantas, Accesorios para Automóviles.

B. **GULF PETROLEUM, S.A.**
Calle Q., frente al Estadio Nacional
Aptdo. 1174, Panamá 1
Tel. 25-1771
Venta de Productos de Petróleo y Similares.

A. **HEURTEMATTE & ARIAS S.A.**
Ave. Felipe Clement (Frangipani)
Aptdo. 293, Panamá 1
Tel. 25-3900
Venta de vehículos automotrices y refracciones (Automóviles Chrysler)

E

Grupo N°:	Nombre:	Teléfono:
6	Esso Standard Oil, S.A.	61-0000
7	Estadio, S.A.	23-8461
9	Estéreo Panamá	64-5106
10	Estudio Decorativo Piad Viggiano	62-4814
10	Evadin de Panamá, S.A.	25-4348

F

10	Fábrica de Colchones Simons, S.A.	61-6544
8	Fábricas de Valas La Devoción, S.A.	66-0214
1	Fábrica Nacional de Calzados, S.A.	66-0344
1	Famesa Internacional	64-1658
8	Farmacia Popular, S.A.	25-1867
8	Farma, S.A.	23-5062
2	Ferretería Shanghai	62-4453
2	Ferretería Tam, S.A.	22-1787
5	Fidanque Hnos. e Hijos	25-1661
13	Financiera Alemán Panameña, S.A.	23-8364
13	Financiera Bamerical, S.A.	61-3077
13	Financiera Istmeña, S.A.	25-0734
13	Financiera Panamericana, S.A.	23-0276
6	Finanzas y Alquileres, S.A.	21-2387
6	Firestone Intermérica Co.	25-6830
13	First National City Bank	64-4044
5	Flota Mercante Grancolombiana	25-3176
5	Flynn and Co., Thomas E.	
4	Ford, Sosa y Morrice	69-1633
10	Formacasa, S.a.	23-3233
3	Forrajes, S.A.	22-3205
9	Fotograbado Fundora	61-9025
11	Foto Internacional, S.A.	62-1333

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10	Galería Colombia, S.A.	64-6857
1	Gambotti y Pérez, S.A.	25-0692
1	Garbo, S.A.	62-0446
4	Gasteazoro, Halphen y Cía.	23-0486
3	General Mills de Panamá	60-0277
11	Gibraltar, S.A.	62-2068
2	Gigante, S.A.	25-6882
2	Glidden Panamá, S.A.	25-5355
11	Grabados Enrique	62-0216
5	Gran Hotel Lux	25-1950
7	Grimaldos, Carlos	22-2578
4	Grobman, Aron	23-7982
10	Guardia y Cía., S.A.	25-0444
2	Gudico, S.A.	23-8580
6	Gulf Petroleum, S.A.	25-1771

H

Grupo N°:	Nombre:	Teléfono:
3	Hacienda Doña Victoria, S.A.	25-4544
3	Herma, S.A. (La Chorrera)	3-3272
5	Herrera y Franco, Alfonso	64-0400
4	Herrera y Franco, S.A.	28-1084
5	Hertz de Panamá, S.A.	23-9511
6	Heurtematte y Arias, S.A.	25-3900
8	Hielco, S.A.	61-0011
10	Hitachi Sales Corporation	61-3100
8	Hoechst de Panamá, S.A.	23-5475
10	Hogar Ideal, S.A.	23-1777
12	Homsany Hnos., S.A.	22-0078
5	Hotel Caribe	25-0404
5	Hotel Castellana Inn	69-0555
5	Hotel Colón	22-0770
5	Hotel Ejecutivo	64-3333
5	Hotel El Conquistador	69-0077
5	Hotel El Continental	23-0123
5	Hotel El Panamá	23-1660
5	Hotelera Nacional, S.A.	62-1000
5	Hotel Granada	64-4900
5	Hotel Riazor	22-0988
5	Hotel Roma	25-4889

I

7	I.B.M. de Panamá, S.A.	25-0250
6	Icaza y Cía., S.A. — F.	62-7300
8	Impa, S.A.	25-1077
1	Importadora Blasser, S.A.	67-4268
1	Importadora Dayán, S.A.	62-1233
7	Importadora del Istmo, S.A.	25-0319
1	Importadora Panamá	22-3200
6	Importadora Dorado, S.A.	61-4137
7	Importadores Mundiales Asociados	64-2471
2	Importadores Unidos, S.A.	61-2220
9	Imprenta Bárcenas, S.A.	61-8847
9	Imprenta Boske, S.A.	28-1717
9	Impresora Panamá, S.A.	22-4933
9	Impresora Victoriano Lorenzo	62-7282
9	Imprex, S.A.	60-3194
7	Indoamerican Import Export	25-1014
9	Industrial Gráfica, S.A.	24-3150
1	Industria nacional de Confecciones	64-6333
3	Industrias Farináceas, S.A.	61-0117
3	Industrias Lácteas, S.A.	61-1122
2	Ingeniería Amado, S.A.	67-2000
7	Inimexa, S.A.	25-4959
10	Instalaciones Aire Frío, S.A.	23-8840
5	Intercomsa, S.A.	23-5131
2	Intercontinental Metals Co.	24-1029

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Apartado 74 Panamá 1, Panamá
Teléfonos: 25-4245, 25-0833, 25-1158

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Grupo No.:	E Nombres	Teléfono
7	Equipos y Servicios Técnicos Especiales	25-3650
6	Esso Standard Oil, S.A.	61-0000
7	Estadio, S.A.	23-8461
9	Estereo Panamá	64-5106
10	Estudio Decorativo Piad Viggiano	62-4814
10	Evadin de Panamá, S.A.	25-4348

	F	
10	Fábrica de Colchones Simons, S.A.	61-6544
8	Fábricas de Velas La Devoción, S.A.	66-0214
1	Fábricas Nacional de Calzados, S.A.	66-0344
1	Famesa Internacional	64-1658
8	Farmacia Popular, S.A.	25-1867
8	Farma, S.A.	23-5062
2	Ferretería Shanghai	62-4453
2	Ferretería Tam, S.A.	22-1787
5	Fidanque Hnos. e Hijos	25-1661
13	Financiera Bamerical, S.A.	61-3077
13	Financiera Istmeña, S.A.	25-0734
13	Financiera Panamericana, S.A.	23-0276
6	Finanzas y Alquileres, S.A.	21-2387
6	Firestone Intermérica Co.	25-6830
13	First National City Bank	64-4044
5	Flynn and Co., Thomas E.	
4	Ford, Sosa y Morrice	69-1633
3	Forrajes, S.A.	22-3205
11	Foto Internacional, S.A.	

	G	
10	Galería Coolmbia, S.A.	64-6857
1	Gambotti y Pérez, S.A.	25-0692
1	Garbo, S.A.	62-0446
4	Gasteazoro, Halphen y Cía.	23-0486
3	General Mills de Panamá	60-0277
11	Gibraltar, S.A.	62-2068
2	Gigante, S.A.	25-6882
2	Glidden Panamá, SA.	25-5335
10	González y González y Cía. Ltda.	22-6301
11	Penonomé	7- 931
5	Grabados Enrique	62-0216
7	Gran Hotel Lux	25-1950
7	Grandes Academias Murray	64-5528
4	Grimaldos, Carlos	22-2578
10	Grobman, Aron	23-7982
2	Guardia y Cía.	25-0444
6	Gudico, S.A.	23-8580
18	Gulf Petroleum, S.A.	25-1771

Grupo No.:	H Nombres	Teléfono
3	Herma, S.A. (La Chorrera)	3-3272
5	Herrera y Franco, Alfonso	69-0986
4	Herrera y Franco, S.A.	28-1084
5	Hertz de Panamá, S..A.	23-9511
6	Heurtematte y Arias, S.A.	25-3900
8	Hielco, S.A.	61-0011
10	Hitachi Sales Corporation	61-3100
8	Hoechst de Panamá, S.A.	23-5475
10	Hogar Ideal, S.A.	23-1777
12	Homsany Hnos., S.A.	22-0078
5	Hotel Caribe	25-0404
5	Hotel Castellana Inn	69-0555
5	Hotel Colón	22-0770
5	Hotel Ejecutivo	64-3333
5	Hotel El Conquistador	69-0077
5	Hotel El Continental	23-0123
5	Hotel El Panamá	23-1660
5	Hotelera Nacional, S.A.	62-1000
5	Hotel Granada	64-4900
5	Hotel Riazor	22-0988
5	Hotel Roma	25-4889

	I	
7	I.B.M. de Panamá, S.A.	25-0250
6	Icaza y Cía., S.A. — F.	62-7300
8	Impa, S.A.	60-5555
1	Importadora Blasser, S.A.	67-4268
1	Impotradora Dayán, S.A.	62-1233
7	Importadora del Istmo, S.A.	25-0319
1	Importadora Panamá	22-3200
6	Importadora Dorado, S.A.	61-4137
7	Importadores Mundiales Asociados	64-2471
2	Importadores Unidos, S.A.	61-2220
9	Imprenta Bárcenas, S.A.	61-8847
9	Imprenta Tony, S.A.	28-0214
9	Impresora Panamá, S.A.	22-4933
9	Impresora Victoriano Lorenzo	62-7282
7	Indoamerican Import Export	69-2348
9	Industrial Gráfica, S.A.	24-3150
1	Industria Naciona de Confecciones	64-6333
8	Industria Nacional de Plásticos	68-0690
3	Industrias Farináceas, S.A.	61-0117
3	Industrias Lácteas, S.A.	61-1122
2	Ingeniería Amado, S.A.	67-2000
7	Inimexa, S.A.	25-4959
10	Instalaciones Aire Frío, S.A.	23-8840
2	Instalaciones Electromecánica	23-3377
5	Intercomsa, S.A.	23-5131
2	Intercontinental Metals Co.	24-1029
8	Intercyfa, S.A.	64-2204

A. CIA. DE LLANTAS Y ACCESORIOS, S.A. Calle 1a. No. 2 Las Cumbres Aptdo. 3270, Panamá 3 Tel. 68-0435	Almacén de llantas y accesorios para automóviles.
B. CIA. PETROLERA CHEVRON Ave. Balboa y Calle 40 Aptdo. 7057, Panamá 5 Tel. 25-9207	Venta y Distribución de Productos de Petróleos y sus derivados.
A. DIMAR, S.A. Edif. Centro Comercial Vía Fernández de Córdoba Aptdo. 8814, Panamá 5 Tel. 64-3074 + 64-3665	Venta de Balineras y Repuestos para Equipo Industrial y Automotriz.
A. DISTRIBUIDORA CUMMINS DIESEL DE PANAMA S.A. Centro Industrial Los Angeles Aptdo. 6-1394, El Dorado Panamá Tels. 60-0886 — 60-0666	Venta y Servicio de Motores Diesel
A. ECONOPARTES, S.A. Ave. Nacional y Calle 31 No. 48 Aptdo. 9545, Panamá 4 Tel. 25-1500	Venta al por Mayor y Menor de accesorios y piezas para toda clase de equipo mecánico y eléctrico.
B. ESSO STANDARD OIL, S.A. Vía Bolívar, final Aptdo. 3136, Panamá 3 Tel. 67-2100	Distribuidores de Productos de Petróleo y sus derivados. Fertilizantes.
A. FINANZAS Y ALQUILERES Calle 3ra. Parque Lefrevre Aptdo. 8446, Panamá 7 Tel. 24-1734	Exportadores de Chatarra de Bronce, Cobre, etc.
A. FIRESTONE INTERAMERICANA, CO. Vía Simón Bolívar Aptdo. 511, Panamá 1 Tel. 25-6830	Venta de Llantas. Reconstrucción de Llantas, Accesorios para Automóviles.
B. GULF PETROLEUM, S.A. Calle Q., frente al Estadio Nacional Aptdo. 1174, Panamá 1 Tel. 25-1771	Venta de Productos de Petróleo y Similares.
A. HEURTEMATTE & ARIAS S.A. Ave. Felipe Clement (Frangipani) Aptdo. 293, Panamá 1 Tel. 25-3900	Venta de vehículos automotrices y refracciones (Automóviles Chrysler)

DIRECTORIO COMERCIAL INDUSTRIAL DE PANAMA 1980-1981

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DIRECTORIO COMERCIAL E INDUSTRIAL DE PANAMA

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Distribuidora Comercial, S.A.	3	64-[illegible]
Distribuidora Cummins Diesel de Panamá	6	60-[illegible]
Distribuidora Chagres, S.A.	2	61-[illegible]
Distribuidora de Aluminio	2	23-[illegible]
Distribuidora Tarapaca, S.A.	7	25-[illegible]
Distribuidora de Productos Extranjeros y Nacionales	10	27-[illegible]
Distribuidora Hércules, S.A.	7	21-[illegible]
Distribuidora María Luisa	10	22-[illegible]
Distribuidora Murano	11	63-[illegible]
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Editora Renovación, S.A.	9	61-[illegible]
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Editorial McGraw-Hill Latinamericana	9	25-[illegible]
Eisenmann, S.A. — Danté	9	25-[illegible]
Econogás, S.A.	1	25-[illegible]
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El Triunfo, S.A.	5	21-[illegible]
El Neumático, S.A.	1	25-[illegible]
El Tigre Verde, S.A.	6	64-[illegible]
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El Tapiz, S.A.	3	64-[illegible]
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	10	

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Equipo y Asfalto, S.A.	2	27-0795
Empresa Estatal de Cemento Bayano	2	64-8987
Espinosa, Aníbal	4	62-2879
Esso Standard Oil, S.A.	6	67-2100
Estadio, S.A.	7	23-8461
E. T. S. de Panamá, S.A.	5	23-9123
Evadín de Panamá, S.A.	10	25-4348
Express, S.A.	1	23-6567
Euro-Motor, S.A.	6	61-4317
Excursiones Panamá, S.A.	5	64-7433

F

Fábrica de Calzado Balboa, S.A.	1	64-2133
Farmitalia Carlo Erba, S.A.	8	26-3615
Farmacia y Papelería Colombia	8	60-1293
Fábrica de Colchones Simons, S.A.	10	66-0214
Fábrica de Velas La Devoción, S.A.	8	62-3204
Fábrica Nacional de Helados, S.A.	3	64-1658
Famesa Internacional, S.A.	1	23-8742
Farmacia Evita, S.A.	8	23-3529
Farmacia Mini Max	8	26-5385
Fernández, Manuel E.	4	62-4453
Ferretería Shanghai	2	22-1787
Ferretería Tam, S.A.	2	64-2444
Fidanque Hnos., e Hijos, S.A.	5	61-3077
Financiera Bamerical, S.A.	13	23-0276
Financiera Panamericana, S.A.	13	21-2387
Finanzas y Alquileres, S.A.	6	25-6830
Firestone Interamerica, Co.	6	25-9430
Fígaro, S.A.	5	62-0580
Filatelía Panamá, Ltda. — Casa de Cambio	13	21-0046
Financiera Buena Fe	13	25-0589
Financiera La Confiable	13	25-9220
Financiera Popular de Panamá, S.A.	13	28-2185
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Finanzas, Contaduría y Cobranzas, S.A.	4	25-6174
Floristería Arteflor	10	27-2338
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15 formas de ahorrar un galón.

Velocidad constante:
Mantenga la velocidad de su vehículo constante en vez de acelerar y frenar bruscamente. Así gastará menos gasolina

Límites de velocidad:
Observe los límites de velocidad establecidos por la ley. Así evita la multa y sobretodo no gasta gasolina innecesariamente.

Mantenimiento:
Dele un buen mantenimiento a su vehículo, por lo menos una vez al mes. Se sorprenderá lo mucho que ahorra.

Haga su plan de viajes:
No pierda tiempo. Planifique sus viajes y diligencias . . . recuerde que puede "matar dos pájaros de un solo tiro".

Unase a sus amigos:
Comparta su vehículo con amigos para ir al trabajo. Y si hay dos autos en casa . . . use uno solamente cada vez que pueda.

Congestionamiento:
Evite los congestionamientos de tránsito siempre que sea posible. Apague el motor si detiene el auto por más de un minuto.

Nuevas rutas:
Busque nuevas rutas para llegar a donde quiera, en menos tiempo y evitando el tránsito pesado.

No caliente el motor:
No caliente el auto estando estacionado. Enciéndalo y manéjelo despacio en lo que se calienta el motor, (por lo menos un minuto). Luego maneje a velocidad razonable.

Revise el filtro de aire:
¿Sabía que el motor de su auto quema aire al igual que gasolina? Si el filtro de aire está sucio, el motor puede estar quemando gasolina en vez de aire, así que límpielo o cámbielo para que su auto funcione mejor y le dé el máximo rendimiento de gasolina.

Llantas con presión adecuada:
Las llantas con baja presión le proporcionan una rotación más suave. Pero la energía necesaria para mantenerlas rodando en esas condiciones será mayor, resultado un desperdicio de combustible que puede alcanzar hasta un galón por cada tanque lleno.

No conecte el aire acondicionado solo por costumbre:
Un aparato de aire acondicionado usa gran cantidad de energía. Es fácil acostumbrarse a mantenerlo encendido aunque el tiempo no lo amerite. Ensaye si abiendo una ventana se mantiene igual de agradable la temperatura. Recuerde que es más barato mantenerlo desconectado.

Si no lo ocupa . . . apáguelo:
Nuestra electricidad proviene también del petróleo. Por lo tanto, en el hogar, en la oficina, etc. tanto las luces, televisores, como todos los aparatos eléctricos en general, consumen electricidad. Apague entonces todo aparato que no esté en uso.

Si cocina con electricidad:
Generalmente puede apagar la hornilla unos cuantos minutos antes de que los alimentos se terminen de cocinar, ya que ésta retiene suficiente calor para completar la cocción. Recuerde también que no siempre es necesario precalentar el horno antes de usarlo.

Otro consejo para cocineras:
Cuanto más limpio, más eficiente es un horno. Un pliego de papel de estaño en la parte de abajo de su horno puede ayudar a reflejar el calor y hacer que su horno le rinda más.

Piense en conservar:
Cuánta vez encendemos un motor, ocupamos una luz, usamos el agua caliente o cualquier aparato eléctrico, estaremos utilizando energía. Y no tenemos suficiente como para desperdiciarla. De manera que, antes de encender un interruptor, pregúntese: "ES NECESARIO?" Si la respuesta es no, todos sabemos lo que hay que hacer—tenemos que conservar. Porque de lo contrario, llegará el momento que no podremos darnos el lujo de escoger.

AHORREMOS UN GALON DIARIO
1,800,000 panameños lo necesitamos.

desde ahora... cada galón cuenta.

A. AGENCIAS GRIM, S. A.
Calle 33 Ave. Cuba, Apt. No. 4
Edificio Ponce
Aptdo. 8094, Panamá 7
Tel. 25-1224

Representaciones de casas extranjeras.

A. AGENCIAS HALMAN, S. A.
Calle 45 No. 5 antigua
Calle Martín Sosa
Aptdo. 6305, Panamá 5
Tel. 64-6033

Importación y distribución de mercancía seca en general.

A. AGENCIAS KENKA, S. A.
Edif. Las Vegas, El Cangrejo
Aptdo. 1327, Panamá 9A
Tel. 23-4819

Materiales de construcción. Textiles y materia prima en general. Agentes y representantes de casa extranjeras.

A. AGENCIAS LARSEN, S. A.
Ave. Eloy Alfaro No. 1730
Aptdo. 1354, Panamá 1
Tel. 61-7003

Representantes de casas extranjeras, de partes para la industria en general.

A. AGENCIAS TROPICALES, S. A.
Ave. Justo Arosemena No. 41-10
Aptdo. 1869, Panamá 1
Tel. 25-0418

Representación y distribución. Ventas al por mayor.

A. AGENCIAS TRANS ESTATE, S. A.
Ave. Ecuador No. 4-50
Aptdo. 2341, Panamá 3
Tel. 25-4812

Importación - exportación. Venta al por mayor de mercancía seca en general.

A. AGENCIAS W. H. DOEL, S. A.
Ave. 11 No. 29-15
Aptdo. 8309, Panamá 7
Tel. 25-0175

Representación y distribución de equipo de oficina y artículos varios. Medicinas. Llantas. Productos químicos.

B. AIRE FRIO, S. A.
(Antiguo Instalaciones Aire Frío)
Calle Martín Sosa No. 7
Aptdo. 4455, Panamá 5
Tel. 23-8840

Venta e instalación de sistemas de aires acondicionados, comerciales e industriales.

B. AIRE TECNICA, S. A.
Vía Fdez. de Córdoba No. 41-94
Aptdo. 6-1297, El Dorado
Tel. 61-7721

Contratistas de aire acondicionado y refrigeración.

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This Country Commercial Guide (CCG) Presents a comprehensive look at Panama's commercial environment through economic, political and market analyses.

The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

I. EXECUTIVE SUMMARY

COMMERCIAL OVERVIEW

Panama has always been a country of traders. In the 1600s, the Atlantic city of Portobelo was Spain's major port and a marketplace for gold, silver, and other goods being transported from the Americas. The Transisthmian Railroad, built by American investors in the 1850s, established Panama as the principal location to transport goods between the Atlantic and the Pacific Oceans. The inauguration of the Panama Canal in 1914 ensured Panama's position as a major trading nation for the twentieth century. Since 1948, when the first free zone of the Americas was opened in the Atlantic city of Colon, Panamanian businesses have continued supplying larger markets north and south with just about everything from toys and fragrances to advanced electronics and major appliances.

Given Panama's central geographic location in the Western Hemisphere, its government and business community actively promote this country's long-standing reputation as an international trading, banking, and services center, and as a site for Foreign Direct Investment (FDI). Panamanian business people and officials can point to Panama's dollar-based economy as offering low inflation and zero foreign exchange risk.

Due to the evolution and composition of Panama's economy, the extent and nature of local competition is very limited in most of the non-service sectors. Although the United States is Panama's most important trade partner and U.S. products have a high degree of acceptance in Panama, competition from third countries is particularly strong in certain sectors such as: telecommunications equipment, automobiles, heavy construction equipment, consumer electronics, computers, apparel, gifts and novelty products.

Panama's merchandise imports grew in 1994 by 10 percent over 1993 to a total of US$ 2,404 million, up somewhat from the growth rate of 7.6 percent registered in 1993. The value of Panama's total merchandise exports in 1994 climbed 5 percent over 1993 to a total of US$ 533 million. Increased export earnings from meat, fishmeal, shrimp and sugar accounted for 58 percent of the increased exports. Banana exports fell by US$ 6.3 million (4.5 percent) to US$ 199.5 million. Bananas accounted for 35 percent of total merchandise exports.

Panama's economy is based primarily on a well-developed services sector that accounts for 70 percent of GDP. Services include the Panama Canal, offshore and domestic banking, the Colon Free Zone, insurance, government, and the transisthmian oil pipeline. Manufacturing, mining, utilities, and construction together account for 19 percent of GDP. Manufacturing is principally geared to production of items such as processed foods, clothing, chemical products, and construction materials for the domestic market. Agriculture, forestry and fisheries make up the remaining 11 percent of GDP.

FOREIGN DIRECT INVESTMENT

Tables in Appendix D provide data on the value of foreign direct investment (FDI) in Panama for the years 1980 - 1992 (preliminary for 1992), FDI by country of origin for 1992, and FDI by industry sector destination for 1979 and 1992.
The sources are the office of the Comptroller-General and the IMF. There are no comparable data on Panama's direct investment abroad.

MAJOR FOREIGN INVESTORS

- Adrian Resources
- American Airlines
- American Hospital Supply Co.
- American Life Insurance Co.
- AOKI Corporation
- AT&T
- Banco Do Brasil
- Banco Exterior, S.A.
- Becton Dickinson & Co.
- Black and Decker International Corp.
- Borden Co.
- Braswell Service Group
- Bristol Laboratories International Corp.
- Challenge Air Cargo
- Chase Manhattan Bank, N.A.
- Cheesebrough Pond's Int. Ltd.
- Chiriqui Land Company (Chiquita)
- Chevron Corp.
- Citibank, N.A.
- Coca-Cola Bottling Co.
- Colgate Palmolive (Central America), Inc.
- Cyprus Minerals Co.
- Del Monte Corporation
- Dole Foods Co.
- Eastman Kodak Company
- Environmental System Research Institute
- Exxon Corp.
- Esso Standard Oil, S.A.
- First National Bank of Boston
- Freeport Exploration Co.
- General Mills Inc.
- Georgia Pacific Corp.
- Glidden - Durkee
- Greenstone Resources
- Griffith Laboratories, Inc.
- Grupo Carvajal
- Goldstar Corp.
- GTE
- Hong Kong Shangai Bank
- Hospital Corporation of America
- IBM
- International Proteins Corp.
- Jenny Manufacturing, Inc.
- Johnson and Johnson
- Kendall Company
- Ketchum Public Relations
- Kimberly-Clark International, S.A.
- Kraft Foods, Inc.
- Lanier Worldwide, Inc.
- Lykes Line

- Marine Midland Bank
- McDonald's Corporation
- Merrill Lynch, Pierce, Fenner & Smith Int'l
- Minnesota, Mining & Manufacturing
- Nabisco Brands Inc.
- Nestle Company
- Northville Industries Corp.
- Otis Elevator Company
- Chas. Pfizer & Company, Inc.
- Panasonic Latin America
- Phelps Dodge Corp.
- Phillip Morris, Inc.
- PYCSA, S.A.
- Revlon Inc.
- Rubbermaid Inc.
- Samsung Electronics
- Schering Corp. International
- Seaboard Marine Ltd.
- Sherwin Williams
- The Gillette Co.
- Shell Co. (WI) Ltd.
- Sony Corporation
- Sterling Drugs International
- Swift and Company
- Swiss Bank
- Syntex Corporation
- Technoserve Inc.
- Texaco Inc.
- TRT Telecommunications Corp.
- Twentieth Century Fox
- United Brands
- United Parcel Service
- UNYSIS USA
- Warner Lambert Co.
- Xerox Corp.

VIII. TRADE AND PROJECT FINANCING

BANKING AND FINANCING

Panama's banking sector is one of the most dynamic areas of the economy (Panama's 108 banks registered total deposits in 1994 of US$ 26 billion, and US$ 32.8 billion in total assets, a 25.8 percent increase from 1993). Panama opened its banking sector to foreign competition in 1971 under legislation with places high priority on banker-depositor confidentiality. This has permitted the banking system to be exploited by drug money launderers. The banking legislation distinguishes between General license banks, which operate full service operations in Panama competing for domestic deposits and loans, and International License or "Offshore" banks, which only accept deposits from persons or organizations located overseas. Foreign and Panamanian banks compete on equal terms. Banks are organized into two representative organizations, the Panamanian Banking Association (ABP) and the Association of Panamanian Banks (APB). Banks are licensed and regulated by the National Banking Commission (CBN), a relatively weak, semi-autonomous regulatory/oversight body whose oversight board includes private bankers. Panamanian banks dedicate a significant portion of their loan portfolio to finance commerce, including imports.

FOREIGN EXCHANGE CONTROLS

Trading is unaffected by foreign exchange controls, since the U.S. dollar is used as the national currency and there are no restrictions on capital flows in or out of the country. There is therefore, no foreign exchange risk.

GENERAL FINANCING AVAILABILITY

In mid-1995 the banking sector had a high level of liquidity. Private financing is readily available. The Government of Panama does not maintain statistics on the sources or level of privately-financed investment or trade and is not itself an important lender.

HOW TO FINANCE EXPORTS/METHODS OF PAYMENT

A number of local banks provide financing for exports. Additionally, the Latin American Export Bank (BLADEX) provides export financing through the local banking system. Being an international banking center there are a number of financing options for Panamanian exporters/importers.

TYPES OF AVAILABLE EXPORT FINANCING AND INSURANCE

The Overseas Private Investment Corporation (OPIC), the U.S. Export-Import Bank (EXIM), the International Finance Corporation(IFC) of the World Bank, and the Inter-American Development Bank (IDB) have a number of projects in Panama. OPIC in recent years has provided insurance or financing for over 30 projects in Panama, 10 of which are still current and provide insurance for ventures in manufacturing, agriculture, and infrastructure (totalling some US$ 7 million).

Currently there are no projects in Panama large enough to require multi-institutional "bundling" arrangements. The Commodity Credit Corporation's (CCC) GSM Credit Guarantee program in Panama for fiscal year 1995 totalled US$ 20 million for exports of U.S. rice, feedgrains, protein meals, wheat, solid wood products and barley malt. Credit from any bank in Panama approved by CCC will be guaranteed. Significant lines of commodity credit guarantees were still available at the time of this writing.

PROJECT FINANCING AVAILABLE

Exim in 1993 participated in the financing of the Government of Panama's purchase of a Westinghouse aviation radar system, and currently is providing financing in excess of US$ 121 million in insurance and guarantees (short, medium and long-term) in a number of sectors in Panama. The Inter-American Development Bank has several major current projects, including the financing of a study for GOP development of the U.S. military bases reverting to Panamanian control under the Panama Canal Treaties, between 1994 and 1999. The World Bank (IBRD) has a number of small social-sector-oriented projects, and is currently cofinancing with IDB and the Government of Panama a USD 406 million road construction and rehabilitation project. Release of further tranches of the IBRD's economic recovery loan for Panama is dependent upon significant improvements in the government's economic liberalization and privatization program. As noted above, Panama has held discussions with IBRD about membership in MIGA, but has no application to join at present. The Perez Balladares government has pursued financing from the IFI's for a number of new infrastructure and social sector investment projects (see also Section II, Infrastructure Situation).

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I.EXECUTIVE SUMMARY

"This Country Commercial Guide (CCG) presents a comprehensive look at Panama's commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the trade promotion coordinating committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. Government Agencies"

COMMERCIAL OVERVIEW

Taking advantage of Panama's key location, the Government and business communities have long promoted it as an international trading, banking, and services center. Recent trade liberalization and privatizations have added substance to these assertions. Panama's dollar-based economy offers low inflation and zero foreign exchange risk for American companies. Panama's Government actively seeks foreign investment and there are real opportunities available in the former Canal Zone properties being transferred to Panamanian jurisdiction in connection with the transfer of the Canal itself in December 1999.

Due to the evolution and composition of Panama's economy, which is largely based on services, the extent and nature of local competition is very limited in most of the non-service sectors. Although the United States is Panama's most important trading partner with 53% of the market, and U.S. products have a high degree of acceptance in Panama, competition from third countries is strong in certain sectors including: telecommunications equipment, automobiles, heavy construction equipment, consumer electronics, computers, apparel, gifts, and novelty products.

Panama's merchandise imports grew in 1998 by 11 percent over 1997 to a total of $3.32 Billion. The value of Panama's total merchandise exports in 1998 climbed 9 percent over 1996 to a total of US $705 million.

The Colon Free Zone is a much bigger market than the country of Panama. Free Zone imports amounted to $5.2 billion in 1998. These were mostly luxury goods, electronic products, clothing, and other consumer products. Because of this product mix, U.S. market share is lower in the Zone than in Panama. Hong Kong is the Free Zone's biggest supplier, while Colombia and Ecuador are the major final destinations for Zone reexports.

Panama's economy is based primarily on a well-developed services sector that accounts for 76 percent of GDP. Services include the Panama Canal, banking, the Colon Free Zone, insurance, container ports, and flagship registry. Manufacturing, mining, utilities, and construction together account for 17 percent of GDP.

Manufacturing is principally geared to production of items such as processed foods, clothing, chemical products, and construction materials for the domestic market. The manufacturing sector developed under a sixties style import substitution high tariff regime. Panama reduced duties on manufactured items from up to 100% to a maximum of

15% in 1998. Panamanian manufacturers may now have difficulty in maintaining their market share vis-a-vis imports in many sectors. Agriculture, forestry and fisheries make up the remaining 7 percent of GDP.

BUSINESS TRENDS AND OPPORTUNITIES

Consumer attitudes and some brand preferences are similar to the U.S. American television and radio programs, and U.S. magazines are all available and popular in Panama. Panamanians frequently travel to the U.S. for vacation, medical treatment, study, and business. Their buying patterns and tastes are similar to ours.

U.S. products and services are well accepted and highly competitive in most product sectors. Panama has the highest per capita GDP in the region. Income distribution is skewed to the benefit of a relatively small, consumer goods-oriented, economically powerful class. These families have high levels of disposable income. They buy good quality trend-setting goods and price is not the major determinant in their purchasing decisions. The majority of the population has much less disposable income and price and availability of credit loom large when they decide what to buy.

Sharply lower import duties have made U.S. products more competitive with locally manufactured items in recent years. The U.S. share of market in Panama was 53% in 1998 up from 51% the preceding year. The U.S. also had 12% of the larger Free Zone market in 1998.

Panama has potential for substantial growth in the areas of electric power generation, health care services, mining exploration and operations, port services, land development, road construction, telecommunications, and tourism.

TRADE AND INVESTMENT CLIMATE

Panama has no restrictions on the outflow of capital or outward direct investment. The current Government has demonstrated its commitment to trade liberalization since taking office in 1994. President Ernesto Perez Balladares completed negotiations in 1997 for Panama to join the World Trade Organization (WTO). Panama’s antiquated Labor Code was mildly reformed in 1995 but political and labor opposition prevented the sweeping revision needed. The Perez Balladares Government enacted legislation to lower tariffs to levels below those required by the WTO. It also reduced non-tariff barriers, eliminated producer subsidies, prohibited anti-competitive and monopoly practices, and strengthened intellectual property protection.

Government regulation and occasional intervention in the Panamanian economy have tended to reduce transparency, hinder competition and hamper the efficient allocation of investment. Bid procedures for certain privatizations and Government-financed major projects have been questioned over transparency and there have been some seemingly unjustified rebids. The Government's economic liberalization program has been designed to reduce these distortions and increase competition and competitiveness, but has fallen short in some areas.

The combination of relatively high costs for both utilities and labor makes unit production costs higher than average for the region. Also, investors complain of burdensome and excessive product registration requirements.

The most interesting sector for new foreign investment is in the former Canal Zone and associated military bases. Panama will receive a total of 364,000 acres of such territories by the end of 1999 including two large military bases, one of which is a major air base that could be used as an air cargo hub or an aircraft maintenance and repair facility. The Government is actively looking for investment in the fields of tourism, marine services, and in-bond assembly and manufacturing.

The privatization program in Panama has largely been concluded. It started with the sale of a state cement company and a state-owned fruit company. The Government awarded concessions for a private toll road in 1994, cellular phone service and another private toll road in early 1996, and two ports in mid-1996. Intel, the Panamanian telephone company, was partially (49%) sold in mid-1997 and is now being managed by the British firm Cable and Wireless. The previously government-owned casinos and race track were privatized in 1998. The power parastatal was restructured and converted into 8 companies, which were partially sold to the private sector, in August 1998. Four American companies participated including Enron, Coastal, AES and Constellation. Two sugar mills were privatized in 1998 to local groups with some Colombian participation. Pending announced privatizations include a large convention center, the international airport, and water utility operations. However the airport privatization has been delayed pending review by the new administration. Water privatization was halted in 1998 after violent protests and appears unlikely to proceed in its original form.

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II. ECONOMIC TRENDS AND OUTLOOK

MAJOR TRENDS AND OUTLOOK

As Ernesto Perez Balladares prepares to turn the Presidency over to President-elect Mireya Moscoso, his administration can take credit for several economic policy reforms, including restructuring the debt, liberalizing the trade regime, privatizing state-owned enterprises, lowering tariffs, and attracting foreign investment. Despite somewhat slower growth over the past year, these measures appear to be bearing fruit.

According to the Comptroller General's office, Panama's economy grew 3.9% in real terms in 1998, falling from 4.7% growth in 1997. However, population growth continues to pressure general economic growth with real per capita GDP increasing only 2.2% in 1998. The Ministry of Economy and Finance predicts 1999 growth of 4.0% or more. Embassy projects growth of closer to 3.5% in 1999.

Unemployment in 1998 was unchanged at 13.4%. Although Panama's 1998 real per capita GDP (basis 1982) is among the highest in the region at $2,502, this statistic is misleading, because Panama has a skewed income distribution. According to a 1998 Government study, the richest 20% of the population consumed 15 times more than the poorest 20%. Panama's GINI coefficient, which measures income inequality, is 47.0, one of highest in Latin America. The Government estimates that 37% of Panamanians live in poverty, with 22% in severe poverty.

Unorthodox bidding procedures on two major investment projects in 1996 raised questions of corruption. Charges of corruption arose in 1998 in several cases of property sales and concessions by the government agency handling disposal of reverted territories. These cases and several other instances of questionable practices have soured some large international firms on doing business in Panama. The judicial system also has come into question, in part because of extra-judicial pressures in the November 1997 acquittal on murder charges of Pedro Miguel Gonzalez, son of the President of the Legislative Assembly. Gonzalez was charged with the politically motivated murder of an American soldier.

Foreign investment, capital goods spending, and regulatory reform will be keys to growth in the near-term. The Government passed banking code reform in March 1998, and it is nearing completion of a series of privatizations of major state-owned enterprises. Panama's accession to the World Trade Organization in mid-1997 resulted in lower tariffs. The government lowered tariffs further, giving Panama the lowest average tariff rate in Latin America. The 1995 "Universalization of Fiscal Incentives to Production Law", removed some of the mechanisms that Panama's protected, monopolistic industry used to exclude foreign competition.
The bill reformed the tax subsidy and incentives regimes, and granted any producer, regardless of size, equal tax breaks on imports of inputs and capital goods. It created tax breaks for investments in high technology fields and for investment in infrastructure improvements and training of the workforce.

In addition to the Government of Panama's ongoing economic reform program, two other major challenges face the incoming Moscoso administration: finding profitable uses for the balance of the 364,000 acres of land and roughly 4,800 buildings that are reverting to Panama from the U.S. military; and final preparations for the transfer of the Panama Canal on December 31, 1999.

STRUCTURE OF ECONOMY/PRINCIPAL GROWTH SECTORS

Panama's economy is based primarily on a well-developed services sector that accounts for approximately 75% of GDP. Services include the Panama Canal, container port activities, flagship registry, banking, insurance, government, and the Colon Free Zone. Manufacturing, mining,

utilities, and construction together account for 18% of GDP. Manufacturing is principally geared to production of processed foods, clothing, chemicals, and construction materials for the domestic market. Agriculture, forestry, and fisheries account for the remaining 7% of GDP. Principal primary products include bananas, shrimp, sugar, coffee, meat, dairy products, tropical fruits, rice, corn, and beans. The sectors of the Panamanian economy with the greatest potential for growth in the medium term are ports, maritime services, mining, telecommunications, tourism, and energy.

The Primary Sector

The agriculture sector saw mixed results in 1998. Fisheries output rose 13.6% led by exports of aquaculture shrimp and shrimp larvae, fishmeal, and frozen seafood. Shrimp exports totaled $138 million in 1998, up 42% from 1997. Shrimp farms, as opposed to sea-harvest shrimp, accounted exclusively for the growth in shrimp exports due to expanded production and new aeration and cultivation techniques. Sea-harvest shrimp production fell slightly in 1998. Panama signed the International Dolphin Conservation Program Agreement in May 1998, paving the way for increased tuna exports and growth in tuna fleet support services. The Government privatized a tuna cold storage/processing plant at the port of Vacamonte and the plant was subsequently renovated in 1997.

Crops in general benefited from the exit of El Nino and the return of normal or greater than normal rainfall. Sugar production increased 9% in 1998, earning $25.5 million, in spite of a slightly lower U.S. sugar quota. The Government estimates that rice production in 1998 rose by 40%, due to expanded production and greater use of irrigation. Corn production rose by 36%. Beef production rose by 5.4% due to stronger prices and the opening of new export markets in Colombia, Ecuador, Japan, and the Dominican Republic. Chicken and chicken byproduct output rose 9% in 1998, as Panama's local market continues to be one of the heaviest per capita consumers in Latin America. Panama also began exporting fertile eggs in 1998 and hopes to begin exporting whole chickens to Central America and the Caribbean next year. Chicken producers continue to benefit from tariff reductions on feed inputs.

On the other hand, banana production, Panama's largest export crop, suffered the effects of a 57-day strike against Chiquita's Puerto Armuelles division in March-April 1998. Chiquita, Panama's largest banana grower and exporter, has a second division in Bocas del Toro province, which was not affected by the strike. During the strike, the company was prohibited from entering the plantations to harvest or care for the trees, resulting in massive crop losses. Chiquita wrote off Puerto Armuelles' production for the remainder of 1998, re-starting harvest and export operations in January 1999. As a result, 1998 banana production fell by 24% to $139 million.

Panama continues to suffer from the Banana Framework Agreement that restricts entry of Latin American bananas into Europe, a market on which Panama relies. Prospects for growth in the banana sector brightened in 1997 when the WTO ruled against the trade practice. After the E.U. failed to revise the import regime, a WTO Dispute Settlement Body ruled in March 1999 that the U.S. could implement

retaliatory tariffs. The U.S. and its Latin American partners continue to press the E.U. to implement a WTO-compatible banana import regime.

Exports of non-traditional products, especially melons, have increased substantially in percentage terms and continue to show significant potential for growth. Production remains, however, on a relatively small scale and suffers from lack of significant capital investment.

Production in the mining sector rose 5% in 1998, earning approximately $25 million. The gain was largely due to domestic demand for construction materials, as low world market prices continued to discourage gold, silver, copper, and manganese production, all of which are present in Panama. No such mine is presently operating in Panama, though two world-class copper mines and one gold mine are poised to begin extraction operations when prices recover. Four other projects are in various stages of development, while over 200 applications for exploration are pending. Mining investment in Panama is encouraged by a favorable mining law, drafted in 1988, which provides incentives to investors.

Mining sector growth has been limited in the past by excessive bureaucracy in authorizing exploration; opposition by indigenous groups; and slow implementation of a mining master plan.

Manufacturing and Construction

Industrial activity grew 4.3% in 1998, in spite of the effects of reduced tariff protection implemented by the Perez Balladares administration. Growth was led by the finished wood products and construction materials sectors, which grew by 38% and 23% respectively. Food and drink processing grew by 3%, as did tobacco products. Flour and beef processing each grew by over 8%. On the other hand, decreases were seen in sawmill production (-17.6%), paint manufacturing (-11%), and raw iron and steel production (-43%). Decreases in each of these sectors are attributable to lower tariffs and greater competition from imports. Panama has relatively high labor and electricity costs, exacerbating the competitive challenges ahead.

Construction activity rose 5.0% in 1998, due primarily to large infrastructure projects in both the private sector and public sector. Private projects included completion of the Colon Port Terminal, Evergreen's (Taiwan) container port; expansion of the Manzanillo International Terminal, a joint U.S./Panamanian container facility; development of the Balboa port by Hutchison Port Holdings (Hong Kong); and, two private toll roads, the Panama-Colon Highway and the Corredor Sur. Other large private projects included commercial shopping centers, expansion of the port at Chiriqui Grande, a water purification plant, and the start of the rehabilitation of a Panama Canal Railway.

Major public infrastructure projects also benefited the construction industry in 1998. These included the widening of substantial portions of the Inter-American Highway. Also underway is a new road in northwestern Panama which will, for the first time, offer land access to parts of the fastest growing province in Panama, Bocas del Toro. Many other smaller projects are also underway including new and rehabilitated bridges in the interior of the country and widened and newly surfaced streets in the capital. All of these projects are

expected to fuel demand for cement, steel rebar, concrete block, asphalt and related products over next two years.

Banking and Finance

In June 1998, Panama's banking sector came under a new legal regime which includes a strong, well-financed Superintendent. Other features of the new law include: Basel Accord standards for capital adequacy, enhanced authority to liquidate banks, higher minimum capital requirements, limits on lending to related parties, etc. Three types of licenses are permitted: a "general license" with the right to operate in the Republic of Panama and internationally; an "international license" with the right to conduct off-shore transactions; and a "representational license" to handle the interests of foreign institutions without conducting banking operations. There is no deposit insurance. New securities legislation is pending.

U.S. banks with general licenses include Chase Manhattan, Citibank, Bank of Boston and NationsBank. American Express Bank and Core States Bank are licensed to carry out representational activities.

Total bank assets of Panama's 96 licensed banking institutions increased from $36.2 in 1997 to $36.6 billion at the end of 1998. The total number of institutions, however, is down from 104 because of mergers and closings. Growth in consumer lending, especially in the automobile market, and commercial lending, particularly in financing higher Colon Free Zone inventories, were key factors underlying the numbers. System-wide banking capital and reserves tracked assets, and increased by nearly $300 million to $3.1 billion.

From 1997 to 1998, Panama's foreign public debt increased marginally to $5.18 billion. Foreign official creditors hold 30% of the debt, while the private sector holds 70%, almost exclusively in the form of Brady Bonds and Eurobonds. The Trust Fund for Development, funded by capital raised from the sale of public sector enterprises, rose to $1.3 billion as of January 1999, up from $754 million in December 1997.

Panama Canal

Oceangoing commercial transits through the Panama Canal fell 1.8% in 1998, while total toll revenue increased 10%. In FY 1998, 14,181 ships transited the Canal, down 4.5% from 14,857 in 1997. While net tonnage, on which tolls are assessed, almost equaled the previous year, toll revenue rose 9.1% to $559 million in FY 1998, this as a result of January 1998 toll increase. There are two main purposes for the toll increases: a) to fund purchase of millions of dollars of new equipment, and b) to complete the widening the Gaillard cut which will permit two-way traffic of Panamax vessels (largest which can fit into the locks of the Canal). According to the Panama Canal Administrator, the cut-widening will be completed in 2002 and will increase Canal capacity by 20%.

The Legislative Assembly approved in May 1997 a law creating a successor to the U.S. Panama Canal Commission (PCC). The “Panama Canal Authority" (PCA), a Panamanian government agency, will take over the duties of the PCC when the Canal transfers to Panamanian control on December 31, 1999. The PCC operates the Canal on a break-even basis

(although this includes quarterly payments to the Government of Panama, totaling $106 million in 1998). The successor PCA plans to operate the Canal more like a business enterprise.

At present, over 93% of Canal employees are Panamanian, as is the Canal's Administrator. The U.S. Government is confident that the predominantly Panamanian workforce, along with massive investment in new equipment over the next year, will help to assure a "seamless transition" of control of the Canal from the U.S. to Panama.

Colon Free Trade Zone

Established in 1948 at the Atlantic entrance to the Panama Canal, the Colon Free Zone (CFZ) is the largest of its kind in Latin America. Worldwide, it is second only to Hong Kong in overall activity. Midway through 1998, the CFZ began to feel the effects of the slowdown in Latin America, its biggest export market. Total CFZ imports fell to $5.2 billion in 1998, down 5.5% from $5.5 billion in 1997. Total re-exports fell to $6.0 billion in 1998, down 4.5% from $6.3 billion in 1997. Imports from January-April, 1999 totaled $1.2 billion, down 34.1% from the same period in 1998, while re-exports of $1.5 billion were down 25.2%.

The downturn in CFZ business is likely to last through most of 1999. In the longer term, the growth in adjacent container ports (MIT and Colon Port Terminal) and the planned revitalization of Panama's transisthmian railroad linking the Pacific and Atlantic ports, should aid the CFZ's competitiveness. CFZ contributions to the Panamanian economy (re-exports minus imports) rose 2.5% from $754 million in 1997 to $773 million in 1998.

Complaints of intellectual property rights (IPR) violations continue to plague the CFZ. Enforcement action by the recently established CFZ Intellectual Property Department is viewed as a positive step demonstrating Panama's intention to improve enforcement.

Tourism

The number of visitors to Panama in 1998 increased 4.7% to 506,000, while overall visitor spending rose less than 1%. The tourism industry in Panama has substantial growth potential; however, a lack of tourist destinations hampers its development.

The National Assembly passed in 1994 a law granting incentives to investors in the sector (primarily tax exemptions and long leaseholds.) In 1997, the Legislative Assembly approved a General Use Plan and a Regional Use Plan, which provide a blueprint for developing the areas reverting to Panamanian control. The Government has embarked on an ambitious eco-tourism development and promotion plan, angling for major investments in former U.S. military bases at both the Atlantic and Pacific ends of the Canal. This industry will likely develop slowly over the next ten years.

GOVERNMENT ROLE IN THE ECONOMY

From 1968 until 1989, Panama was governed by a military regime that took a statist approach to economic development. While price controls

were applied to many goods, government involvement was generally less pervasive than that in other countries that pursued import substitution development policies. In 1990, under the Endara government, Panama embarked on a policy reform program to modernize government operations. Political opposition from entrenched special interest groups, however, diluted the substance of reforms.

An even more ambitious program of reforms was begun under the Perez Balladares administration that took office in September 1994. This administration passed reforms in banking, labor regulation, tax code, and fiscal management (funding a near bankrupt government pension program). The Government also negotiated WTO accession, re-negotiated Panama's $3.5 billion foreign commercial bank debt, privatized state-owned enterprises, and lowered tariff protection to the lowest average rate in Latin America.

The use of the U.S. dollar as Panama's currency means that fiscal policy is the government's principal macro-economic policy instrument. Because Panama does not issue its own currency, government spending and investment are strictly bound by tax and non-tax revenues (including payments by the Panama Canal Commission) and the government's ability to borrow.

According to Department of Defense estimates, the U.S. military in Panama contributed about $180 million to the local economy in 1997 and $158 million in 1998. In addition, the military constructed numerous roads, schools, medical clinics, and wells. Withdrawal of U.S. forces through 1999 will result in a significant loss.

As of drafting date, this report cannot yet judge the intentions of President-elect Moscoso's government except to note her consistent support of tariff protection for the agricultural sector.

BALANCE OF PAYMENTS

Panama's goods and services export earnings have traditionally been among the largest in the region relative to GDP, 36.3% in 1998. This is because the country has profited from its geographical location and dollar-based economy to develop a strong services sector. Net services surpluses have traditionally financed large merchandise trade deficits.

Services: Growth of services exports was modest in 1998, at 3.3%. While maritime transportation services were up strongly (Canal and port activity), the downturn in services associated with the CFZ and rapidly falling U.S. military spending moderated those gains.

Merchandise: Panama's merchandise imports totaled $3.32 billion in 1998, up 10.7% from $3.0 billion in 1997. Panama's total merchandise exports, meanwhile, totaled $705 million in 1998, up 8.8% from $648 million. (Note: These statistics do not include Colon Free Zone trade.)

Debt: From 1997 to 1998, Panama's foreign public debt increased marginally to $5.2 billion. Foreign official creditors hold 30% of the debt, while the private sector holds 70%, almost exclusively in the form of Brady Bonds and Eurobonds.

Panama has successfully returned to international capital markets. Moody's Investors Service rates Panama sovereign debt Ba1; Standard and Poor's rates Panama BB+. Both are among the highest ratings for third world debt. In April 1998, the GoP issued $300 million in ten-year Yankee bonds. Panama's debt generally trades with less volatility and a lower risk premium than most other Latin American issues.

INFRASTRUCTURE

Panama has relatively well-developed infrastructure. Inter-city highways are generally good, allowing goods and services to move with relative ease. With new and soon-to-be completed roads offering access to Bocas del Toro province, that area should see significant growth in the next few years. Roads remain poor in the sparsely populated Darien province, though an International Development Bank loan is in place to finance infrastructure development in that remote area. Planned investment in highways, ports, and the railroad in the Panama-Colon corridor should prove very beneficial.

Panama privatized its power generation and distribution facilities in 1998, taking in over $600 million in the sales and assuring needed investment. Power generation is nearing capacity, and with electricity demand forecast to grow at 6% annually for the next several years, new power plants will need to be constructed. Press reports have described possible plans by Enron, which bought one of Panama's power plants in 1998, to build an undersea gas pipeline from Colombia. The government retains ownership and operation of the power transmission utility.

Port development continued in 1998. Evergreen's Colon Port Terminals completed its $80 million investment on Panama's north coast, while Manzanillo International Terminal, already the largest container port in Latin America, contracted to buy two additional "super post panamax" cranes. Meanwhile, Hutchison Port Holdings of Hong Kong kicked off construction of its $150 million port project at the Pacific entrance to the Canal. U.S. partners Kansas City Southern Industries and Mi-Jack Products began construction on the rehabilitation of the Panama Canal Railway, an expected investment of $60 million that will link the ports at each end of the Canal.

Cable & Wireless (U.K.) continued with its multimillion dollar investment program in the telecommunications utility it acquired in May 1997. Its concession grants monopoly rights until 2003, when telecommunications services will open to competition. At market opening, licenses will be unlimited and issued gratis, while prices will be dictated by the marketplace.

Many of Panama's biggest operations, especially the Panama Canal Commission, banks, and ports have programs in place to handle the year 2000 problem. While the Government's Y2K Commission is a year into its work, it is not clear that all government agencies have responded effectively.

III. POLITICAL ENVIRONMENT

NATURE OF POLITICAL ENVIRONMENT WITH THE UNITED STATES

Formal U.S.-Panamanian relations date to 1903, when a bilateral treaty gave the U.S. the right to build and unilaterally control the transisthmian canal that was completed in 1914. This traditional, at times controversial, relationship was altered by mutual agreement in the 1977 Panama Canal Treaties, which stipulated that Canal administration would pass to Panama and all U.S. troops withdraw from the country by December 31, 1999.

U.S.-Panama relations are generally cooperative and businesslike as both countries prepare for U.S. military withdrawal and Panamanian takeover of the Canal and U.S. base properties. Managing the final months of the Treaty implementation process will be one of the first challenges facing the new administration of President-elect Mireya Moscoso.

It is anticipated that relations between the U.S. and the Moscoso administration will be cordial, with both countries cooperating on important law enforcement and other international issues. Moscoso, who spent many years in exile in the United States during the Torrijos and Noriega dictatorships, appears committed to forging a close, mutually beneficial relationship with the United States.

MAJOR POLITICAL ISSUES AFFECTING BUSINESS CLIMATE

Mireya Moscoso won the presidency on a platform tinged with populist rhetoric. Nevertheless, since her election Moscoso has expressed a commitment to abide by agreements made by her predecessor with the IMF, the World Bank, and the World Trade Organization. She has also stated that her administration will respect the politically unpopular privatizations of several parastatal enterprises carried out by the Perez Balladares administration.

The Moscoso government can be expected to continue down the path of economic liberalization, although at a slower pace than its predecessor and with more attention to the short-term welfare of Panamanians temporary disadvantaged by economic dislocations. The Moscoso administration's ability to control its own political and economic agenda will be hampered, however, by an opposition-controlled legislature and continuing budget constraints.

The transition of the Canal to full Panamanian control and the reversion of U.S. military properties may increase opportunities for private U.S. investment in Panama. The conversion of the Canal from a U.S. government non-profit entity into a for-profit –albeit state-controlled–business may give the private sector greater opportunities to participate in Canal operations and maintenance. In addition, reverting U.S. military properties offer possibilities for major investments in tourism, transportation, and other as-yet-unexploited sectors.

Under the Perez Balladares administration, the Government of Panama has made progress in decreasing protectionism, promoting structural economic reforms, creating jobs, protecting intellectual property rights, and privatizing parastatal industries. Corruption, drug trafficking, money laundering, and alien smuggling remain serious challenges for the Government of Panama.

Influential private sector individuals have expressed strong reservations regarding the justice sector in Panama. Recently, two high level commissions were established by President Balladares to make recommendations for significant legal reforms. The result of these studies are still pending publication. In the interim, both the IDB and USAID have initiated programs to assist the GOP to promote reforms of the Administration of Justice System.

BRIEF SYNOPSIS OF POLITICAL SYSTEM, SCHEDULE FOR ELECTIONS, AND ORIENTATION OF MAJOR POLITICAL PARTIES

An independent nation since 1903, Panama is a representative democracy with three branches of government: executive and legislative branches elected by direct vote every five years, and a nominally independent judiciary appointed by the executive. Because the current Panamanian judicial system is inefficient at best, and corrupt at worst, many U.S. companies doing business in Panama have arbitration agreements in place to bypass the courts.

Since the U.S. military intervention that removed dictator Manuel Noriega in 1989, Panama has passed through a generally successful process of democratic institution building that has been validated by two national referendums and two general elections, the latest in May 1999. Panama's next general election is not scheduled to take place until 2004.

The President has broad powers under Panama's constitution, but Moscoso must work with a 71-member unicameral Legislative Assembly controlled by opposition parties. Although the Assembly lacks the strong budgetary authority wielded by the U.S. Congress, it does play an important role in shaping political, economic, and social initiatives. Mireya Moscoso's political talents will be tested as she works to build consensus in the Assembly on important legislation.

Moscoso's Arnulfista Party is the political legacy of her late husband, three-time Panamanian president Arnulfo Arias. It is Panama's second largest party, with over 100,000 adherents, and is traditionally strongest in Panama's rural "interior" provinces. Not ideologically driven, Arnulfista Party faithful generally take their political cues from the top. Two smaller, business-oriented parties, MOLIRENA (Spanish-language acronym for the National Liberal Republican Movement) and Cambio Democratico (Democratic Change), supported Moscoso's presidential bid and will participate in her government.

The Democratic Revolutionary Party (PRD) of outgoing President Ernesto Perez Balladares will hold a plurality of seats in the Legislative Assembly and could control the legislature with the support of its current coalition partners, the Solidarity and National Liberal parties. The PRD, founded in the 1970s as the political wing of the Torrijos dictatorship, has traditionally appealed to youth and the urban poor. It is Panama's largest, most organized political party, with over 385,000 registered members. The party leadership is currently in flux as opposing factions backing Perez Balladares and Martin Torrijos, son of the party's founder, vie for control.

Several other small parties are represented in the legislature, most notably the Christian Democratic Party, which shares the center-left tendencies of its European counterparts and has the potential to be a key swing party in important legislative votes.

IV. MARKETING U.S. PRODUCTS AND SERVICES

DISTRIBUTION AND SALES CHANNELS

Business practices in Panama are very similar to those in the U.S. Business tends to be direct and straightforward. On average, Panama City accounts for 65% of total national sales of consumer goods, the remaining 35% is distributed among the principal cities of David, Santiago, Chitre and Colon.

Generally, the marketing channel structure in Panama is simple. Direct importers act as wholesalers and in some cases also as retailers. This situation is common in the case of apparel, automotive parts and hardware products. In the case of consumer goods, food and medicines, the retail operation is separate from the wholesale operation. In the industrial goods sector, sales are normally handled by local exclusive agents or distributors. In other cases, local firms order directly from U.S. brokers or the manufacturer.

Some of Panama's major importers are also regional distributors located in the Colon Free Zone (CFZ). Generally, CFZ importers/distributors have affiliated stores in Panama City for retail sale to the local market.

USE OF AGENTS/DISTRIBUTORS; FINDING A PARTNER

According to Panama's constitution, nationals and foreigners are equal under the law. Both Panamanian and foreign companies must fulfill the same basic requirements to organize and operate most types of business activities in Panama. There are restrictions on foreigners participating in retail trade and practicing certain professions. In practice, however, there are legal ways to overcome these restrictions. U.S. firms interested in retailing should consult a local attorney.

Agents and distributors in Panama are regulated only by the private agreements made between the parties involved. In cases of contract termination or disputes, the private contract clauses prevail over any other document or practice.

Individuals may engage in business activities in their own names or through legal entities. The most commonly adopted form of legal entity is the corporation (sociedad anonima). Other types of legal entities commonly used in Panama are: general partnerships, simple limited partnerships, joint stock partnerships and limited liability companies.

FRANCHISING

Panama is receptive to U.S. style franchising. The market for both specific and general franchising opportunities is attractive. Panama maintains no control on royalty payments or transfers. Recreation, entertainment services, automotive, and hotel and motel franchises are readily marketable as the local market demands better facilities and

services. The U.S. Embassy recommends consulting a local attorney for details on how to set up a franchise in Panama.

DIRECT MARKETING

Key factors for market success in Panama are: high quality, customer service, brand-name recognition and attractive packaging. U.S. products targeting the middle to upper-middle income market are usually competitive. Panamanians have a penchant for high quality U.S. products.

Those with high disposable income follow sophisticated U.S. and European consumption patterns. Most high-end U.S. and foreign brand names are represented in Panama. An aggressive marketing strategy is usually necessary to succeed in this trend-conscious market.

JOINT VENTURES/ LICENSING

Joint ventures, especially for large projects, are becoming common in Panama. Some joint ventures are formed for limited periods of time, such as for a specific construction contract or technology transfer contract. The profits from joint ventures can be distributed annually to each joint venture partner, and are taxed in the same manner as any other income.

Panamanian law does not regulate the registration of license agreements. Nevertheless, license agreements are frequently used to reinforce rights to registered trademarks. The agreements must be attached to the registered trademark and filed with the Industrial Property Department in the Ministry of Commerce and Industry. The agreements become part of the file on the trademark covered by the agreement.

Panama is an interesting and potentially profitable site for licensing agreements and joint ventures as well as routine buy/sell operations. The Colon Free Zone offers the U.S. exporter looking for regional marketing arrangements a convenient one-stop distribution center. There have been problems of money laundering, intellectual property piracy and drug trafficking in the CFZ. All U.S. firms should be aware of these factors before commencing operations in the Zone.

STEPS TO ESTABLISHING AN OFFICE

Panama has one of the most modern and flexible corporate laws in Latin America. Below are some of the advantages offered by Panamanian corporate law:

1. Two or more persons of any nationality, even though not domiciled in Panama, may organize a corporation for any lawful purpose. The articles of incorporation may be executed anywhere, even outside of Panama, and in any language.
2. There are no requirements regarding the amount paid in capital.
3. Ownership of a Panamanian corporation may reside in a single individual or corporation and no part of the capital needs to be held by a Panamanian.
4. There are no nationality or residence requirements for shareholders.

5. Neither the directors nor the officers are required to be shareholders.
6. The Board of Directors must be composed of at least three directors, but one person may hold more than one position.
7. Meetings of shareholders or directors may be held outside of Panama. Proxies may be used by shareholders/directors.

In order to form a corporation in Panama, the client must furnish the following information:

1. The name of the corporation. It may be in any language, but it must terminate in a word or abbreviation indicating that it is a corporation.
2. The objectives and purposes of the corporation.
3. The amount of the authorized capital. Usually the authorized capital will consist of US$ 10,000 divided into 100 shares of US$ 100 each.
4. Shares may be nominative or bearer shares.
5. Duration of the corporation, usually perpetual.
6. The full names and addresses of three or more directors and/or officers.
7. The domicile of the corporation.

The time period usually involved in setting up a corporation is from 15 days to two months. Attorney fees usually range from US$ 600 to US$ 1,500.

In order to engage in commercial or industrial activities, all corporations, partnerships or individuals must obtain proper authorization from the Ministry of Commerce and Industry. There are three basic types of licenses involved:

a) Commercial License Class A is required for wholesale operations, commercial and mortgage banks, financial companies, international financial brokers, insurance and reinsurance companies, international transportation companies, mutual funds, public utilities, and high-technology service companies.
b) Commercial License Class B is required for retail businesses, including representation agencies, service companies, bars, restaurants, drugstores, real estate agents, gas stations, local transportation, distributors and others. This license is only granted to Panamanians or corporations owned solely by Panamanians.
c) An Industrial License is required for extractive and manufacturing industries, as well as construction companies.

Exemptions for business license requirements are granted to persons or legal entities engaged exclusively in agriculture, cattle, bee, or poultry raising, or in the manufacturing and sale of handicrafts, provided that the work is not performed by hired workers. Licenses must be kept at all times in a visible and accessible place. The cost for obtaining a license ranges from US$ 250 to US$ 750. Also, an annual tax is levied based on the net worth of the company, as stated in the income tax return.

SELLING FACTORS/TECHNIQUES

Panama has the highest per capita income in Central America. The majority of income is skewed to a small, consumer goods oriented economic class. These upper-middle and upper-class families have high levels of disposable income. They are interested in purchasing high quality, trend-setting goods. Price is less of a factor in purchasing decisions make by this class than for the middle and lower income classes. The majority of Panamanians are interested in quality but price plays a more important role in the purchase decision.

The use of the U.S. dollar as legal currency and consumer preference for high quality products at a good price are two reasons for high acceptance of U.S. products in Panama. Overall, U.S. products are well accepted in the market and are considered of good quality. However, in many instances, U.S. products must compete against lower priced products especially from the Far East. For example, as in the U.S. itself, Japanese and Korean electronics dominate the market because of aggressive market entry techniques and good quality at competitive prices.

ADVERTISING AND TRADE PROMOTION

Television and newspaper advertising are the promotion tools of choice for the majority of distributors of U.S. products. Panama has a very competitive advertising market, with standard prices and very good production quality. Additionally, trade shows and exhibitions have proven to be effective tools for trade promotion. Special sale prices are usually advertised in newspapers during weekends.

Most foreign manufacturers of consumer products maintain a high profile presence in the country through newspaper ads, large billboards, sponsored sports events, and T.V. advertising. Radio advertising is mainly utilized outside of Metropolitan Panama City.

Major Newspapers:

La Prensa
General Manager - Juan Luis Correa
P.O. Box 6-4586, El Dorado
Panama, Republic of Panama
Tel: (507) 222-1222
Fax: (507) 221-7328
E-mail:ventas@prensa.com
http://www.prensa.com
Daily Circulation: 35,000
Format: standard
Advertising prices: US$ 13.00 per columnar inch, each page has 126 columnar inches.

El Panama America
General Manager - Francisco Arias
P.O. Box B-4
Panama 9A, Republic of Panama
Tel: (507) 230-1666
Fax: (507) 230-1033
E-mail:clientes@epasa.com webmaster@epasa.com

http://www.epasa.com
Daily Circulation: is 22,000
Format: standard
Advertising prices: US$ 8.00 per columnar inch, each page has 126 columnar inches.

La Estrella de Panama
General Manager - Ing. Ricardo Murcillo
P.O. Box Q
Panama 4, Republic of Panama
Tel: (507) 227-0555
Fax: (507) 227-0723
Daily Circulation: 20,000
Format: standard
Advertising prices: US$ 6.00 per columnar inch, each page has 126 columnar inches.

El Universal de Panamá
General Manager - Carlos Eduardo Duque
P.O. Box 9815
Panama 9, Rep. of Panama
Tel. (507) 225-7700
Fax. (507) 225-6993
E-mail: eluniver@sinfo.net
Daily Circulation: 10,000
Format: Standard
Advertising prices: US$ 3.50 per columnar inc, each page has 126 columnar inches.

Major advertising agencies are associated with international advertising firms.

PRICING PRODUCT

The price structure for imported goods in Panama depends on the level of competition. The costs of transportation and import duties vary from item to item. In some cases, prices for consumer products and food are higher than world average because of cartelization of the local market. For the sake of illustration, the calculation below demonstrates average costs added to a product before it reaches the consumer. Import duties average 10% over CIF value and wholesale and retail markups are about 25% each.

Average Pricing Schedule

	$ Price
CIF Panama	$100.00
Import Duty	10.00
Total Landed Cost	$110.00
Wholesale Price	137.50
Retail Price	$171.88

Note: A 5% value added tax on CIF value plus the import duty is assessed at the time of customs liquidation. Since this value added tax is payable on all goods, domestic and imported, and is passed through to the consumer, it is not included in this calculation.

SALES SERVICE/CUSTOMER SUPPORT

Competition among distributors is often decided by the training, counseling and support they receive from their principals. U.S. companies should focus on providing U.S.-level training and technical assistance to their distributors and making sure they have the resources to provide after-sales support, including spare parts, service equipment, etc.

SELLING TO THE GOVERNMENT

Panama does not have a Central Procurement Office such as the U.S. General Services Administration (GSA). All purchases of goods and services of any significant value are by law advertised for public bid. Government procurement regulations establish that each government organization is responsible for its own procurement but subject to the supervision of the Ministry of Economy and Finance and the Comptroller General's Office. Government regulations also establish a process of company pre-qualification for purchases above $ 250,000, in order to make sure that potential suppliers have the proper qualifications. Another feature of the procurement system is that tender documents are discussed with interested companies in order to assure agreement about an understanding of terms and condition of participation. Lack of transparency, excessive delays and bureaucracy in the bid selection process have caused problems for U.S. and other bidders in important government bids in the past.

PROTECTING YOUR PRODUCT FROM IPR INFRINGEMENT

Panama is a member of the World Intellectual Property Organization (WIPO), the Geneva Phonogram Convention, the Brussels Satellite Convention, and the Universal Copyright Convention. Panama is also a member of the Bern Convention for the Protection of Literary and Artistic Works, and the Paris Convention for the Protection of Industrial Property. (Refer to Section VII: Protection of Property Rights, for more information).

NEED FOR A LOCAL ATTORNEY

The law requires that every corporation organized pursuant to the laws of Panama have a resident agent within Panama, who must be an attorney. The annual fee for this service is about $ 200. It is estimated that over 400,000 corporations are registered in Panama.

Registering a national trademark, patent or a sanitary registration application requires a power of attorney. A list of attorneys can be obtained from the National Trade Data Bank (NTDB) directly or through the domestic and foreign offices of the U.S. Department of Commerce.

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES

1 - TRAVEL AND TOURISM (TRA)

Rank of Sector: 1
Name of Sector: Travel and Tourism
ITA Industry Code: TRA

Comment: The market for travel and tourism has good growth potential. According to the Panamanian Tourism Institute, approximately 168,000 Panamanian residents traveled in 1998 and spent $150 million abroad. Of this total more than 80% traveled by air. The U.S. dollar is legal tender in Panama and travellers have no exchange problems. Exit procedures are simple and straightforward and U.S. visas readily obtainable. Panama has the highest per capita income in Central America. Many Panamanians speak English and are well informed about the travel industry through cable T.V., magazines and travel publications. Main destinations are the United States (especially Florida and New York), Europe, South America and the Caribbean. Family vacations, business and health travel are increasingly popular in Panama. Cruise travel is a growing segment of the market, attracting especially the high income sector of the population. The United States is the leader with a total travel market share above 50%, but competition is strong from Italy and Spain. Travel wholesalers from these countries are very aggressive and creative. They offer travel packages not only for Europe but also for South America and the Caribbean.

(Billions)	1997	1998	1999
Total Market Size(1)	528.0	576.0	630.0
Total Local Prod.(2)	158.0	170.0	187.0
Total Exports(3)	5.0	6.0	7.0
Total Imports(4)	375.0	412.0	450.0
Imports from U.S.(5)	225.0	250.0	270.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates)
(1) Total Sales; (2) Sales by local firms; (3) Foreign sales by local firms; (4) Sales by foreign owned firms; (5) Sales by U.S. owned firms.

2- BUILDING PRODUCTS (BLD)

Rank of Sector: 2
Name of Sector: Building Products
ITA Industry Code: BLD

Comments: The construction sector in Panama declined after peaking in the first half of the 1990's but resumed growth in recent years. Initially, the majority of construction was concentrated on middle to high income apartments and commercial buildings but now the construction is strongest for low-cost housing and high cost suburban housing. A growing demand exists for after-construction building products used for improving, decorating or modifying existing buildings. This market is especially strong because of the high purchasing power of this sector of the population. U.S. building

products are well received because of their perceived quality and competitive price. U.S. products in this sector enjoy a market share above 60%. Competitors are mainly from Taiwan, Italy and Spain. There are no significant restrctions on imported products. Import duties are in the range of 5 to 15% over CIF value. The demand is especially strong for gypsum board, lighting, and do-it-yourself products.

(Millions)	1997	1998	1999
Total Market Size	228.0	231.0	237.0
Total Local Production	155.0	156.0	160.0
Total Exports	0.0	0.0	0.0
Total Imports	73.0	75.0	77.0
Imports from the U.S.	48.0	50.0	52.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

3 - TELECOMMUNICATIONS EQUIPMENT (TEL)

Rank of Sector: 3
Name of Sector: Telecommunication Equipment
ITA Industry Code: TEL

Comments: The telecommunications sector in Panama underwent a radical change when the government-owned telecommunications company (INTEL) was converted into a corporation and 49 percent of its shares sold to the U.K. firm Cable and Wireless. The terms of the privatization require Cable and Wireless to improve and broaden services, completely digitalize all switching stations and upgrade transmission lines to fiber optics. A cellular license was awarded to Bell South in 1995, which has 85,000 subscribers so far and provides service in most of the more densely populated areas of the country. A second cellular service was started by Cable & Wireless in 1998 and currently has 43,000 subscribers. The ratio of cellular to fixed lines is higher than that in the United States. On January 1, 2003, all telecom services in Panama will be fully opened to competition and an unlimited number of licenses will be issued gratis. Both the privatization and the increased future competition will provide increased market opportunities for U.S. exporters. There are approximately 450,000 fixed telephone lines in the country. There is also an ongoing sector demand for PABX systems, radio trunk systems, satellite-based telecommunications facilities and paging systems. Main competitors in the market are the United Kingdom, Japan, Sweden, France and Canada.

(Millions)	1997	1998	1999
Total Market Size	69.0	100.0	120.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	69.0	100.0	120.0
Imports from the U.S.	18.0	35.0	45.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

4 - COMPUTERS AND PERIPHERALS (CPT)

Rank of Sector: 4
Name of Sector: Computers and Peripherals
ITA Industry Code: CPT

Comments: A number of factors contribute to a positive outlook for the computers and peripherals sector in Panama: (1) as the economy continues to expand, office automation remains one of the principal growth sectors of the economy. (2) import duties for computers (average of 7 percent over C.I.F. value) are relatively low. (3) there are many accessible computer suppliers both locally and abroad, particularly in Miami. (4) there is a growing computer culture, as a result of the high number of Panamanian graduates from U.S. schools, and the local availability of Internet services,computer magazines, journals and other literature from the U.S. Computer products from the U.S. are well received and are perceived as incorporating state-of-the-art technology. The U.S. has a strong position with a market share above 60 percent. Prices for U.S. computers are competitive against products from Japan, Korea and Taiwan. Sub-sectors with the highest growth potential are: personal computers, mid-range computers and non-impact printers. The most promising end-users are banks, commercial establishments, universities and government organizations.

(Millions)	1997	1998	1999
Total Market Size	54.0	60.0	69.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	54.0	60.0	69.0
Imports from the U.S.	32.0	37.2	43.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

5 - AUTOMOBILES AND LIGHT TRUCKS/VANS (AUT)

Rank of Sector: 5
Name of Sector: Automobiles and Light Trucks/Vans
ITA Industry Code: AUT

Comments: Sales of new automobiles in Panama reached approximately 25,000 units in 1998, following a boom period in the early 1990's. There are approximately 340,000 motor vehicles registered in the country. Car ownership is more accessible in Panama than in most Latin American countries because of the availability of long term credit at relatively cheap rates, a benefit of the dollarized economy. The Panamanian automobile market has traditionally been dominated by Japanese manufacturers. Toyota, Mitsubishi and Hyundai alone account for half of new car sales. Other important competitors are from France and Germany. Nevertheless, U.S. market share is now steadily increasing. New U.S. models with state-of-the-art technology, increased fuel efficiency, excellent design, and enticing price tags have increased the U.S. market share from 4% early in this decade, to approximately 16 percent in 1998. Key factors for effective market penetration are price, quality and after-sales service. It is

interesting to note that U.S. cars have a high receptivity on all fronts, i.e., compact cars, sub-compacts, vans, trucks, four wheel drives, and luxury cars. It is also important to point out that U.S. used cars are selling well, as a result of aggressive promotion by local distributors, excellent prices and the perceived high quality of U.S. used cars. There are no significant import restrictions for imported cars. Import duties average 20% over CIF value.

(Millions)	**1997**	**1998**	**1999**
Total Market Size	130.0	145.0	158.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	130.0	145.0	158.0
Imports from the U.S.	20.8	25.0	28.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

6 - MEDICAL EQUIPMENT (MED)

Rank of Sector: 6
Name of Sector: Medical Equipment
ITA Industry Code: MED

Comments: The medical equipment market will grow at an estimated annual average rate of 14 percent during the next 2-3 years. This growth is supported by the current government's commitment to upgrade and expand the health services offered by the public health organizations. In 1999, the government's Social Security System will complete the construction of 3 new clinics and hospitals valued at $35 million. The Ministry of Health is building a new hospital in the province of Veraguas valued at $25 million. The Interamerican Development Bank (IDB) is financing a $52.8 million health care reform program. In addition, the private sector is making substantial investments in upgrading or building new clinics and hospitals, both in Panama City and in the interior of the country. U.S. medical equipment has excellent acceptance and is represented by the best qualified distributors in the country. A great number of Panamanian doctors have been trained in the U.S. and are familiar with U.S. medical equipment and technology. There are no restrictions on importing medical equipment. Import duties are in the range of 5-15 percent over C.I.F. value. Main competitors are from Italy, France and Germany. Most promising sub-sectors are: imaging equipment, diagnostic equipment, and disposable medical products.

(Millions)	**1997**	**1998**	**1999**
Total Market Size	24.0	30.0	33.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	24.0	30.0	33.0
Imports from the U.S.	19.0	23.0	25.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

7 - AUTOMOTIVE PARTS AND SERVICE EQUIPMENT (APS)

Rank of Sector: 7
Name of Sector: Automotive Parts and Service Equipment
ITA Industry Code:APS

Comments: The market for new automobiles continues to be strong. This has a direct impact on the demand for automotive parts and service equipment. The car population in Panama is estimated at 330,000 units. Approximately 25,000 new cars were sold in 1998. U.S. car sales grew during recent years, initially as Japanese products became less competitive because of the yen's appreciation against the dollar. Although the yen is now substantially weaker, U.S. sales continued to increase in the first half of 1999. U.S. participation in the automotive parts and service equipment is relatively low (market share is 30-35 percent). The main competitors are Japan, Korea and Taiwan. However, the U.S. market position will improve as sales of U.S. cars increase. Demand will also remain strong for U.S.-made car parts and accessories for Japanese models. Import duties for automotive parts are 10-15 percent over C.I.F. value. There are no import restrictions on these products. Sub-sectors offering the best market opportunities are: servicing equipment, tubes and tires, and engine parts.

(Millions)	**1997**	**1998**	**1999**
Total Market Size	56.0	60.0	66.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	56.0	60.0	66.0
Imports from the U.S.	16.0	21.0	24.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

8 - COMPUTER SOFTWARE

Rank of Sector: 8
Name of Sector: Computer Software
ITA Industry Code:CSF

Comments: The market outlook for computer software improved significantly with the passage in early 1995 of a copyright bill that covers computer software products. Software piracy by individuals and corporations has been the biggest problem faced by the computer software industry. The new bill provides the legal framework for fighting piracy practices at all levels. The Business Software Alliance, a private group, has been active fighting software piracy. Best opportunities are for software productivity tools, i.e. data base software, oriented to the mid range/mainframe environment. This type of software has traditionally represented over 80 percent of the market. Another important market is for personal computer software, including word processing, spreadsheet, graphics, data base and telecommunication applications. An emerging sector is multimedia, including games, educational and other CD-Rom based applications. U.S. software publishers are well-known in Panama. Some software companies from Chile, Venezuela and Costa Rica have targeted Panama for the

introduction of Spanish-language products, mainly business applications, e.g., payroll, accounts payable/receivable, etc. There are no restrictions on importing/marketing foreign software in Panama.

(Millions)	1997	1998	1999
Total Market Size	20.0	22.6	26.0
Total Local Production	2.0	2.6	3.0
Total Exports	0.0	0.0	0.0
Total Imports	18.0	20.0	23.0
Imports from the U.S.	17.0	18.0	20.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

9 - MANAGEMENT CONSULTING SERVICES (MCS)

Rank of Sector: 9
Name of Sector: Management Consulting Services
ITA Industry Code: MCS

Comments: Two factors provide favorable conditions for a continued development of the management consulting services market in Panama. First, under the 1977 Panama Canal Treaties, there are vast amounts of land and infrastructure reverting to Panama from the U.S. military. Panama will need to implement a number of projects to make an efficient use of these resources. The World Bank, the Inter-American Development Bank and other international organizations are or are likely to be involved in financing specific projects in these areas. Second, since Panama is a member of the World Trade Organization and the tariff protection that existed a few years ago is almost gone, Panamanian companies will have to learn to do business in a more competitive environment. This situation will create the need for consulting services aimed at increasing efficiency. The above factors will generate market opportunities for U.S. consulting companies in the following areas: land development, environment, marketing, tourism development, privatization, and energy generation.

(Millions)	1997	1998	1999
Total Market Size	23.0	27.0	33.0
Total Local Production	6.0	8.0	10.0
Total Exports	0.0	0.0	0.0
Total Imports	17.0	19.0	23.0
Imports from the U.S.	14.0	15.9	19.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

10 - HOTEL AND RESTAURANT EQUIPMENT (HTL)

Rank of Sector: 10
Name of Sector: Hotel and Restaurant Equipment
ITA Industry Code: HTL

Comments: The market outlook for hotel and restaurant equipment in Panama has improved as a result of a tourism incentive law passed in 1994. It establishes a number of fiscal and other incentives for companies investing in tourist facilities such as hotels, restaurants, resorts, etc. Two new hotels started operations in 1998 and four more are planned in Panama City and other parts of the country. The Panamanian Tourism Institute (IPAT) is considering a number of applications for new projects that will benefit from the tourism law. The current and planned reversions of U.S. military facilities to Panamanian hands, will generate a number of tourism projects in those areas. The hotel and restaurant equipment market is very competitive. The U.S. maintains a strong leadership position. The main competitors in the kitchen equipment market are from France, Italy, Spain and Brazil. In other product lines, such as refrigeration and air conditioning equipment, competitors come from Japan and Korea. Best prospects in this sector are: kitchen equipment, decoration items (draperies, furniture), air conditioning equipment, and elevators. No import restrictions exist for these products and import duties are in the range of 10-15 percent of C.I.F value.

(Millions)	**1997**	**1998**	**1999**
Total Market Size	10.5	13.8	15.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	10.5	13.8	15.0
Imports from the U.S.	5.5	7.0	8.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

BEST PROSPECTS FOR AGRICULTURAL PRODUCTS

Name of Sector: Consumer Oriented Agricultural Products
PS/D: High Value Products (HVP)

Comments: U.S. Exports of HVP to Panama made an impressive increase of 34% over the previous year to an all time high of $82 million. This was the result of increased exports of Snack foods (up 32% to an all time high of $11 million); Red meats fresh/chilled/frozen (211% to an all time high of $4.8 million); Red meats prepared/preserved (131% to an all time high of $4.9 million); Poultry meat (323% increase to an all time high of $4.8 million); Fresh vegetables (12% to an all time high of $1.7 million); Tree nuts (36% to an all time high of $1.4 million); and Wine and Beer (76% increase to an all time high of $10.7 million).

Best prospect sub-sectors: beer, poultry and red meat (for processing), red meat preserved, snack foods, fresh vegetables and fruits.

Millions)	**1997**	**1998**	**1999**
Total Market Consumption	234	218	264
Total Local Production(1)	325	221	309
Total Exports	232	165	231
Total Imports	141	162	186
Imports from the U.S.	82	98	118

Bananas, the most important export product suffered a 32% decrease in production due to a workers strike. This is reflected both in Production and in Exports.
Exchange Rate: 1 US Dollar = 1 Balboa (fixed rate)
(1) Includes production for exports.
Sources: USDA, and Office of the Comptroller General.

Name of Sector: Intermediate Agricultural Products
PS/D: O&P

Comments: This sector became second in importance by growing 70% to an all time record of $80 million, as a result of increased exports of Soybean meal (9% to an all time high of $25 million); Sweeteners and beverage bases (444% increase to $21 million); Soybean oil (292% to $10 million); Vegetable oils (42% increase to an all time high of $5 million); Feeds and fodders (51% increase to $5 million); and Animal fats (48% increase to an all time high of $4 million).

Best prospects sub-sectors: Soybean meal to feed a fast growing animal industry, vegetable oils and Soybean oil.

Millions)	**1997**	**1998**	**1999**
Total Market Consumption	203	235	261
Total Local Production(1)	92	101	111
Total Exports	3	3	4
Total Imports	114	137	164
Imports from the U.S.	80	104	135

Exchange Rate: 1 US Dollar = 1 Balboa (Fixed Rate)
(1) Adjusted for re-clasification of products.
Sources: USDA, and Office of the Comptroller General

Name of Sector: Bulk Agricultural Products
PS/D: G&F

Comments: A 19% growth to an all time high of $64 million was the result of increased imports of Yellow corn (34% increase to an all time high of $29 million); Rice (42% increase to an all time high of $13 million). Demand for wheat continues strong but due to lower prices, total dollar figures are smaller.

Best prospect sub-sectors: Yellow corn, wheat, and rice.

Millions)	**1997**	**1998**	**1999**
Total Market Consumption	123	128	146
Total Local Production(1)	110	101	114
Total Exports	58	60	63
Total Imports	71	87	95
Imports from the U.S.	64	77	92

Exchange Rate: 1 US Dollar = 1 Balboa (Fixed Rate)
(1) Adjusted for re-clasification of products.
Sources: USDA, and Office of the Comptroller General.

SIGNIFICANT INVESTMENT OPPORTUNITIES

The following areas offer investment opportunities for U.S. companies.

Reverted Areas

As a result of the Panama Canal Treaties of 1977, by December 31, 1999, the United States will complete the process of transferring to Panama 364,000 acres of land, more than 4,000 buildings and other infrastructure located in the former Canal Zone. Panama is committed to utilizing these resources to enhance the country's economic and social development. If this is to be accomplished, a number of projects will have to be developed in these areas in the very near future. The Inter-American Development Bank co-financed a $5 million study to recommend plans for the efficient use of these resources. The study was approved by the National Assembly and became Panama's official plan for the use of the reverted areas. The Panamanian Government established the Interoceanic Regional Authority (Spanish acronym ARI), to administer the reverted resources and to devise a development strategy. Projects approved or under consideration, include manufacturing, assembly, tourism, marine services, warehousing, education, scientific research, and energy generation. Tourism and marine service projects seem to have the most potential in the reverted areas. The large American Howard Air Force Base offers special opportunities as an air cargo hub or aircraft repair and maintenance facility.

Electric Power Generation

In 1998, the Government of Panama completed the privatization of the electric sector when seven government-owned companies dealing with power generation and distribution were sold to the private sector. Panama's demand for electricity grows by 45 Megawatts per year. After the privatization, any company can participate in power generation and distribution. This represents an excellent commercial opportunity for U.S. investors.

Mining Exploration and Operation

Panama has vast amounts of mineral resources, mostly in the central provinces of the country. There is significant potential for gold, silver, copper, zinc, lead and, molybdenum. The only restriction on foreign mining companies in Panama is that 90% of all employees be Panamanians. A few Canadian firms have made sizable mining investments. The two largest are Adrian Resources Corp., and Greenstone Resources, Inc. These two companies have invested over $100 million in mining exploration during the last three years. Several mining sites have easy access by road. Once world metal prices recuperate from the current low levels the Panamanian mining sector will offer excellent investment opportunities. For information on mining investment opportunities, contact the Ministerio de Comercio e Industrias, Direccion de Recursos Minerales.

Water and Sewage

The Government of Panama wants to give more participation to the private sector in the water and sewage sector. A privatization plan was developed that called for granting a 30 year concession for the operation of the National Water and Sewage Company (IDAAN) but it was postponed when violent political opposition manifested itself. A number of foreign companies, mainly European, showed interest in the IDAAN privatization. Panama has a total population of 2.6 million, 1.7 million have access to IDAAN services. It has 304,577 connections. Approximately 69% of the clients are located in Panama City and Colon. IDAAN's revenues in 1998 were approximately $ 65 million. As of July 30, 1997, it had assets amounting to $428 million. Water production capacity is 43,099.6 M3/HR. IDAAN has been plagued by a number of problems, including bad management, low investment and widespread inefficiency. IDAAN water losses are estimated at 50%, of which 20% are technical and 30% commercial. Multimillion dollar investments are necessary to modernize and upgrade the country's water and sewage system and large private investment will be required in one form or another.

Forestry

The Government of Panama is leasing under 20 year contracts (re-newable for 20 additional years), over 20,000 Acres of land in the water shed of the Panama Canal and also in Central Provinces, to anyone interested in establishing forestry projects, for commercial purposes. Private forestry projects may be combined with fruit production plans and eco-touristic plans. Size of parcels vary from 250 to 4,000 Acres, with no limit to total amount of land rented by a single individual or concern. Rental prices range from $8.00 to $16.00 per Acre per year. According to Panamanian legislation, forestry activity has many tax incentives, including import tax exemptions (for equipment), and income tax exemptions. (For more up-dated information refer to The Foreign Agricultural Service, American Embassy Panama, Unit 0945, APO AA 34002, Tel (507) 227-1777, Fax (507) 225-4209, E-mail: OfficePanama@mail.doc.gov)

NOTE: "The Government of the United States acknowledges the contribution that outward foreign direct investment can make to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. Nearly sixty percent of total U.S. exports originate with American firms with investments abroad. Recognizing the benefits that U.S. outward investments brings to the U.S. economy, the government of the United States undertakes initiatives such as Overseas Private Investment Corporation (OPIC) programs, Bilateral Investment Treaty negotiations and business facilitation programs, that support U.S. Investors."

VI. TRADE REGULATIONS AND STANDARDS

TRADE BARRIERS (TARIFFS, NON-TARIFF BARRIERS AND IMPORT TAXES)

Traditional policies on trade and economic incentives directed agricultural and manufacturing production toward import-substitution until the end of the 1980's. Today, Panama's nominal tariff duties are the lowest in the region. Panama averages 12% in tariff rates.

The country has also made significant progress in eliminating quantitative restrictions. From 1991 to 1996 the Government of Panama enacted a trade liberalization program, with the following initial objectives:

- To reduce the ceiling on import tariffs to 40 percent for industrial products and to 50 percent for agro-industrial products.
- To eliminate all specific import tariff rates.
- To eliminate quantitative import restrictions for agricultural products and replace them with tariff protection.

The Government accomplished these objectives and went further by setting an import tariff ceiling of 15% effective January 1, 1998. Some exceptions exist for agricultural products and a few other products such as automobiles.

Panama, is now a full member of the World Trade Organization (WTO). However, its import duty structure is significantly lower than the one negotiated for WTO accession.

CUSTOMS VALUATION

Panama assesses import duties on an ad valorem basis. The ad valorem system uses the declared C.I.F. value as the basis for import duty calculations and in some cases utilizes historical price information as a reference.

In addition to the duty, all imports into Panama are subject to a 5 percent transfer or value added tax (ITBM) levied on the C.I.F. value, plus import duty and other handling charges. Pharmaceuticals, foods and school supplies are exempt from the ITBM tax.

In 1995, Panama changed its international trade classification system from the Customs Cooperation Council Nomenclature (CCCN) and Brussels Tariff Nomenclature (BTN) to the Harmonized System (HS).

IMPORT LICENSES

No import licenses are required in Panama. Any company holding a commercial license can freely import goods into Panama. A commercial or industrial license is required by individuals or companies engaged in commercial or industrial activities.

EXPORT CONTROLS

The Fiscal Code regulates all matters concerning the country's exports. The Code establishes that all national products may be exported, except:

- drugs, with the exception of those having pharmaceutical or scientific purposes.
- staple products determined by the Government to be temporarily scarce in the country; and,
- those products the Panamanian Government decides not to export for reasons of convenience or in the economic interest of the country.

Exports subject to the payment of export taxes require an Export Authorization, which is issued by the National Customs Office, Ministry of Economy and Finance. (See Appendix E for contact information.) Exports subject to taxes are: bananas, metals, raw sugar and natural resources. Exports of textiles are also subject to an export authorization.

IMPORT\EXPORT DOCUMENTATION

Import Documentation

The processing of customs documents in Panama for imports is fast, efficient and reliable. Merchandise imported into Panama must be cleared through customs by a customs broker licensed by the Government of Panama. Exceptions are made for goods which are imported duty free, consigned to national or municipal governments, imported by foreign diplomats, sold to the authorities of the Canal Area, sold to vessels transiting the Canal, or intended for reexport.

Basic import documentation required by the Panamanian Customs office is:

- Import Declaration (Prepared and signed by a Customs Broker),
- Commercial Invoice (To be presented in English or Spanish in quadruplicate),
- Airway Bill,
- Bill of Lading (To be presented in triplicate),
- Commercial License Number,
- Phytosanitary Certificate (In case of meat and meat products, to be obtained from the U.S. Department of Agriculture), and,
- Certificate of Free Sale (if required)

  Any food product or other item used for human consumption (including for use on human skin or clothes) may be subject to the Certificate of Free Sale (CFS) documentation requirement. The main purpose of the CFS is to prevent the dumping of inferior goods, especially for human consumption, on the Panamanian market. The CFS must verify that a product is sold freely and used widely in the U.S. Potential exporters of items subject to the CFS documentation requirement may wish to either contact:
  (1) their trade association which may provide the service of issuing the documentation, or,
  (2) the Food and Drug Administration, Division of Programs and Enforcement Policy, 200 C Street, SW, Washington, DC 20204.

If for any reason the bill of lading or any other required document cannot be presented within 24 hours after the shipment has arrived, clearance of the goods will be permitted by posting a bond equal to the amount of import duties. The bond is cancelled if the prescribed documents are presented in due form within a period of 90 days. The bond may be extended in justified cases, an additional 90 days.

Export Documentation

The Vice Ministry of Foreign Trade was created in 1998 to promote exports and investment. It facilitates the processing of export

documentation through a "One Stop" (ventanilla unica) office which can reduce the export process to a few hours.(Refer to Appendix E for contact information on the Vice Ministry of Foreign Trade).

Export documentation required by Panamanian Customs authorities is:

- Commercial Invoice,
- Export Declaration (usually prepared and signed by a Customs Broker),
- Certificate of Origin (issued by the Chamber of Commerce, Industry and Agriculture of Panama or the Panama Trade Development Institute),
- Bill of Lading,
- Airway Bill,
- Veterinary, Sanitary or Phytosanitary Certificate (when applicable).

TEMPORARY ENTRY

The Panamanian Fiscal Code establishes a temporary entry regime of up to one year for all types of merchandise. There are two options. First, the goods can enter the country if the importer makes a deposit equivalent to the import duty. This payment will be reimbursed at the time the goods leave the country. Second, an insurance company can issue a bond for the importer covering the import duty value, payable if the goods fail to exit the country as scheduled.

Special temporary provisions apply in the case of trade shows and exhibitions taking place at the Atlapa Convention Center, Panama's exhibition and convention center. Goods can enter the Atlapa Convention Center with no warranty payment or bond required. The merchandise to be displayed in certain trade shows enjoys duty free status and may be sold off the floor duty free.

Samples with commercial value are subject to temporary entry requirements. Samples with no commercial value are admitted duty free. If samples arrive in large containers, they will be dutiable even though they may be marked as free samples.

LABELING, MARKING REQUIREMENTS

Panama has no special regulations for labeling and marking. Labels are required to have basic information regarding the name and address of the manufacturer, expiration date, list of ingredients, lot number, and the product form, e.g. powder, liquid, etc.

Labels in English are accepted, except medicines, household products and foods which require special instructions. In these cases instructions regarding dosage, usage, warnings, etc., must be in Spanish.

All goods arriving in Panama intended to be reexported immediately must be marked "PANAMA IN TRANSIT" on each box or outside container.

In general, products which comply with U.S. labeling and marking requirements will also meet local requirements and are suitable for sale in Panama.

PROHIBITED IMPORTS

The following products cannot be imported into Panama:

- Counterfeit coins or printed material that imitates currencies,
- Equipment or instruments for manufacturing coins,
- Liquors, wines, beers or medicines with labels that falsely describe contents, or of any kind of harmful preparation,
- Certain firearms or war materials,
- Foreign lottery or raffle tickets,
- Opium in the form of gum or for smoking,
- Obscene brochures, books, newspapers, magazines, or postcards containing negative portrayals of the country's culture, civilization or dignity, and,
- Plants, seeds, or animals when determined by the Ministry of Agriculture.

STANDARDS (E.G. ISO 9000 Usage)

The Government of Panama designated the Comision Panamena de Normas Tecnicas (COPANIT), an agency of the Ministry of Commerce and Industry, as the domestic registering authority for participation in the International Standards Organization ISO-9000 program. There is no legal limitation in Panama on participation in ISO-9000 by firms doing business here. In fact, an increasing number of Panamanian firms are seeking or have already obtained ISO-9000 certification. Panama is a member of the Pan American Standards Commission (COPAN), headquartered in Venezuela.

FREE TRADE ZONES/WAREHOUSES

The Colon Free Zone

The Colon Free Zone (CFZ), the largest in the Western Hemisphere and second in the world to Hong Kong, is located in the City of Colon, adjacent to Manzanillo International Terminals on the Atlantic side of Panama and 90 kilometers from Panama City. Goods (except firearms or petroleum products) may be imported, stored, modified, repacked and re-exported without being subject to any customs regulations.

Most Free Zone merchandise is transshipped from Panama to other parts of the Western Hemisphere and Europe. Imports into the CFZ come mainly from the Far East. The largest individual supplier of the CFZ in 1998 was Hong Kong, followed by Japan, the United States, South Korea and Taiwan. These five countries supplied nearly 70 percent of all CFZ imports in 1998. Colombia is the largest purchaser of merchandise, buying nearly 27 percent of all CFZ exports. Other principal buyers are Ecuador, Panama (domestic market), Venezuela, the United States, Chile and Guatemala. These countries (including Colombia) buy approximately 60% of all exports from the CFZ.

The CFZ is administered as an autonomous institution of the Panamanian Government. It has been in operation since 1953. Today it is completely developed, and covers 300 hectares, including 45 hectares designated as an industrial zone.

The CFZ offers free movement of goods and complete exemption from taxation on imports and re-exports. There are no taxes on the export of capital or the payment of dividends. In addition, there are reduced income tax rates on earnings from re-export sales. Furthermore, firms located in the CFZ are exempt from import duties as well as from guarantees, licensing, and other requirements and limitations on imports. Due to its geographic location, the CFZ is a major factor in channeling goods from large industrialized countries to consumer markets in Latin America. Unfortunately, the CFZ has also been used by the Colombian drug cartels for money laundering and drug trafficking. Other problematic transactions include trade in pirated intellectual property and stolen vehicles.

The CFZ is operated and managed by its Board of Directors, an Executive Committee and the General Manager of the institution. Corporations or individuals of any nationality may establish operations in the CFZ without obtaining a commercial license or investing any minimum amount of capital. Firms interested in operating in the CFZ must file an application and provide a copy of articles of incorporation and bank references.

There are four basic ways of doing business in the CFZ:

1. Leasing lots on which the firm builds a warehouse or other facilities as designed by the firm. Land leases are granted for a 20-year period;
2. Purchasing an existing facility from the Zone Administration;
3. Reaching an agreement with a company already established in the CFZ as the operator's representative. The cost of this service is set by mutual agreement between the parties concerned. Representation agreements are subject to the approval of the Zone Administration; or,
4. Leasing a public warehouse operated by the Zone Administration. The firm receives its goods and stores them like any other company there. There are no fixed costs and payment is based on the weight or volume of the goods stored.

Companies operating in the CFZ can be engaged in four types of sales operations:

1. Re-export of goods from CFZ warehouses;
2. Sales to clients located within Panama's customs territory;
3. Direct sales to foreign clients in which goods are shipped from a third country manufacturer without physically arriving in the CFZ; or,
4. Transfers in which sales are made to other CFZ firms.

Companies operating from the CFZ enjoy numerous trade advantages along with special tax incentives such as tax credits, depending on the number of Panamanian employees, and special income tax rates on foreign trade operations. Companies in the free zone pay no corporate income tax. Dividends paid on profits from foreign trade operations and from direct sales are not subject to the dividend tax. Merchandise arriving at, stored in, or leaving the CFZ destined for a foreign country is exempt from taxes, charges or any type of fee. Also, CFZ companies are not subject to any type of federal or municipal tax.

Contact the CFZ Administration and the Users Association for more information. (Refer to Section II of this report for key statistical information on the CFZ and to Appendix E for contact information).

Export Processing Zones

On November 30, 1992, Panama passed Law No. 25 allowing for the establishment and development of Export Processing Zones (EPZ) within the country.

EPZs are well-defined areas for the establishment of industrial, commercial and service facilities which operate in a free trade system. All or most production is exported. A range of incentives have been established to attract companies into the EPZs.

Companies allowed to establish operations in EPZ are those engaged in manufacturing, assembly, high technology, and specialized and general services, e.g. computer data entry, reinsurance.

The EPZ law establishes two classes of EPZ firms. The first consists of EPZ developers and the second of tenant companies within the EPZ.

The Panamanian Government offers the developer the following tax incentives:

> Exemption during the life of the contract (the maximum is 20 years), from taxes, duties and other charges related to the importation of machinery, equipment, accessories and material used in the construction of the facilities. Exemption from property and income taxes, and taxes on capital or assets for the first ten years of operation. From the 11th year until the end of the contract, the developer is exempt from income tax on net earnings reinvested in the development and expansion of the EPZ, provided that the amount reinvested exceeds 20 percent of the net taxable income for the fiscal year the reinvestment is made. Lastly, the developer may carry over losses from the year in which the loss takes place.

The tenant companies exporting from an EPZ are offered the following benefits:

> Exemption from taxes, duties and other charges related to the importation of machinery, equipment, raw materials, semi-processed goods and other materials such as packaging, fuel and lubricants used in the manufacturing process. Exemption from income tax on profits arising from exports, and exemption from export sales taxes, as well as from taxes on capital and assets of the export industry.

The EPZ law also includes specific labor and immigration provisions for employees of EPZ firms which are more favorable than the current Panamanian Labor Code.

Presently, there are six EPZs approved by the GOP. Most of them are in early stages of development. Contact the Vice Ministry of Foreign Trade for information on EPZs. (Refer to Appendix E for contact information on the Vice Ministry of Foreign Trade).

Petroleum Export Zones

The Government of Panama enacted Decree No. 29 (Executive Decree) dated July 14, 1992, allowing the creation of Petroleum Export Zones (PEZ) in specially-designated areas in Panama.

Decree No. 29 allows any foreign or national company to establish operations in a PEZ to produce, refine and export petroleum products. It also permits direct sales to foreign vessels transiting the Panama Canal, and to foreign airlines. Companies operating out of these PEZs are exempt from municipal or federal taxes and are not subject to government regulations affecting the local market.

The Government of Panama has authorized the following seven Petroleum Export Zones: Petroterminal de Panama (PTP, the transisthmian pipeline), Refineria Panama (TEXACO), Autoridad Portuaria Nacional (APN, the Port Authority), Aeropuerto Internacional de Tocumen, Petroport, S.A., Alireza Mobil Terminal, S.A., and Atlantic Pacific, S.A.. Contact the Ministry of Commerce and Industry, Direccion Nacional de Hidrocarburos for more information.

SPECIAL IMPORT PROVISIONS

Special import permits are required for all types of firearms and ammunition. Import permits can be obtained from the Ministry of Government and Justice.

MEMBERSHIP IN FREE TRADE ARRANGEMENTS

Panama is not a party to any agreements providing completely free trade, but does have bilateral preferential trade agreements with Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua and the Dominican Republic. These accords are quota-based and deal with a limited number of specific products. There are also limited preferential agreements with Mexico, Dominican Republic and Colombia. Negotiations are under way to sign full-blown trade agreements with Chile and Mexico. Panama has also agreed to negotiate a more inclusive preferential agreement with Central America and the Andean Free Trade Agreement (Pacto Andino).

Panama is a beneficiary of the Caribbean Basin Economic Recovery Act, better known as the Caribbean Basin Initiative (CBI), which provides for one-way free trade access for specific Panamanian exports to the U.S. The U.S. Government is considering new legislation that would enhance the CBI program. In return for NAFTA-like treatment for textiles and certain other products the Caribbean Basin nations would be asked to negotiate bilateral investment treaties, and protect intellectual property rights, workers rights and the environment.

VII. INVESTMENT CLIMATE

OPENNESS TO FOREIGN INVESTMENT

Based on Panama's central geographic location and its limited manufacturing and agricultural sectors, the Government of Panama and the business community actively promote this country's long-standing

reputation as an international trading, banking, and services center, and as a site for foreign direct investment (FDI). Panama's dollar-based economy offers low inflation and no foreign exchange risk. The Panamanian Vice Ministry of Foreign Trade provides investors with information, expedites specific projects, leads investment-seeking missions abroad, and supports foreign investment missions in Panama.

U.S. companies own or are partners in many of the largest investments in Panama. Major U.S. investments include:

- Panama’s only refinery (Texaco),
- Latin America 's largest container port (Stevedoring Services of America),
- Chiriqui Land Company (Chiquita Brands International),
- Power generation and distribution facilities (Constellation Power, AES, Enron, and Coastal Power),
- a cellular telephone concession (Bell South),
- the transisthmian oil pipeline (moth-balled) and container port at Chiriqui Grande (60% owned by Northville Industries and Chicago Bridge and Iron),
- an oil storage and transit facility (Mobil, in partnership with Alireza of Saudi Arabia), and
- 49% of COPA airline (Continental Airlines).

A U.S. partnership (Kansas City Southern Industries and Mi-Jack Products) has begun an expected $50 million investment to rebuild and operate the transisthmian railroad.

Large non-U.S. foreign investments include:
- the local telecommunications company (Cable and Wireless of the U.K., 49% owner with management rights),
- the ports of Balboa and Cristobal, (Hutchison Port Holdings of Hong Kong),
- a container port (Evergreen of Taiwan),
- a power distribution company (Union Fenosa of Spain), and
- three private toll roads (PYCSA (2) and ICA (1), both of Mexico).

The Perez Balladares government, which took office on September 1, 1994, embarked on a vigorous campaign to improve Panama's international image and attract Foreign Direct Investment (FDI). The current administration will step aside on September 1, 1999 for the incoming government of Mireya Moscoso. A major challenge for the new government, as it has been for the outgoing administration, will be the development of the U.S. military areas being reverted under the Carter-Torrijos treaties.

Projects underway include the former Arraijan fuel tank farm which is being managed by a U.S./Saudi partnership; a new commuter airport at the former Albrook Airfield, replacing the Paitilla Airport; and a sputtering Taiwanese investment in an industrial “export processing zone” (EPZ) in the former U.S. base Fort Davis. Several other projects are on the drawing board, including major tourist projects at the former Fort Amador on the Pacific and Fort Sherman on the Atlantic; a multi-use facility at Howard Air Base; and an academic community (City of Knowledge) at Fort Clayton.

Neglected throughout the Torrijos-Noriega years, basic public infrastructure development has been a priority for the current administration. One major new urban highway is complete and two others are under construction. In addition, both the Inter-American and the Transisthmian Highways are being widened. Other infrastructure development includes Cable and Wireless' plans to invest over $500 million in the recently privatized (1997) telecom through 2002 and multimillion dollar investments in the newly privatized power generation and distribution facilities. The planned privatization of the water utility has been put on hold after violent demonstrations in December 1998. The incoming Moscoso administration has promised not to privatize the water utility.

While recent bids under the Perez Balladares government have been open, transparent, and relatively problem-free, the government came under fire in 1997 for its failure to establish and follow clear rules in public bidding and procurement practices. One particularly badly managed public concession award led to widespread allegations of corruption and soured some American companies on doing business in Panama, undermining the image the Government has tried to create with its policy reforms.

The tax system promotes savings and investment by giving a wide variety of incentives and maintaining rates which are comparable to those in the U.S. The maximum personal income tax rate is 34% and the maximum corporate rate is 30% of domestically produced earnings. Although tax collection methods have been strengthened lately, the overall regulatory and supervisory framework is weak. In April 1993, a law was passed granting tax incentives for the creation of voluntary pension funds (IRA's) by individuals or corporations.

Panama has privatized a number of state-owned enterprises. To date, completed privatizations include the state telecom; electricity generation and distribution utilities; the transisthmian railroad; ports at both entrances to the Canal; two state-owned sugar companies; casino operations; the state cement company; a state-owned fruit company; and a horse racetrack. The national airport and a major convention center are scheduled for privatization in 1999, though the airport privatization has been placed on hold pending review by the incoming administration. Privatization of the state water utility was halted in 1998 due to violent protests against its sale.

Inflexible labor laws have been cited as a problem by local businessmen. Excessive regulation of hiring and firing practices reduces labor mobility and flexibility. The combination of high electricity and telecommunications costs and the highest minimum wage in Central America deters some investors.

The Panamanian Constitution forbids certain kinds of monopolistic behavior. The Government of Panama passed in February, 1996 an Antimonopoly Law, designed to prevent monopolistic practices and create a consumer protection regime. As well, Panama has lowered overall tariff protection to one of the lowest average rates in Latin America. Consumers are protected by the consumer protection division of the Ministry of Commerce and Industry which has instituted fines for practices ranging from selling expired products to price-gouging. Panama does not have a bankruptcy law to facilitate the restructuring

of firms, such as Chapter 11 in the U.S., although the new banking law gives the Superintendent of Banks considerable powers in this regard for the banking sector.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

With the exception of retail trade and certain professions, foreign and domestic entities have the right to establish, own, and dispose of business interests in virtually all forms of remunerative enterprise. Foreigners need not be legally resident or physically present in Panama to establish corporations or to obtain local operating licenses for a foreign corporation. Business visas (and even Panamanian passports) are readily obtainable for significant investors. Banking, legal and financial services and the legal regime are strongly oriented toward attracting foreign business and banking activity.

Panama's privatization framework law does not distinguish between foreign and domestic investor participation in prospective privatizations. The law calls for pre-screening of potential investors or bidders in certain cases to establish technical viability, but nationality and Panamanian participation are not criteria. Foreigners have participated actively and successfully in all privatizations to date.

PROTECTION OF PROPERTY RIGHTS

Some of Panama's business, corporate, and banking codes have been modernized. They are, in general, enforced so as to create a favorable business climate, although there is no modern bankruptcy law. Mortgages, liens, and other security interests are recognized. There is a public property registry, which is undergoing expansion and modernization. Unique features of Panamanian law and practice in specific areas (including but not limited to banking, accounting requirements, formation and functioning of corporations, and taxation) make retention of local legal counsel highly advisable. The civil legal system has a very large backlog and is not viewed as fair or impartial by most Panamanians. Reform of the judicial system is on the agenda of the new government.

Intellectual Property Rights: Panama is a member of the World Intellectual Property Organization (WIPO), the Geneva Phonograms Convention, the Brussels Satellite Convention, the Universal Copyright Convention, the Bern Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, and the International Convention for the Protection of Plant Varieties. In November 1998, it ratified the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.

Protection of intellectual property rights in Panama has improved significantly over the past several years, but serious concerns remain. Representatives of some U.S. firms allege that Panama provides inadequate copyright and trademark protection. For example, Nintendo of America and associated video game manufacturers petitioned the U.S. Trade Representative (USTR) in 1995 to remove Panama’s benefits under the Generalized System of Preferences (GSP) program. However, in October 1998, USTR dismissed the petition, citing improvement in Panama's IPR regime.

In USTR's "Special 301" April 1998 review of IPR policies and practices, Panama was placed in the "Other Observations" category. It was not listed in any category in the April 1999 review. However, USTR remains concerned about inadequate border measures to combat transshipment of counterfeited goods through Panama and about enforcement deficiencies in the Colon Free Zone (CFZ). In March 1998, an Intellectual Property Department was created in the CFZ. This is viewed as a positive step demonstrating Panama's will to improve enforcement, and the new Department has enjoyed some success, but an expanded effort will be required to address this problem more completely.

In August 1994, the Legislative Assembly passed Law 15 (the Copyright Law) to help modernize copyright protection. A new Industrial Property Law (Law 35) went into force in November 1996. The Government also passed an Anti-Monopoly Law in early 1996 mandating the creation of four commercial courts to hear anti-trust, patent, trademark, and copyright cases exclusively. Two courts and one superior tribunal began to operate in mid-1997, but establishment of the other courts has been delayed. Some U.S. intellectual property owners have experienced significant delays when they have sought infringement remedies in the Panamanian judicial system.

Over the past several years, Panamanian authorities have conducted numerous raids against large video piracy operations, and several cases are pending in the courts. In a series of raids in September 1998, authorities seized more than 5 million pirated compact discs being transshipped through Tocumen International Airport, believed to be the largest seizure ever in Latin America. Over the past year, the CFZ's IPR Department conducted more than 20 raids against CFZ companies accused of trafficking in counterfeit trademarked goods. The operating permits of some CFZ companies have been suspended as a result, but transshipment of such goods remains a serious problem.

Patents: Panama's Industrial Property law provides 20 years of patent protection in place of the former period of 5 to 15 years for foreigners and 5 to 20 years for Panamanians. The law grants patent protection from the date of filing. Pharmaceutical patents are granted for only 15 years, but can be renewed for an additional ten years, if the patent owner licenses a national company (minimum of 30% Panamanian ownership) to exploit the patent. The law also provides for protection of trademarks, simplifying the process of registering trademarks and making them renewable for ten-year periods. The Industrial Property Law provides specific protection for trade secrets.

Copyrights: The National Assembly in 1994 passed a comprehensive copyright bill, based on a World Intellectual Property Organization model. The law modernizes copyright protection in Panama, provides for payment of royalties, facilitates the prosecution of copyright violators, protects computer software, and makes copyright infringement a felony.

Although the Attorney General's Office has taken a vigorous enforcement stance, the Copyright Office has been ineffective, and Panama's judicial system has not provided speedy and effective remedies for private civil litigants under the law. Panama is in the process of

modernizing its copyright registration and patent and trademark registration capabilities. The Government had plans to consolidate copyright, patent, and trademark functions into a single autonomous entity, but is unlikely to do so before a new government takes office September 1. An initiative to create a specialized Prosecutor's Office for IPR has been delayed due to resource constraints.

PERFORMANCE REQUIREMENTS / INCENTIVES

There are no performance requirements such as minimum export percentages or significant local procurement rules. There are special tax and other incentives for manufacturers to locate in an export processing zone (EPZ). Official support for investment and business activity is especially strong for the Colon Free Zone (CFZ), the banking sector, the tourism sector, and EPZs.

Companies in the CFZ pay no taxes. Banks in Panama pay no tax on interest or other income earned outside Panama and withhold no tax on savings or fixed time deposits in Panama. EPZs offer tax-free status and special immigration privileges, and license and customs exemptions to manufacturers who locate there. Law 8 of 1994 offers tax and other incentives to investors in tourist industries.

Tourism incentives laws provide, among other measures, tax exemptions for vehicles and other designated goods imported for use in, or to construct infrastructure for, the tourist sector. Similar incentives exist for the mining sector.

Law 28 of 1995 abolished national industry and export incentives. Nevertheless, contracts which were created prior to Law 28 continue to receive the benefits of the previous incentives. Investors should seek legal and accounting advice to evaluate potential investment incentives.

TRANSPARENCY OF THE REGULATORY SYSTEM

In 1996, the Government's handling of the ports privatization and the concession for a 132 megawatt hydroelectric plant on the Esti River was unorthodox and lacked transparency. In both cases, lack of transparency raised questions of corruption, and some large international firms became soured on doing business in Panama. Also in 1996, the Government of Panama abruptly and inexplicably halted the bid process for a 100 megawatt thermal electric plant. In that case, eight of the ten pre-qualified bidders were American companies.

In December, 1996 the government revoked the cable television operating license of American company Cellular Vision on very thin grounds. The government has failed to re-evaluate the case despite a ruling by the Administrative Attorney General in August 1997, who found that the revocation warranted reconsideration. In April, 1997, a year after American company Unisys was declared the winner in a bid for the supply of about $15 million worth of computer equipment, the government declared the award void. The bid was never restarted.

The contract negotiations to rehabilitate and operate the Panama Canal Railway were delayed and complicated due to a land dispute arising from the ports privatization concession a year earlier. Successful

resolution of the negotiations in January 1998 depended on a $40 million credit to Hutchison Port Holdings, which had received in its ports concession property needed by the railroad.

Since these questionable and less than transparent bids and negotiations, the government has conducted several major sales without incident, including the power distribution and generation facilities and the telecom company.

LABOR

While the Government of Panama has revised its labor code, the code nevertheless remains highly restrictive. Greater flexibility, easier termination of workers, and the elimination of many constraints on productivity-based pay must await a future amendment to the code.

The Panamanian labor force numbers 1,083,500, with about 80% employed in the private sector and 20% in the public sector. Unemployment in 1998 was 13.4%. Minimum wages range from $0.76/hr. to $1.33/hr., depending on the sector and the location.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

Stock market financing is limited due to the small size of the national stock exchange, and the limited liquidity which is therefore available. Bank and non-bank financing is available on market terms to private domestic and foreign investors. Panamanian interest rates closely follow international rates (i.e., the London Interbank Offered Rate - LIBOR), plus a country-risk premium. The rate on a domestic commercial loans was 9.9% in 1998, while the six-month domestic deposit rate was 6.7%.

Traditional bank lending from the well-developed banking sector is relatively efficient and is the most common source of financing. Some private companies -- including foreign multinational corporations -- have issued bonds in the local securities market. Companies rarely issue stock on the local market. When they do, investor demand is limited because there is a 10% withholding tax on dividends, although company earnings on the exchange are tax exempt (fixed bank deposits and certain bonds are tax-exempt).

The private sector has access to a variety of credit instruments. Cross-shareholding or stable shareholder arrangements, designed to restrict foreign investment through mergers and acquisitions, do not exist. There are no restrictions on, or customary measures to prevent, hostile foreign investor takeovers, nor are there regulatory provisions authorizing limitations on foreign participation or control, or other practices to restrict foreign participation. There are no government or private sector rules to prevent foreign participation in industry standards-setting consortia.

A new Banking Law, passed in March 1998 regulates Panama's banking sector. The law, which concentrates regulatory authority in the hands of a powerful and well-financed Superintendent, transforms the previously inadequate regime into one which will be able to meet international standards. Total bank assets in 1998 were $36.6 billion.

CONVERSION AND TRANSFER POLICIES

Panama has no legal restrictions on the transfer abroad of funds associated with, profits deriving from, or capital employed in an investment. Panama uses the U.S. dollar as legal tender. Currency conversion therefore is not an issue. The Government of Panama has repeatedly emphasized its intention to retain the U.S. dollar as the national currency. There is, therefore, no independent monetary policy in Panama. Inflation, bound by the dollar, is low and predictable, thus enhancing the attraction of foreign investment.

EXPROPRIATION AND COMPENSATION

There are no large enterprises at apparent risk of expropriation. There is no de jure discrimination against U.S. or other foreign investors in most areas. There is a constitutional prohibition against foreign land ownership within ten kilometers of the national border or on an island. Neither Panamanian citizens nor foreigners may own beaches or the shores of rivers or lakes. Builders and investors generally rent the land for 20-30 years, via the Ministry of Economy and Finance. The tourism incentives law expands this period for up to 40 years.

DISPUTE SETTLEMENT

Panama has a court and judicial system built around a civil code, rather than the Anglo-American system of reliance upon case law and judicial precedent. Fundamental procedural rights in civil cases are broadly similar to those available in U.S. civil courts, although some notice and discovery rights, particularly in administrative matters, may be less extensive than in the U.S. Judicial pleadings are not always a matter of public record, nor is the process always transparent.

Many U.S. investors lack confidence in the Panamanian judicial system as an objective, independent arbiter in legal or commercial disputes, especially when the case involves powerful local figures with political influence. When disputes with foreign investors arise, as they do from time to time, the investors often choose not to pursue remedies available to them via the court system. The decision by investors to avoid the court system is understandable, given massive case backlogs and the aforementioned political influence in case outcomes.

Panama became a member of the International Center for the Settlement of Investment Disputes (ICSID) in 1996. The United States and Panama are near to signing an amendment to the Bilateral Investment Treaty to incorporate Panama’s membership.

Panama enacted an Investment Stability Law in 1998, which among other things guarantees foreign investors ten years to adjust to changes in the regulatory regime made after the investment. One less attractive feature of the new law is that it calls for foreign investors who take advantage of the law's benefits to waive their rights to enlist the support of their Embassy in case of a dispute. The USG position on this clause is that the USG has a sovereign right to make diplomatic representations in matters of concern to it, a right that cannot be waived by a private investor.

POLITICAL VIOLENCE

Political violence in Panama is rare. National elections in 1994 and 1999, which international and domestic observers agree were clean and fair, show how far Panama has come in re-building its democratic political process. The 1994 election was followed by a calm and coordinated transition, and there is every reason to suppose that the 1999 transition will be just as smooth.

Concentration of wealth, the high unemployment rate (officially 13.4% but much higher in certain urban areas) and illicit drugs have been cited as the chief causes of crime. This is especially true in Panama's second largest city, Colon, where unemployment among young people is close to 50% and lack of housing and extreme poverty is commonplace. Although attempts are being made to reform the criminal justice system, it is overloaded, cumbersome, inefficient and at times inequitable.

Previous acts of violence in Panama include a June 1994 grenade used to bomb the car of a prominent Jewish businessman. No arrests have been made in that case. In July, 1994, a Panamanian domestic commuter aircraft traveling between Colon and Panama City exploded, killing 21 people, including three American citizens. The attack, which killed several well-known members of Panama's Jewish community remains under investigation and the motive is still unknown. The two incidents prompted the government to tighten airport security and to promise increased police vigilance against terrorists and their alleged support networks. Violent protests broke out in December 1998 over the proposed privatization of the state water utility. Three days of protests resulted in several hundred injuries but no deaths.

BILATERAL INVESTMENT AGREEMENTS

Panama has bilateral investment agreements with the United States, the United Kingdom, France, Switzerland, Germany and Taiwan. Panama is not a party to any agreements providing for completely free trade, but does have bilateral preferential trade agreements with Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua, Colombia, Dominican Republic, Mexico, Germany, Bulgaria, Czech Republic, Hungary, Romania, Russia, and Poland. Panama has committed to negotiate a free trade agreement with the Andean Pact and is negotiating agreements with Mexico and Chile.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAM

OPIC currently supports only one U.S. investment in Panama. In previous years, OPIC has supported over 30 projects in Panama. Expansion of OPIC programs would be possible if Panama facilitated approval of OPIC-insured investment and changed a law penalizing businesses that take advantage of OPIC support. The law makes it impossible for investors to use real property as collateral for OPIC loans and insurance. OPIC has no desire to own land in Panama, but it typically collateralizes loans with land, as is standard worldwide.

CAPITAL OUTFLOW POLICY

The U.S. dollar is legal tender in Panama. There are no restrictions on capital outflows.

MAJOR FOREIGN INVESTORS

- Adrian Resources
- AES Corporation
- Alireza Mobil
- American Airlines
- American Hospital Supply Co.
- American Life Insurance Co.
- AOKI Corporation
- AT&T
- Banco Do Brasil
- Banco Exterior, S.A.
- Becton Dickinson & Co.
- Bell South Corp.
- Black and Decker International Corp.
- Braswell Service Group
- Bristol Laboratories International Corp.
- Cable and Wireless (U.K.)
- Challenge Air Cargo
- Chase Manhattan Bank, N.A.
- Cheesebrough Pond's Int. Ltd.
- Chiriqui Land Company (Chiquita)
- Chevron Corp.
- Citibank, N.A.
- Coastal Power
- Coca-Cola Bottling Co.
- Colgate Palmolive (Central America), Inc.
- Constellation Power
- Continental Airlines
- Cyprus Minerals Co.
- Del Monte Corporation
- Dole Foods Co.
- Eastman Kodak Company
- Enron Power
- Environmental System Research Institute
- Exxon Corp.
- Esso Standard Oil, S.A.
- First National Bank of Boston
- Freeport Exploration Co.
- General Mills Inc.
- Georgia Pacific Corp.
- Gillette Co.
- Glidden - Durkee
- Greenstone Resources
- Griffith Laboratories, Inc.
- Grupo Carvajal
- Goldstar Corp.
- GTE
- Hong Kong Shangai Bank
- Hospital Corporation of America
- Hutchison Port Holdings (Hong Kong)
- IBM
- ICA
- International Proteins Corp.

- Jenny Manufacturing, Inc.
- Johnson and Johnson
- Kansas City Southern Industries
- Kendall Company
- Ketchum Public Relations
- Kimberly-Clark International, S.A.
- Kraft Foods, Inc.
- Lanier Worldwide, Inc.
- Lykes Line
- Marine Midland Bank
- McDonald's Corporation
- Merrill Lynch, Pierce, Fenner & Smith Int'l
- Mi-Jack Products
- Minnesota, Mining & Manufacturing
- Nabisco Brands Inc.
- Nestle Company
- Northville Industries Corp.
- Otis Elevator Company
- Chas. Pfizer & Company, Inc.
- Panasonic Latin America
- Phelps Dodge Corp.
- Phillip Morris, Inc.
- PYCSA, S.A.
- Revlon Inc.
- Rubbermaid Inc.
- Samsung Electronics
- Schering Corp. International
- Seaboard Marine Ltd.
- Sears, Roebuck & Co.
- Sherwin Williams
- Shell Co. (WI) Ltd.
- Sony Corporation
- Sterling Drugs International
- Stevedoring Services of America
- Swift and Company
- Swiss Bank Corp.
- Syntex Corporation
- Technoserve Inc.
- Texaco Inc.
- TRT Telecommunications Corp.
- Twentieth Century Fox
- Union Fenosa, S.A.
- United Brands
- United Parcel Service
- UNYSIS USA
- Warner Lambert Co.
- Xerox Corp.

VIII. TRADE AND PROJECT FINANCING

BANKING AND FINANCING

Panama's banking sector is one of the most dynamic areas of the economy. A new banking law enacted in March 1998, modernized the banking system and increased government supervision. Under the new law, the system will meet Basle Accord standards and Bank financial statements must comply with international standards and be audited by

internationally recognized auditors. Panama's 94 banks (Dec 1998) had total deposits of $26.8 billion, and reported $36.6 billion in total assets, a 1 percent increase from 1997. In 1998, approximately 11 percent of the total credit portfolio represented loans to the public sector. Loans to the private sector in Panama reached $ 8.7 billion, or 89 percent of total credit. Sectors obtaining significant shares of the loans are: trade and commerce (35%), mortgages (24%), and consumer banking (16%).

Panama opened its banking sector to foreign competition in 1971 under legislation which placed high priority on banker-depositor confidentiality. This has heightened the risk that the banking system can be exploited by money launderers. New banking legislation established three classes of operations. General license banks operate full service banks in Panama and compete for domestic deposits and loans (57 banks). International License or "Offshore" banks, can only accept deposits from persons or organizations located overseas (26 banks). Representative Offices can only perform representational activities (12 banks). There are also two state-owned deposit-taking institutions. Foreign and Panamanian banks compete on equal terms. Banks are organized into two groups, the Panamanian Banking Association (ABP) and the Association of Panamanian Banks (APB). Banks are licensed and regulated by the Banking Supervisory Authority (Superintendencia de Bancos).
Panama’s banking system does not have a deposit insurance scheme.

FOREIGN EXCHANGE CONTROLS

There are no foreign exchange controls. The U.S. dollar is the national currency. There are no restrictions on capital flows in or out of the country.

GENERAL FINANCING AVAILABILITY

In mid-1999 the banking sector had a high level of liquidity. Private financing is readily available. The Government of Panama does not maintain statistics on the sources or level of privately-financed investment or trade and is not itself an important lender.

HOW TO FINANCE EXPORTS/METHODS OF PAYMENT

A number of local banks provide trade financing. Additionally, the Latin American Export Bank (BLADEX) provides trade financing through the local banking system. Because Panama is an international banking center, there are a number of financing options for Panamanian exporters and importers.

TYPES OF AVAILABLE EXPORT FINANCING AND INSURANCE

The Overseas Private Investment Corporation (OPIC), the U.S. Export-Import Bank (EXIM), the International Finance Corporation(IFC) of the World Bank, and the Inter-American Development Bank (IDB) have projects in Panama. Barriers to OPIC programs exist in Panama which have significantly reduced OPIC activity. These include Article 285 of the Panamanian Constitution and Law 14 of 1962. These laws restrict investors’ ability to pledge land to obtain financing and OPIC's ability to enforce real estate liens in the event of default. Additionally, Panamanian Government approval of individual OPIC

projects has been difficult to obtain. The Panamanian Government is aware of these problems and is considering remedies. Currently there are no projects in Panama large enough to require multi-institutional "bundling" arrangements. The Commodity Credit Corporation's (CCC) GSM Credit Guarantee program in Panama for fiscal year 1998 totaled $42.3 million for exports of U.S. rice, feedgrains, protein meals, wheat, solid wood products and barley malt. Credit from any bank in Panama approved by CCC will be guaranteed. Significant lines of commodity credit guarantees were still available at the time of this writing.

AVAILABILITY OF PROJECT FINANCING

The EximBank has participated in the financing of a number of Government purchases, including a Westinghouse aviation radar system and a helicopter. It is currently providing financing in excess of $121 million in insurance and guarantees (short, medium and long-term) in a number of sectors. The Inter-American Development Bank has financed several studies and projects, including a Nathan Associates study for the Panamanian Government of the development strategy for the U.S. military facilities reverting to Panamanian control under the Panama Canal Treaties. The World Bank (IBRD) has a number of small social-sector-oriented projects, and recently cofinanced with IDB and the Government of Panama a $406 million road construction and rehabilitation project. Panama has held discussions with IBRD about membership in the World Bank's Multilateral Investment Guarantee Agency, but has not yet applied to join. The Perez Balladares government has pursued financing from International Financial Institutions for a number of new infrastructure and social sector investment projects (see also Section II, Infrastructure Situation). Major changes in policy are not expected from the incoming Moscoso government.

LIST OF PANAMANIAN BANKS WITH CORRESPONDENT U.S. BANKS

Banco Comercial de Panama, S.A. (BANCOMER)
P.O. Box 7659
Panama 5, Republic of Panama
Tel: (507) 263-6800
Fax: (507) 263-8033
General Manager: Emmanuel Gonzalez-Revilla

U.S. Correspondents:
Citibank N.A., New York
The Bank of New York, New York
The Chase Manhattan Bank, N.A., New York
Marine Midland Bank, N.A., New York
Barnett Bank of South Florida, N.A., Miami

Banco Continental de Panama, S.A.
P.O. Box 135
Panama, 9A, Republic of Panama
Tel: (507) 263-5955
Fax: (507) 264-3359
General Manager: Paul Smith

U.S. Correspondents:
Chemical Bank, New York

Citibank, New York and Miami
Credit Suisse, Miami
Nations Bank, Miami
Standard Chartered Bank PLC, Miami

Banco de Latinoamerica, S.A. (BANCOLAT)
P.O. Box 4401
Panama 5, Republic of Panama
Tel: (507) 264-0466
Fax: (507) 263-7368
General Manager: Rafael Arias

U.S. Correspondents:
Banco Atlantico, New York
The Chase Manhattan Bank, New York
Extebank, New York
AmTrade Bank International, Miami
Barclays Bank PLC, Miami
Capital Bank N.A., Miami
Hamilton Bank N.A., Miami
The International Bank of Miami, Miami
Republic National Bank of Miami, Miami
Popular Bank of Florida, Miami

Banco del Istmo, S.A.
P.O. Box 6-3823, El Dorado
Panama, Republic of Panama
Tel: (507) 270-0015
Fax: (507) 270-0861
General Manager: J. Montague Belanger

U.S. Correspondents:
Capital Bank, Miami
Nations Bank, Miami
Standard Chartered Bank, Miami
Banco Atlantico, Miami
Barclays Bank PLC, Miami
The Chase Manhattan Bank N.A., New York
Brown Brothers Hamman & Co., New York

Banco del Pacifico, S.A.
P.O. Box 6-3100, El Dorado
Panama, Republic of Panama
Tel: (507) 263-5833
Fax: (507) 263-7481
Operations Manager: Jose Chung

U.S. Correspondent:
First Chicago International Bank, New York

Banco Disa, S.A.
P.O. Box 7201
Panama 1, Republic of Panama
Tel: (507) 263-5933
Fax: (507) 264-1084
http://www.bdisa.com
Manager: Rafael Endara J.

U.S. Correspondents:
The Chase Manhattan Bank N.A., New York and Miami
Marine Midland Bank, New York
Nations Bank International, New York
Dadeland Bank, Miami
National Westminister USA International, Miami

Banco General, S.A.
P.O. Box 4592
Panama 5, Republic of Panama
Tel: (507) 265-0303
Fax: (507) 265-0210
http://www.banco-general.com
General Manager: Raul Aleman Z.

U.S. Correspondents:
Citibank N.A., New York
The Chase Manhattan Bank N.A., New York
Marine Midland Bank, New York
Bank of America N.T. & S.A., San Francisco
Nations Bank, Atlanta
Dadeland National Bank, Miami
First Union Bank, Miami

Banco Internacional de Costa Rica, S.A. (BICSA)
P.O. Box 600
Panama 1, Republic of Panama
Tel: (507) 263-6822
Fax: (507) 263-6393
General Manager: Jose Francisco Ulate

U.S. Correspondents:
Citibank N.A., New York
BankAmerica International, New York
Banco Atlantico, New York
The Bank of New York, New York

Banco Internacional de Panama, S.A. (BIPAN)
P.O. Box 11181
Panama 6, Republic of Panama
Tel: (507) 263-9000
Fax: (507) 263-9514
General Manager: Rene A. Diaz A.

U.S. Correspondents:
Nations Bank International, Miami
Barclays Bank, Miami
Banco Internacional de Costa Rica, Miami

Banco Latinoamericano de Exportaciones, S.A. (BLADEX)
P.O. Box 6-1497, El Dorado
Panama, Republic of Panama
Tel: (507) 263-6766
Fax: (507) 269-6333
Chief Executive Officer: Jose Castaneda

U.S. Correspondents:
The Chase Manhattan Bank N.A., New York
Citibank N.A., New York
Credit Lyonnais, New York
Swiss Bank Corporation, New York
Barclays Bank PLC, Miami

Banco Panamericano, S.A. (PANABANK)
P.O. Box 1828
Panama 1, Panama
Tel: (507) 263-9266
Fax: (507) 269-1537
E-mail: panabank@sinfo.net
General Manager: Guido Martinelli

U.S. Correspondents:
American Express Bank, New York
Marine Midland Bank, New York
Hong Kong and Shanghai Bank, New York
Popular Bank of Florida, Miami
Hamilton Bank N.A., Miami
Barclays Bank PLC, Miami
Nations Bank International, Miami

Note: This list is intended to be representative and not complete. Further detailed information on these banks and other banks in Panama can be located in the Polk Register or by contacting the Asociacion Bancaria de Panama (Panamanian Bank Association), P.O. Box 4554, Panama 5, Republic of Panama; Tel: (507) 263-7044, Fax: (507) 223-7630 or 263-7783. (Refer to Appendix E for the three U.S. Banks with full operations in Panama).

IX. BUSINESS TRAVEL

Foreign visitors should use the same precautions while traveling in Panama as in any metropolitan U.S. city.

BUSINESS CUSTOMS

Business practices and customs in Panama are a unique blend of North American methods and traditional Latin style. Foreign corporations operating in Panama are important in shaping the style and manner of doing business.

Most private business offices are open from 8:00 a.m. until 5:00 p.m., Monday through Friday, and Saturdays from 8:00 a.m. to 12 noon. Banks are open from 8:00 a.m. to 3:00 p.m., Monday through Friday. Most local banks open Saturdays from 9:00 A.M. to 12:00 Noon. Government offices are open from 8:30 a.m. to 4:30 p.m., Monday through Friday.

TRAVEL ADVISORY AND VISAS

U.S. Citizens are subject to Panamanian law when visiting Panama and penalties for possession, use and trafficking in illegal drugs are severe.

In 1987, the State Department's Bureau of Consular Affairs established the Consular Affairs Bulletin Board (CABB), as a means to keep the international business community informed about security and crime problems abroad. Access to the CABB is free of charge to anyone with a computer and a modem. Callers dial 202-647-9225 from their modem. Consular Affairs and the Bureau of Diplomatic Security update the CABB daily.

The Travel Advisory Service of the Department of State provides foreign travel information and, when appropriate, warnings. Phone: (202)647-5225 or Fax: (202)647-3000.

U.S. citizens may enter Panama with a passport or a certified copy of a U.S. birth certificate and an official picture I.D., (e.g. driver's license) and a Tourist Card purchased for $ 5.00 from an airline serving Panama. The Tourist Card is valid for 30 days and may be extended for two more 30-day periods. The following are three types of Visas available to businesspersons wishing to spend extended periods of time in Panama:

1. **Inversionista (Investor):** A minimum of $ 100,000 must be invested and $ 600 must be deposited in advance ($ 500 with the Ministry of Government and Justice and $ 100 with the Ministry of Economy and Finance).
2. **Visa de Visitante Temporal (Temporary Visitor's Visa):** For executives or technicians working with a company in Panama for a limited time. The Visa is valid for one year and is renewable.
3. **Temporal Especial (Working Permit):** For professional or skilled personnel transferred from an overseas office to work in Panama temporarily. The applicant must prove his earnings will come from outside of Panama. The Visa is valid three to six months.

Further information can be obtained from the Consular Section of the U.S. Embassy in Panama, Unit 0945, APO AA 34002, Tel: (507) 227-6988, Fax: (507) 227-0239.

HOLIDAYS

All private, government, municipal and U.S. Embassy offices are closed during local holidays, . In addition the U.S. Mission observes all U.S. holidays.

The national holidays for 2000 are:

January	1	New Year's Day
January	9	Mourning Day
March	7	Carnival
April	21	Good Friday
May	1	Labor Day
November	3	Independence Day from Colombia
November	4	Flag Day
November	10	The Uprising of Los Santos
November	28	Independence Day from Spain
December	8	Mother's Day
December	25	Christmas Day

There are a large number of Jewish owned businesses, which observe Jewish holidays.

BUSINESS INFRASTRUCTURE

Panama's official language is Spanish. However, English is widely spoken as a second language in the main cities. Panama has excellent local and international telephone services. Direct dialing is available to more than 150 countries worldwide. There are 170 radio stations and 5 television stations in Panama. Office sapce both permanent and temporary is readily available.

Health conditions in Panama are good, especially in the urban centers. Running water is available in almost all parts of the country and is usually potable. Use of bottled water or boiling before use is necessary only in some rural areas and small towns in the provinces.

There are several international level hotels. Facilities usually include swimming pools, tennis courts, fitness centers, clothing and souvenir shops, casinos, restaurants, coffee shops and bars. Furnished apartments are available for longer stays. A wide variety of restaurants offer international cuisine, including Chinese, Italian, Mexican, Indian, Spanish and Japanese. Several specialize in seafood. All large hotels offer American, European, and local cuisine. There are some hotel coffee shops that are open around the clock.

Transportation from the International Airport into Panama City is by a special taxi service, and the price ranges from $ 12 per trip for small taxis to $ 20 for large taxis. There is no bus service, however, taxis may be shared with other passengers. Car rentals are also available.

Buses and Taxis are readily available in urban areas. Taxi fares are low and usually range from one to five dollars depending on the trip's length.

The official currency of Panama is the Balboa (symbol B/.) which is the same as the U.S. Dollar. The Balboa exists only in coin form of the same denomination and size as U.S. coins. Both U.S. paper currency and coins are legal tender and circulate freely.

The U.S. system of weights and measures and the metric system are both used in Panama. Speed limits are posted in kilometers per hour.

"Guides for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; tel. (202) 512-1800; fax. (202) 512-2250. Business travelers to Panama seeking appointments with U.S. Embassy Panama officials should contact the Commercial Section in advance. The Commercial Section can be reached by tel. (507) 227-1777 Ext. 2225 or by fax at (507) 227-1713".

X. ECONOMIC AND TRADE STATISTICS

APPENDIX A: COUNTRY DATA - PANAMA

Population:	2.81 Million
Population Growth Rate:	1.8%
Religion:	82% Roman Catholic, 10% Evangelical (complete religious freedom)
Government:	Constitutional Democracy
Language:	Spanish, English widely spoken.
Work Week:	Monday - Friday

APPENDIX B: DOMESTIC ECONOMY
(millions of U.S. Dollars, except as noted)

	1996	**1997**	**1998 (estim)**	**1999 (proj)**
GDP (Current Prices)	8,253	8,700	9,217	9,540
GDP (1982 dollars)	6,348	6,670	6,933	7,176
Real GDP Growth Rate	2.4%	4.7%	3.9%	3.5%
GDP Per Capita (Current Prices)	3,086	3,198	3,329	3,457
GDP Per Capita (1982 dollars)	2,374	2,431	2,502	2,554
Central Goverment Spending (as a % of GDP)	24.0%	29.2%	29.7%	26.0%
Inflation (CPI)(%)	1.3%	1.2%	0.6%	1.0%
Unemployment (%)	14.3%	13.4%	13.4%	13.7
Foreign Exchange Reserves(1)	866.5	1,082	1,267	1,350
Average Exchange Rate Balboas to U.S. Dollars	1.00	1.00	1.00	1.00
U.S. Economic Assistance	6.4	6.1	6.2	8.8
U.S. Military Assistance	0.0	0.0	0.0	0.0
Debt Service Ratio(2)	18.2%	12.2%	7.5%	N/A

Sources: Government of Panama, U.S. Embassy estimates.

(1) Corresponds to foreign assets of the National Bank of Panama

(2) Ratio of principal and interest payments on foreign debt to foreign income (export earnings including CFZ)

APPENDIX C: TRADE
(millions of U.S. Dollars, except as noted)

	1996	**1997**	**1998** (estim)	**1999** (proj)
Total Country Exports	569	648	705	745
Total Country Imports	2,548	2,992	3,320	3,550
U.S. Share of Panama Imports	54%	51%	53%	51%
U.S. Share of Panama Exports	61%	57%	44%	55%

Sources: Ministry of Economy and Finance, U.S. International Trade Commission, Embassy Projections.

The figures above do not include trade with the Colon Free Zone (CFZ). The United States exported $602 million in goods to the CFZ in 1998, down 15.8% from $715 million in 1997. U.S. exports in 1998 accounted for 11.5% of total CFZ imports. The U.S. imported $326 million in goods from the CFZ in 1998, up 12.8% from $289 million in in 1997. U.S. imports in 1998 accounted for 5.4% of the total CFZ re-exports. Large importers from the CFZ include Brazil, Colombia, Cuba, Ecuador, Panama, and Venezuela.

APPENDIX D: INVESTMENTS STATISTICS

FOREIGN DIRECT INVESTMENT IN PANAMA /1
1994-1998
(IN US$ MILLIONS AND AS PERCENT OF GDP)

Year	Stock	GDP	Stock/GDP
1994	621	7,734	8.0%
1995	698	7,906	8.8%
1996	738	8,253	8.9%
1997	2,000	8,717	23.0%
1998	3,758	9,217	40.7%

FOREIGN INVESTMENT IN PANAMA /1
BY COUNTRY OF ORIGIN 1998

	US$ Millions	Percent of total
United States	1,500	40%
United Kingdom	880	23%
Mexico	700	19%
Taiwan	300	8%
Others	378	10%
Total	3,758	100%

FOREIGN DIRECT INVESTMENT /1
BY SECTOR 1998

	US$ Millions	Percent of Total
Transport, Storage	1,290	33%
Services, Communication	1,150	31%
Manufacturing	400	11%
Finance, Real Estate	400	11%
Others	518	14%
Total	3,758	100%

/1 Embassy estimates.

The GoP has not published recent information on foreign direct investment either total stock or by country of origin. The above figures were developed in consultation with private sector economists and are the Embassy's best estimate of a dynamic investment situation.

XI. U.S. AND COUNTRY CONTACT

APPENDIX E: U.S. AND COUNTRY CONTACTS - PANAMA

U.S. EMBASSY CONTACT

The Commercial Service
U.S. Department of Commerce
Tel: (507) 227-1777
Fax: (507) 227-1713
http:\\www.ita.doc.gov
E-mail: OfficePanama@mail.doc.gov

Commercial Attache, Richard Benson;
E-mail: Richard.Benson@mail.doc.gov
Senior Trade Specialist: J.Enrique Tellez;
E-mail: Enrique.Tellez@mail.doc.gov
Commercial Assistant, Jilma A. De Robles;
E-mail: Jilma.deRobles@mail.doc.gov
Commercial Secretary, Diana Lozano;
E-mail: Diana.Lozano@mail.doc.gov
Commercial Clerk, Jeane A. De Zuñiga
E-mail: Jeane.Zuniga@mail.doc.gov

Economic Unit, U.S. Department of State
Chief, Economic/Political Section, Lewis Amselem
Tel: (507) 227-1777
Fax: (507) 227-1964

Foreign Agricultural Service,
U.S. Department of Agriculture
Agricultural Specialist, Hugo Salazar;
Secretary, Maria Victoria Guardia
Tel: (507) 227-1777
Fax: (507) 225-4209

Embassy Mailing Address in the U.S.:
Unit 0945
APO AA 34002
Tel: (507) 227-1777
Fax: (507) 227-1964

WASHINGTON-BASED USG COUNTRY CONTACTS

U.S. Department of Commerce,
International Economic Policy
Panama Desk Officer, Matt Gaisford
14th & Constitution Ave.
Washington, D.C. 20230
Tel: (202) 482-4464
Fax: (202) 482-4157

U.S. Department of State
Desk Officer, Jim Benson
ARA (Inter American Affairs)/CEN-PAN
2201 C St. NW
Washington, DC 20520
Tel: (202) 647-4986
Fax: (202) 647-2901

U.S. Department of the Treasury
Desk Officer, Rachel Barrell
Office of Latin America & Caribbean
1500 Pennsylvania Ave. NW
Washington, D.C. 20220
Tel: (202) 622-1266
Fax: (202) 622-1273

U.S. Department of Commerce,
Liaison Office to the Inter-American Development Bank
Director, Eric Weaver
1250 H Street, NW, 10th Floor
Washington, D.C. 20005
Tel: (202) 623-3821
Fax: (202) 623-2039

U.S. Department of Commerce,
Liaison Office to the International Bank
for Reconstruction and Development

U.S. Executive Director's Office
1818 H St., NW, Room D-13004
Washington, D.C. 20433
Tel: (202) 458-0118
Fax: (202) 477-2967

U.S. Department of Commerce,
Office of Multilateral Development Banks
Director, Janet Thomas
Ronald Reagan Building
MS/MDBO
Washington, D.C. 20230
Tel: (202) 482-3399
Fax: (202) 273-0927

U.S. Department of Agriculture,
Foreign Agricultural Service
Trade Policy, Marsha Moke
12th and Jefferson Drive, SW
Washington, DC 20250
Tel: (202) 720-6010
Fax: (202) 690-2079

Overseas Private Investment Corporation
1100 New York Avenue, N.W.
Washington, DC 20527
Finance Officer, Adrien Seaton
Tel: (202) 336-8472, Fax: (202) 408-9866

Export-Import Bank of the U.S.
811 Vermont Avenue, NW
Washington, DC 20571
Business Development, Veronique Cavallier
Tel: (202) 565-3921 X3916
Fax: (202) 565-3931
http:// www.exim.gov

U.S. Trade and Development Agency
Country Manager,Latin America & Caribbean, Gabriela Rigg
1621 N. Kent St., Suite 300
Arlington, VA 2209-2131
Tel: (703) 875-4357
Fax: (703) 875-4009

Office of U.S. Trade Representative
Associate USTR for Western Hemisphere, Peter Allgeier,
Director for Caribbean Basin Affairs, Jim Roberts
Office of the U.S. Trade Representative
600 17th Street, NW
Washington, D.C. 20506
Tel: (202) 395-5190
Fax: (202) 395-3911

U.S. - BASED MULTIPLIER ORGANIZATIONS RELEVANT FOR COUNTRY

Embassy of Panama
2862 McGill Terrace NW

Washington, DC 20008
Tel: (202) 483-1407
Fax: (202) 483-8413

MINISTRIES AND GOVERNMENT OWNED AGENCIES IN PANAMA

Ministerio de Comercio e Industrias,
(Ministry of Commerce and Industry)
P.O. Box 9658
Panama 4, Republic of Panama
Tel: (507) 227-4222
Fax: (507) 227-4134
E-mail: Uti@mici.gob.pa
Http: www.mici.gob.pa

Ministerio de Comercio e Industrias,
Direccion General de Registro de la Propiedad Industrial,
(Industrial Property Registry Administration)
Director General, Luz Celeste R. de Davis
P.O. Box 9658
Panama 4, Republic of Panama
Tel: (507) 227-3987
Fax: (507) 227-2139

Vice Ministerio de Comercio Exterior
P.O. Box 6-1897
Panama 6, Republic of Panama
Tel: (507) 236-0550/0347
Fax: (507) 236-0495
E-mail: secomex@mici.gob.pa

Ministerio de Desarrollo Agropecuario,
(Ministry of Agricultural Development)
P.O. Box 5390
Panama 5, Republic of Panama
Tel: (507) 232-5043
Fax: (507) 232-5044

Ministerio de Economia y Finanzas
P.O. Box 7304
Panama 5, Republic of Panama
Tel: (507) 227-4998
Fax: (507) 227-2357
http://www.mhyt.gob.pa/
E-mail: mhyt@mhyt.gob.pa

Direccion Nacional de Aduanas,
(Customs Service)
P.O. Box 1671 Balboa, Ancon
Panama, Republic of Panama
Tel: (507) 232-5355
Fax: (507) 232-6494
http://www.mhyt.gob.pa

Ministerio de Salud, (Ministry of Health)
P.O. Box 2048
Panama 1, Republic of Panama

Tel: (507) 262-3511/3510
Fax: (507) 262-5597
Http://www.min-salud.gob.pa

Ministerio de Obras Publicas,
(Ministry of Public Works)
P.O. Box 1632
Panama 1, Republic of Panama
Tel: (507) 232-5572
Fax: (507) 232-5776
http://www.mop.gob.pa/
E-mail: infomop@sinfo.net

Autoridad de la Region Interoceanica (ARI),
(Interoceanic Regional Authority)
Administrator, Nicolas Ardito Barletta
P.O. Box 2097, Balboa
Panama, Republic of Panama
Tel: (507) 228-8044
Fax: (507) 228-8988
http://www.ari-panama.com
E-mail: ari@sinfo.net

Autoridad Marítima Nacional,
(National Maritime Authority)
Administrator, Ing. Ruben Reyna
P.O. Box 8062
Panama 7, Rep. of Panama
Tel: (507) 232-5553/5528
Fax: (507) 232-5527

Administracion de la Zona Libre de Colon,
(Colon Free Zone Administration)
P.O. Box 1118
Colon, Republic of Panama
Tel: (507) 445-5794/5114
Fax: (507) 445-2165
http://www.zonalibre.com
E-mail: david@zolicol.org

Direccion de Aeronautica Civil (DAC),
(National Aeronautics Authority)
P.O. Box 7615
Panama 5, Republic of Panama
Tel: (507) 315-0210/0212
Fax: (507) 315-0214
E-mail: fabrega@pan.gbm.net

Instituto Panameno de Turismo (IPAT),
(Tourism Institute of Panama)
P.O. Box 4421
Panama 5, Republic of Panama
Tel: (507) 226-7414 or 226-3751
Fax: (507) 226-3483
http://www.ipat.gob.pa
E-mail: webmaster@ipat.gob.pa

Instituto de Acueductos y Alcantarillados Nacionales (IDAAN),
(National Water Works Company)
P.O. Box 5234
Panama 5, Republic of Panama
Tel: (507) 223-8640
Fax: (507) 264-0034

Inter-American Development Bank,
(In-country office)
Representative, John Hastings
Apartado Postal 7297
Panama 5, Rep. of Panama
Tel: (507) 263-6944
Fax: (507) 263-6183
http://www.iadr.org

TRADE ASSOCIATIONS

American Chamber of Commerce and Industry
Executive Director - Gina Latoni
P.O. Box 168, Balboa
Panama, Republic of Panama
Tel: (507) 269-3881
Fax: (507) 223-3508
http://www.panamcham.com
E-mail: amcham@sinfo.net

Asociacion de Distribuidores de Automoviles de Panama (ADAP),
(Automobile Distributors Association)
Executive Director - Simon de la Rosa
P.O. Box 476
Panama 9A, Republic of Panama
Tel: (507) 261-1264
Fax: (507) 261-0906
E-mail: analmo@sinfo.net

Asociacion de Usuarios de la Zona Libre de Colon,
(Colon Free Zone Users Association)
Executive Director - Galo Pinto de la Ossa
P.O. Box 3118, Zona Libre de Colon
Colon, Republic of Panama
Tel: (507) 441-4244
Fax: (507) 441-4347
E-mail: au@sinfo.net

Asociacion Panamena de Exportadores (APEX),
(Exporters Association)
Executive Director - Daniel Vega
P.O. Box 6-6527
Panama 6, Republic of Panama
Tel: (507) 230-0284 or 230-0169
Fax: (507) 230-0805
E-mail: sip@sinfo.net

Camara de Comercio, Industrias y Agricultura de Panama,
(Chamber of Commerce, Industry and Agriculture of Panama)
Executive Director - Jose Ramon Varela

P.O. Box 74
Panama 1, Republic of Panama
Tel: (507) 227-1285 or 227-1445
Fax: (507) 227-4186 or 225-3653
http://www.panacamara.com
E-mail: cciap@panama.phoenix.net

Camara Panamena de la Construccion (CAPAC),
(Construction Chamber)
Executive Director - Eduardo Rodriguez
Apartado 6793
Panama 5, Republic of Panama
Tel: (507) 264-2255
Fax: (507) 264-2384
E-mail: capac@pty.com

Sindicato de Industriales de Panama (SIP),
(Industrialists Association of Panama)
Executive Director - Daniel Vega
P.O. Box 6-4798
Panama 6, Republic of Panama
Tel: (507) 230-0284 or 230-0169
Fax: (507) 230-0805
E-mail: sip@sinfo.net

COUNTRY COMMERCIAL BANKS

Superintendencia de Bancos
(Banking Superintendency)
Superintendent - Ing. Mario Lewis Romero
P.O. Box 0832-2397 WTC
Panama, Rep. of Panama
Tel. (507) 206-7800
Fax. (507) 264-9467
E-mail: superintendencia@superbancos.gob.pa
Http: www.superbancos.gob.pa

Asociacion Bancaria de Panama,
(Banking Association of Panama)
Executive Director, Mario de Diego
P.O. Box 4554
Panama 5, Republic of Panama
Tel: (507) 263-7044
Fax: (507) 263-7783
E-mail: abp@orbi.net

Banco del Istmo
General Manager, L.J. Montague Belanger
P.O. Box 6-3823, El Dorado
Panama 6A, Republic of Panama
Tel: (507) 270-0015
Fax: (507) 270-0861
Http://www.banistmo.com
E-mail: www@banistmo.com

Banco General
General Manager, Raul Aleman

P.O. Box 4592
Panama 5, Republic of Panama
Tel: (507) 265-0303
Fax: (507) 265-0206
http://www.banco-general.com

Banco Comercial de Panama
General Manager, Emmanuel Gonzalez Revilla
P.O. Box 7659
Panama 5, Republic of Panama
Tel: (507) 263-6800 or 263-4433
Fax: (507) 263-8033

Banco Nacional de Panama
General Manager, Eduardo C. Urriola
P.O. Box 5220
Panama 5, Republic of Panama
Tel: (507) 269-2966/269-2966
Fax: (507) 264-7155

The Chase Manhattan Bank, N.A.
General Manager, Olegario Barrelier
P.O. Box 9A-76
Panama 9A, Republic of Panama
Tel: (507) 263-5855 or 263-5877
Fax: (507) 263-6009

Citibank, N.A.
General Manager, Julio Bonifacino
P.O. Box 555
Panama 9A, Republic of Panama
Tel: (507) 236-4044
Fax: (507) 236-1025

PRIBANCO, Primer Banco de Ahorros
General Manager, Robert J. Boyd III
P.O. Box 7322
Panama 5, Republic of Panama
Tel: (507) 265-3444
Fax: (507) 265-3838

The First National Bank of Boston
General Manager, Luis Navarro
P.O. Box 5368
Panama 5, Republic of Panama
Tel: (507) 264-2244 or 64-2146
Fax: (507) 223-4089

COUNTRY MARKET RESEARCH FIRMS

Ditcher & Neira - Marketing Consultant
Director General, Leopoldo Neira
P.O. Box 6-7373, El Dorado
Panama, Republic of Panama
Tel: (507) 264-3466
Fax: (507) 223-1174
E-mail: d&n@pananet.com

Jaime Porcell & Asociados
President, Jaime A. Porcell
P.O. Box 4760
Panama 5, Rep. of Panama
Tel: (507) 226-0438/0452
Fax: (507) 226-7390

Grupo Ariston
Maria Nela Galvez, General Manager
P.O. Box 944
Panama 9A, Republic of Panama
Tel: (507) 226-1276
Fax: (507) 226-5275
E-mail: mthalass@pan.gbm.net

XII. MARKET RESEARCH AND TRADE EVENTS

APPENDIX F: MARKET RESEARCH: PANAMA

Non-Agricultural Market Research

FY-1999

Industry Sector Analyses (ISA)

- Financial Services
- Medical Equipment
- Telecommunications equipment
- Automotive parts and services equipment
- Hotel & Restaurant Equipment

International Market Insight (IMI)

- Privatization of four Power Generation Companies
- Electric sector privatization
- Major Infrastructure/Environmental projects
- Contact information for the Electric sector
- Panama Engineering Projects
- Strategic center for food exports
- Privatization of the Tocumen Airport
- Export Processing Zones in Panama
- Trade Shows in Panama
- Billboard use and regulations
- Commercial and Investments opportunities in the electric sector in Central America
- Prequalified companies for selling power in Panama
- New law for protecting investment in Panama

Agricultural Market Research: None

NOTE: A complete list of market research reports is available from the National Trade Data Bank (NTDB).

APPENDIX G: Trade Events Schedule - Panama

EXPOMEDICA 99 (Medical Show)

Manufacturers, Distributors, agents of medical equipment, supplies, pharmaceutical products, veterinary products, interior decoration, hospital and health services. There are medical seminars and conferences during the show.
October 7-10, 1999, Panama City, Panama
Camara de Comercio, Industrias y Agricultura de Panama (Panamanian Chamber of Commerce, Industry and Agriculture of Panama), Expocomer
P.O. Box 74
Panama 1, Republic of Panama
Phone: 507-227-0033 or 507-227-0034
Fax: 507-227-0115
E-mail: expomed@expocomer.com
Web site: www.expocomer.com/expomedica
Contacts: Roberto Appleby, Executive Director
Roberto Zuniga, Sales Executive

OFICINA 99 (Computer and Office Equipment Show)
Manufacturers, distributors, agents of computer, office and telecommunications equipment. Also, office equipment accessories and supplies, office furniture, computer magazines, computer software, video games, etc
September 30-October 3, 1999, Panama City, Panama
Medis S.A.
P.O. Box 1924
Panama 9A, Republic of Panama
Phone: 507-226-9518
Fax: 507-226-3863
E-mail: Oficina@sinfo.net
Web site: www.sinfo.net/oficina
Contacts: Franklin Martinez, Executive Director

AUTOMOTIVE AFTERMARKET WEEK '99
U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies intersted in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Automotive parts and service equipement.
November 2-5, 1999, Las Vegas, Nevada
William T Glasgow, Inc.
16066 South Park Avenue
South Holland, IL 60473-1500
Tel. (708) 333-9292
Fax. (708) 333-4086
E-mail: Judynovakl@aol.com
Contact: Judy Novak, Vice President

COMDEX FALL
U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Computers/Peripherals.
November 15-19, 1999, Las Vegas, Nevada
ZD Events, Inc.
300 First Avenue

Needham, MA 02194
Tel. (781) 433-1823
Fax. (781) 7722
E-mail: SonnySaslaw@zd.com
Contact: Sonny Saslaw, Director

THE SUPER SHOW/2000
U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Apparel
February 14-17, Las Vegas, NV
Magic International
6200 Canoga Ave.
Suite 303
Woodland Hills, CA 91367
Tel. (818) 593-5003
Fax. (818)593-5020
E-mail: Magiconline.com
Contact: Julie Green

EXPOCOMER 2000 (Multisector Show)
This is Panama's premiere international trade shows. Expocomer is a horizontal trade show covering a number of sectors such as consumer goods, toys, food and beverage, clothing, hardware products, interior decoration, computers, telecommunications, sporting goods, services, medical products, etc.
March 15-20, 2000, Panama City, Panama
Organizer: Camara de Comercio, Industrias y Agricultura de Panama (Panamanian Chamber of Commerce, Industry and Agriculture of Panama), Expocomer
P.O. Box 74
Panama 1, Republic of Panama
Phone: 507-227-0033 or 507-227-0034
Fax: 507-227-0115
E-mail: expo@expocomer.com
Web site: www.expocomer.com
Contacts: Roberto Appleby, Executive Director

DAVID INTERNATIONAL TRADE FAIR 2000 (Agricultural and Multisector Fair)
This an annual agricultural trade fair and exhibition which exhibits handicrafts from the Central American region, agricultural and miscellaneous goods. It is organize by the Patronato de la Feria de David, David, Chiriqui, Panama.
March 16-26, 2000, David, Chiriqui
Organizer: Patronato de la Feria de David
P.O. Box 206, David
Chiriqui, Rep. of Panama
Tel. (507) 775-3532
Fax. (507) 775-5428
Contact: Rigoerto Martinez

EXPOALIMENTOS 2000 (Food Show)
Manufacturers, Distributors, agents of food and beverage. Food processing equipment, accessories, restaurant equipment, restaurant decoration, kitchen equipment, etc.

July 6-9, 2000, Panama City, Panama
Organizer: Camara de Comercio, Industrias y Agricultura de Panama (Panamanian Chamber of Commerce, Industry and Agriculture of Panama), Expoalimento
P.O. Box 74
Panama 1, Republic of Panama
Phone: 507-227-0033 or 507-227-0034
Fax: 507-227-0115
E-mail: expo@expocomer.com
Web site: www.expocomer.com
Contacts: Roberto Appleby, Executive Director

EXPOINDUSTRIA 2000 (Industrial Show)
This is a show which exhibits manufacturers of all types of goods, including construction materials, food and beverages, consumer goods, chemicals, etc.
August 4-13, 2000, Panama City, Panama
Organizer: Congrexpo Internacional
P.O. Box 55-1627 Paitilla
Panama, Republic of Panama
Phone: 507-269-5655
Fax: 507-269-5680
E-mail: congrexp@pty.com
Web site: www.capacexpco.com
Contacts: Patricia Petterson, Executive Vice President
Marie Ledezma Bradley- Executive Assistant

INTL. HARDWARE WEEK & NATIONAL HARDWARE SHOW
U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Tools - Hand and Power.
August 13-16, 2000, Chicago, Illinois
American Hardware Manufacturers Association
801 North Plaza Drive
Schaumburg, IL 60173-4977
Tel. (847) 605-1025
Fax. (847) 605-1093
E-mail: AHMA@ahma.org
Contact: Timothy Farrell

U.S. Department of State
FY 2001 Country Commercial Guide: Panama

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I. EXECUTIVE SUMMARY

"This Country Commercial Guide (CCG) presents a comprehensive look at Panama's commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the trade promotion coordinating committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. Government Agencies"

COMMERCIAL OVERVIEW

Taking advantage of Panama's key location, the Government and business communities have long promoted it as an international trading, banking, and services center. Trade liberalization and privatizations over the last several years have added substance to these assertions. Panama's dollar-based economy offers low inflation and zero foreign exchange risk for American companies. Panama's Government actively seeks foreign investment and there are real

opportunities available in the former Canal Zone properties which were transferred to Panamanian jurisdiction in December 1999.

Due to the evolution and composition of Panama's economy, which is largely based on services, the extent and nature of local competition is very limited in most of the non-service sectors. Although the United States is Panama's most important trading partner with about 35% of the import market, and U.S. products have a high degree of acceptance in Panama, competition from third countries is strong in certain sectors including: telecommunications equipment, automobiles, heavy construction equipment, consumer electronics, computers, apparel, gifts, and novelty products.

Panama's merchandise imports grew in 1999 by one percent over 1998 to a total of $3.52 billion. The value of Panama's total merchandise exports in 1999 reached $707 million, about the same as the previous year.

The Colon Free Zone is a bigger market than the country of Panama. Free Zone imports amounted to $4 billion in 1999. This figure is down 21% from the previous year, reflecting the political and economic problems of the Zone's main customers in the Andean Region. Zone imports are mostly luxury goods, electronic products, clothing, and other consumer products. Because of this product mix, U.S. market share is lower in the Zone than in Panama. Hong Kong is the Free Zone's biggest supplier, while Colombia and Ecuador are the major final destinations for Zone reexports.

Panama's economy is based primarily on a well-developed services sector that accounts for about 80 percent of GDP. Services include the Panama Canal, banking, the Colon Free Zone, insurance, container ports, and flagship registry. Manufacturing, mining, utilities, and construction together account for 12 percent of GDP.

Manufacturing is principally geared to production of items such as processed foods, clothing, chemical products, and construction materials for the domestic market. The manufacturing sector developed under a sixties style import substitution high tariff regime. Panama reduced duties on manufactured items from up to 100% to a maximum of 15% in 1998. Panamanian manufacturers may now have difficulty in maintaining their market share vis-a-vis imports in many sectors.

Agriculture, forestry and fisheries make up about 7 percent of GDP. Many agricultural imports are subject to high duties and non-tariff barriers also exist for certain agricultural products.

BUSINESS TRENDS AND OPPORTUNITIES

Consumer attitudes and some brand preferences are similar to the U.S. American television, radio programs and U.S. magazines are all available and popular in Panama. Panamanians frequently travel to the U.S. for vacation, medical treatment, study, and business. Their buying patterns and tastes are similar to ours.

U.S. products and services are well accepted and highly competitive in most product sectors. Panama has the highest per capita GDP in the region. Income distribution is skewed to the benefit of a relatively small, consumer goods-oriented, economically powerful class. These families have high levels of disposable income. They buy good quality trend-setting goods and price is not the major determinant in their purchasing decisions. The majority of the population has much less disposable income and price and availability of credit loom large when they decide what to buy.

Sharply lower import duties have made U.S. products more competitive with locally manufactured items in recent years. The U.S. share of market in Panama was 35% in 1999 down from 40% the preceding year. The U.S. also had 10% of the larger Free Zone market in 1999.

Panama has potential for substantial growth in the areas of electric power generation, health care services, mining exploration and operations, port services, land development, road construction, telecommunications, and tourism.

TRADE AND INVESTMENT CLIMATE

Panama has no restrictions on the outflow of capital or outward direct investment. Its accession to the World Trade Organization in mid-1997 opened up trade and lowered tariffs across the board, giving Panama the lowest average tariff rate in Latin America. The Moscoso government reversed some of these reductions by raising some agricultural goods' tariffs dramatically in late 1999 and early 2000. While the new tariff levels remained within WTO accession levels, Panama also began to further obstruct agriculture imports via a slow and arbitrary procedure for issuing phytosanitary permits.

Panama's inflexible labor laws are a source of concern for prospective investors. Firing practices are excessively regulated which reduces labor mobility and inhibits hiring. The minimum wage was recently increased to $253 monthly (in the capital). This is cheap in world terms but expensive in a Central American context.

Although there has been substantial new foreign investment in recent years, most of it resulting from privatization, instances of questionable government practices have soured some large international firms on doing business in Panama. These include past bidding procedures, contract obligations, project security, and the slow and imperfect judicial system.

The combination of relatively high costs for both utilities and labor makes unit production costs higher than average for the region. Some investors complain of burdensome and excessive product registration requirements. Lack of consistent access to imported agricultural inputs due to arbitrary import procedures has also led to foreign investor complaints.

The most interesting sector for new foreign investment is in the former Canal Zone and associated military bases. Panama received a total of 364,000 acres of such territories at the end of 1999 including two large military bases, one of which was a major air base that could be used as an air cargo hub or an aircraft maintenance and repair facility. The Government is actively

looking for investment in the fields of tourism, marine services, and in-bond assembly and manufacturing.

The privatization program in Panama has largely been concluded. It started with the sale of a state cement company and a state-owned fruit company. The Government awarded concessions for a private toll road in 1994, cellular phone service, another private toll road in early 1996, and two ports in mid-1996. Intel, the Panamanian telephone company, was partially (49%) sold in mid-1997 and is now being managed by the British firm Cable and Wireless. The previously government-owned casinos and race track were privatized in 1998. The power parastatal was restructured and converted into 8 companies, which were partially sold to the private sector, in August 1998. Four American companies participated including Enron, Coastal, AES and Constellation. Two sugar mills were privatized in 1998 to local groups with some Colombian participation. Pending announced privatizations include a large convention center and the international airport. Water privatization was halted in 1998 after violent protests and appears unlikely to proceed under the current government.

“Country Commercial Guides are available for U.S. Exporters from the National Trade Data Bank’s CD-ROM or Via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at Http://www.stat-usa.gov , Http://www.state.gov/ and Http://www.mac.doc.gov .

II. ECONOMIC TRENDS AND OUTLOOK

MAJOR TRENDS AND OUTLOOK

The economy under the new government of President Mireya Moscoso appears to be in a "wait and see" mode. Unlike her predecessor, Ernesto Perez Balladares, who pushed through ambitious economic reforms, the Moscoso administration has been tentative on economic issues. Foreign direct investment has been dampened because of the government's inexperience, and other factors such as regional economic instability and the US troop pullout. Slower growth and continued economic sluggishness, despite government projections to the contrary, appear on Panama's short-term horizon.

According to Panama’s Comptroller General office, Panama’s economy grew 3.2% in real terms in 1999, falling from 4.1% growth in 1998. This marks two straight years of diminishing growth. Moreover, population growth continues on par with general economic growth, and thus, real per capita GDP increased by only 1.6% in 1999. The Ministry of Economy and Finance originally predicted 2000 growth would be 4.0% or more, but private sector economists predicted in mid-2000 that growth would fall below 2%.

Unemployment improved in early 2000, falling to 11.6%, down from 13.4% and 13.6% for the two previous years. These figures are slightly misleading, however, as Panama's underemployment (those who could work more but can't find full employment or those who have stopped looking for a job) remains at approximately 25-30% of the population.

Although Panama’s 1999 nominal per capita GDP is among the highest in the region at $3420,

this figure is unreliable as an indicator of prosperity overall, because of Panama's highly skewed income distribution. According to a 1998 Government study, the richest 20% of the population consumed 15 times more than the poorest 20%. Panama's GINI coefficient, which measures income inequality, is 47.0, one of highest in Latin America.

The Survey of Living Standards, produced by the World Bank and the Government of Panama, estimated 37.3% of all Panamanians live in poverty, including over 50% for children under age 10 and 95% of the indigenous population.

Panama's accession to the World Trade Organization in mid-1997 opened up trade and lowered tariffs across the board, giving Panama the lowest average tariff rate in Latin America. The Moscoso government reversed some of these reductions by raising some agricultural goods' tariffs dramatically in late 1999 and early 2000. While the new tariff levels remained within WTO accession levels, Panama began to further obstruct agriculture imports via a slow and arbitrary procedure for issuing phytosanitary permits.

The government faces several economic hurdles in the coming year. These include addressing excessive government debt and instituting meaningful tax and spending reforms. In comparison, the government sought to use its $1.3 billion Fiduciary Fund (money from privatizations and sale of property returned by departing U.S. forces) to increase social spending and reduce debt somewhat. The ensuing political debate exposed serious rifts in the governing coalition. While, in the end, a reasonable proposal was approved, the process underlined how difficult it will be for the GOP to push through future actions on tax collection and reform.

Another challenge is finding profitable uses for the balance of the 364,000 acres of land and roughly 4,800 buildings that were reverted to Panama by the U.S. The ARI (Interoceanic Regional Authority), the agency responsible for the development and promotion of these areas, was beset by political infighting, overly grandiose plans, and poor management. As a result, it has had, at best, a mixed record. Except for a successful housing venture in the former Albrook airforce base and a free trade zone in the former Fort Davis, most of the areas remain unused.

Instances of questionable government practices have soured some large international firms on doing business in Panama. These include past bidding procedures, contract obligations, project security, and the slow and imperfect judicial system.

Despite these short-term challenges, Panama's economy is better able than most of its neighbors to weather temporary downturns. The strong services sector can expect to post solid growth in 2000, especially if the Colon Free Trade Zone can continue its recovery from a difficult 1999.

STRUCTURE OF ECONOMY/PRINCIPAL GROWTH SECTORS

Panama's economy is based primarily on a well-developed services sector that accounts for approximately 80% of GDP. Services include the Panama Canal, container port activities, flagship registry, banking, insurance, government, and the Colon Free Trade Zone. Manufacturing and construction together account for only 12% of GDP. Manufacturing is

principally geared to production of processed foods, clothing, chemicals, and construction materials for the domestic market. Mining accounts for an additional 29%. Agriculture, forestry, and fisheries make up the remaining 7% of GDP (yet provide employment for nearly 25% of the population). Principal primary products include bananas, shrimp, sugar, coffee, meat, dairy products, tropical fruits, rice, corn, and beans. The sectors of the Panamanian economy with the greatest potential for growth in the medium term are ports, maritime services, mining, telecommunications, tourism, and energy.

The Primary Sector

The agriculture and related sectors saw mixed results in 1999. During 1999 shrimp farms suffered an attack by the “White Spot Virus”, a disease that caused losses of up to 90% of populations in many farms. The enormous impact of the shrimp devastation led to a decrease in exports of 49%, to $69 million. Sea-harvest shrimp production fell slightly in 1998. Although Panama signed the International Dolphin Conservation Program Agreement in May 1998, paving the way for tuna exports, Panama still lacks an effective export tuna industry.

Sugar production decreased 13.1% in 1999, earning $25.5 million. Lower prices in international markets forced local industry to depend primarily on the American Sugar Trade Regime Quota, exports thus fell 43%. Privatization of two government owned mills increased competition for the domestic market. Beef production fell by 3.5%. Chicken and chicken byproduct output rose 1.3% in 1999, as Panama's local market continued to be one of the heaviest per capita consumers in Latin America

Banana production, Panama's largest export crop, recovered from the devastating strike against Chiquita's Puerto Armuelles division, increasing by 31% for a total of $182 million.

Panama continues to suffer from the Banana Framework Agreement that restricts entry of Latin American bananas into Europe, a market on which Panama relies heavily. The U.S. and its Latin American partners continue to press the E.U. to implement a WTO-compatible banana import regime.

Exports of non-traditional products: Melon production fell 34% due to an unusually heavy rainy season. An oversupply from international suppliers also forced prices down. Total exports were $14 million. Coffee exports also suffered from excess humidity, falling 7% to $19 million, which combined with lower international prices caused a 23% decrease in the dollar value of exports.

Production in the mining sector remained at approximately $25 million, as low world market prices discouraged exploration for gold, silver, copper, and manganese, all of which are present in Panama. Two world-class copper mines and one gold mine are poised to begin extraction operations when prices recover. Mining investment in Panama is encouraged by a favorable mining law, drafted in 1988, which provides incentives to investors.

Mining sector growth has been limited in the past by excessive bureaucracy in authorizing exploration, opposition by indigenous groups, and slow implementation of a mining master plan.

Manufacturing and Construction

Industrial activity decreased 4.6% in 1999, possibly from the effects of reduced tariff protection implemented by the Perez Balladares administration. Panama has relatively high labor and electricity costs, exacerbating its competitive challenges.

Construction activity rose 12.0% in 1999, due primarily to large infrastructure projects in both the private and public sectors. One project included the widening of substantial portions of the Inter-American Highway. Also finished was a new road in northwestern Panama which offers land access to parts of the fastest growing province in Panama, Bocas del Toro. Other projects included the expansion of the Manzanillo International Terminal, a joint U.S./Panamanian container facility; development of the Balboa port by Hutchison Port Holdings (Hong Kong); and two private toll roads, the Panama-Colon Highway and the Corredor Sur serving Panama City. Other large private projects included commercial shopping centers, expansion of the port at Chiriqui Grande, a water purification plant, and the start of the rehabilitation of the Panama Canal Railway. All of these projects fueled demand for cement, steel rebar, concrete block, asphalt and related products.

Banking and Finance

In June 1998, Panama's banking sector came under new legislation that provides for a strong, well-financed Superintendent. Other features of the new law include: Basel Accord standards for capital adequacy, enhanced authority to liquidate banks, higher minimum capital requirements, and limits on lending to related parties. Three types of licenses are permitted: a "general license" with the right to operate in the Republic of Panama and internationally; an "international license" with the right to conduct off-shore transactions only; and a "representational license" to handle the interests of foreign institutions without conducting banking operations. There is no deposit insurance.

U.S. banks with general licenses include Chase (recently acquired by HSBC), Citibank, and Bank Boston.

Total bank assets of Panama's 82 licensed banking institutions decreased from $37.0 billion in 1999 to $36.6 billion at the end of first quarter of 2000. The total number of institutions, moreover, is down from 104 because of international mergers and consolidation. Consumer lending, especially in the automobile market, and commercial lending, particularly in financing higher Colon Free Zone inventories, were key factors driving fast credit growth in 1998 and 1999. System-wide banking capital and reserves tracked assets, and increased by nearly $100 million to $3.2 billion.

From 1997 to 1998, Panama's foreign public debt increased marginally to $5.41 billion. Foreign official creditors hold 30% of the debt, while the private sector holds 70%, almost exclusively in the form of Brady Bonds and Eurobonds. The government just issued a $400 million global bond in June 2000, assigned BB+ by Standard and Poor's.

The Privatization Fiduciary Fund, funded by capital raised from the sale of public sector enterprises totaled $1.3 billion as of June 2000. The government passed a law in June 2000 that allows for investing the fund more aggressively in order to increase its yield. The law also provides for the fund to be used to retire Panamanian debt.

Panama Canal

The “Panama Canal Authority" (PCA), is the new Panamanian government agency that took over the duties of the PCC when the Canal transferred to Panamanian control on December 31, 1999. The PCC operated the Canal on a break-even basis. The successor PCA operates the Canal more like a business enterprise and has increased total contributions to the government treasury by $50 million. At present, over 98% of Canal employees are Panamanian, as is the Canal’s Administrator. Oceangoing commercial transits through the Panama Canal rose by .6% to 14,336 in 1999, while total toll revenue increased 4.2% or $569 million. In FY 1999, net tonnage, on which tolls are assessed, just surpassed the previous year at 196 million tons (an increase of 6 million tons). The Panama Canal Authority has estimated Canal traffic will rise 2% in 2000.

Plans to complete the widening of the Gaillard cut which will permit two-way traffic of Panamax vessels (largest which can fit into the locks of the Canal) are still expected to finish by 2002. According to the Panama Canal Administrator, the cut-widening will increase Canal capacity by 20%. There are also proposals to study the possibility to install a third set of "Super Panamax" locks before the end of the decade.

Colon Free Trade Zone

Established in 1948 at the Atlantic entrance to the Panama Canal, the Colon Free Zone (CFZ) is the largest of its kind in Latin America. Worldwide, it is second only to Hong Kong in overall activity. During 1999, the CFZ was hit hard by a slowdown in Latin America, its biggest export market. Total CFZ imports fell to $4.0 billion in 1999, down 21.5% from $5.1 billion in 1998. Total exports fell to $4.9 billion in 1999, down 17.3% from $6.0 billion in 1998. Still, CFZ contributions to the Panamanian economy (re-exports minus imports) rose 8.7% from $827 million in 1998 to $899 million in 1999. The CFZ has begun a modest recovery with January-May 2000 imports up 9.6% and re-exports up 6.3% from the same period in 1999.

In the longer term, the growth in adjacent container ports (MIT and Colon Port Terminal) and the planned revitalization of Panama’s transisthmian railroad linking the Pacific and Atlantic ports, should aid the CFZ's competitiveness.

Complaints of intellectual property rights (IPR) violations continue to plague the CFZ. Enforcement action by the recently established CFZ Intellectual Property Department is viewed as a positive step in demonstrating Panama's intention to improve enforcement.

Tourism

Panama has never had much of a traditional tourism business. The great majority of so called

tourists have been friends and relatives of U.S. servicemen, relatives of the many mixed Panamanian/U.S. marriages, or business visitors who chose to enter Panama as tourists. With the servicemen gone, the number of "tourists" entering Panama has been flat at 35,000 monthly since January 1998.

The National Assembly passed in 1994 a law granting incentives to investors in the sector (primarily tax exemptions and long leaseholds.) The Government has high hopes for ecotourism development in former U.S. military bases, but promotion budgets have been quite thin.

GOVERNMENT ROLE IN THE ECONOMY

From 1968 until 1989, Panama was governed by a military regime that took a statist approach to economic development. While price controls were applied to many goods, government involvement was generally less pervasive than that in other countries that pursued import substitution policies. In 1990, under the Endara government, Panama embarked on a policy reform program to modernize government operations. Political opposition from entrenched special interest groups, however, diluted the substance of reforms.

An even more ambitious program of reforms was begun under the Perez Balladares administration that took office in September 1994. This administration passed reforms in banking, labor regulation, the tax code, and fiscal management (funding a near bankrupt government pension program). The Government also negotiated WTO accession, re-negotiated Panama's $3.5 billion foreign commercial bank debt, privatized state-owned enterprises, and lowered tariff protection to the lowest average rate in Latin America.

The Moscoso regime has not adhered to the liberalizing policies of her predecessors. The government increased agriculture tariffs dramatically on many goods in October 1999 and again in early 2000. Almost a year after taking office, business leaders and opposition political parties claim it has yet to offer concrete plans of where it wants to take the economy. The government passed a bill in June 2000 that will re-invest the holdings of the Fiduciary Fund to obtain a higher yield and thus provide more funds for social projects. Issues such as tax reform and support for a third set of locks for the Panama Canal will all come to the legislative forefront before the end of the year.

The use of the U.S. dollar as Panama's currency means that fiscal policy is the government's principal macro-economic policy instrument. Because Panama does not issue its own currency, government spending and investment are strictly bound by tax and non-tax revenues and the government's ability to borrow.

According to Department of Defense estimates, the U.S. military in Panama directly contributed about $200 million annually to the local economy and probably up to $350 million including indirect benefits. In addition, the military constructed numerous roads, schools, medical clinics, and wells. The government of Panama admits that the withdrawal of U.S. forces resulted in significant economic loss, especially for the tourist, real estate, entertainment, and small-scale services sectors of the economy.

BALANCE OF PAYMENTS

Panama's goods and services export earnings have traditionally been among the largest in the region relative to GDP, 13.75% in 1999. This is because the country has profited from its geographical location and dollar-based economy to develop a strong services sector. Net services surpluses have traditionally financed large merchandise trade deficits.

Services: Growth of service exports in 1999 was a strong 11.1% to $585.3 million. While maritime transportation services were up strongly (Canal and port activity), the downturn in services associated with the CFZ and rapidly falling U.S. military spending moderated those gains.

Merchandise: Panama's merchandise imports totaled $3.515 billion in 1999, up 2.9% from $3.417 billion in 1998. Panama's total merchandise exports, on the other hand, totaled only $707 million in 1999, up 0.4% from $704 million. (Note: These statistics do not include trade by the Colon Free Zone.)

Debt: From 1998 to 1999, Panama's foreign public debt increased marginally to $5.4 billion. Foreign official creditors hold 30% of the debt, while the private sector holds 70%, almost exclusively in the form of Brady Bonds and Eurobonds.

Panama has successfully returned to international capital markets. Moody's Investors Service rates Panama sovereign debt Ba1; Standard and Poor's just affirmed its BB+ long-term credit rating and revised its outlook on its Panama ratings from negative to stable. Both ratings are among the highest for third world debt. Panama's debt generally trades with less volatility and a lower risk premium than most other Latin American issues.

INFRASTRUCTURE

Panama has relatively well developed infrastructure. Inter-city highways are generally good, allowing goods and services to move with relative ease. With the new completed road offering access to Bocas del Toro province, that area should see significant growth in the next few years. Roads remain poor in the sparsely populated Darien province, though an Inter-American Development Bank loan is in place to finance infrastructure development in that remote area. Planned investment in highways, ports, and the railroad in the Panama-Colon corridor should prove very beneficial.

Panama privatized its power generation and distribution facilities in 1998, taking in over $600 million in the sales and assuring needed investment. Power generation is nearing capacity, and with electricity demand forecast to grow at 6% annually for the next several years, new power plants will need to be built. The government retains ownership and operation of the power transmission utility.

Port development continued in 1999. Manzanillo International Terminal, already the largest

container port in Latin America, contracted to buy two additional "super post panamax" cranes, reflecting anticipated growth. Meanwhile, Hutchison Port Holdings of Hong Kong kicked off construction of its $150 million port project at the Pacific entrance to the Canal. U.S. partners Kansas City Southern Industries and Mi-Jack Products began construction on the rehabilitation of the Panama Canal Railway, an expected investment of $73 million that will link the ports at each end of the Canal.

Cable & Wireless (U.K.) continued with its multimillion-dollar investment program in the telecommunications utility it acquired in May 1997. Its concession grants monopoly rights until 2003, when telecommunications services will open to competition. At market opening, licenses will be unlimited and issued gratis, while rates will be dictated by the marketplace.

Both Cable and Wireless and BellSouth have concessionary rights to cellular phone service. Neither company dominates the market, but BellSouth enjoys a slight market lead.

III. POLITICAL ENVIRONMENT

NATURE OF POLITICAL ENVIRONMENT WITH THE UNITED STATES

Formal U.S.-Panamanian relations date to 1903, when a bilateral treaty gave the U.S. the right to build and unilaterally control the transisthmian canal that was completed in 1914. This traditional, at times controversial, relationship was ended by mutual agreement in the 1977 Panama Canal Treaties, which stipulated that Canal administration would pass to Panama and all U.S. troops would withdraw from the country by December 31, 1999.

With the end of the U.S. troop presence in Panama, relations between the two countries are being redefined in a cooperative and constructive manner. The U.S. Embassy and other agencies are currently working with their Panamanian counterparts towards this aim.

Current U.S.-Panama relations are generally congenial and businesslike, with both countries cooperating on important law enforcement, trade and investment, and other international issues. The U.S. Government expects these examples of progress in our relationship will follow also into a stronger economic partnership. Recently, the U.S. and Panama updated their Bilateral Investment Treaty and implemented a new OPIC investment agreement.

President Mireya Moscoso, who spent many years in the United States during the Torrijos and Noriega dictatorships, seems committed to forging a close, mutually beneficial relationship with the United States.

MAJOR POLITICAL ISSUES AFFECTING BUSINESS CLIMATE

Since her election President Moscoso has expressed a commitment to abide by agreements made by her predecessor with the IMF, the World Bank, and the World Trade Organization. She has also stated that her administration will respect the politically unpopular privatizations of several parastatal enterprises carried out by the Perez Balladares administration.

The Moscoso government can be expected to continue down the path of economic liberalization, although at a slower pace than its predecessor and with more attention to the short-term welfare of Panamanians temporarily disadvantaged by economic dislocations. The Moscoso administration's ability to control its own political and economic agenda has been hampered, however, by a slim legislative majority and continuing budget constraints.

Although the transfer of the Canal and reversion of U.S. military properties were expected to increase opportunities for private investment, the business community continues to refrain from exploiting the areas fully. The hesitation is due, in part, to failed government promotion as well as a confusing, unclear GOP statement of economic objectives and vision. The said, U.S. companies should find possibilities to participate as suppliers to Canal operations and maintenance. In addition, former military properties could be converted into major investments in tourism, transportation, trade, and other as yet-unexploited sectors.

Although Panama is one of the most economically developed countries in the region, problems such as corruption, drug trafficking, money laundering, and alien smuggling remain serious challenges for Panama's future.

Influential individuals in the private sector have expressed strong reservations regarding the judicial sector in Panama, which they view as cumbersome, slow, and at times, corrupt. Both the International Development Band and USAID have initiated programs to assist the GOP to promote reforms of the justice system.

BRIEF SYNOPSIS OF POLITICAL SYSTEM, SCHEDULE FOR ELECTIONS, AND ORIENTATION OF MAJOR POLITICAL PARTIES

Panama is a representative democracy with three branches of government: executive and legislative branches elected by direct vote every five years, and a nominally independent judiciary appointed by the executive. Because the current Panamanian judicial system is inefficient at best, and corrupt at worst, many U.S. companies doing business in Panama have arbitration agreements in place as an alternative to the courts.

Since the U.S. military intervention that removed dictator Manuel Noriega in 1989, Panama has passed through a generally successful process of democratic institution building that has been validated by two national referendums and two general elections, the latest in May 1999. Panama's next general election is not scheduled to take place until 2004, although referendums on constitutional issues remain a possibility.

The president has broad powers under Panama's constitution, but must work with a 71 member unicameral Legislative Assembly (LA). Moscoso's Arnulfista party, along with several smaller parties, enjoys a slim coalition majority. The Democratic Revolutionary Party (PRD) holds 34 seats, two shy of a majority, and is the main opposition. The marriage between Moscoso and coalition partners has been shaky at best, as the coalition has broken with the President on several important issues, including the recent Fiduciary Fund debate. It remains to be seen how the

coalition will function in the legislative assembly slated for September, as various legislators currently jockey for advantage in preparation for the next session.

Although the Legislature lacks the strong budgetary authority wielded by the U.S. Congress, it does play an important role in shaping political, economic and social initiatives.

Moscoso's Arnulfista Party (PA) is the political legacy of her late husband, three-time Panamanian president Arnulfo Arias. It is Panama's second largest party. With over 100,000 adherents, the Arnulfistas are growing rapidly, as people look for jobs or favors from the government. PA's popularity traditionally derives from Panama's rural "interior" provinces. Not ideologically driven, Arnulfista Party faithful have generally taken their political cues from the top, although recently they have become more independent.

The Democratic Revolutionary Party (PRD), of former-President Ernesto Perez Balladares, was founded in 1979 as the political wing of the Torrijos dictatorship. It has traditionally appealed to the young and the urban poor. The PRD remains Panama's largest single party with over 225,000 members, although this number continues to decline rapidly as the party lacks the spoils of power. Nonetheless, the PRD remains Panama's best organized political party, providing for an effective opposition. The party leadership is currently in flux as opposing factions backing Perez Balladares, Martin Torrijos (son of the party's founder), and Juan Carlos Navarro (Mayor of Panama City) all vie for control.

Moscoso's coalition partners in the Legislative Assembly span a wide spectrum of interest and ideologies. The incipient "Popular Block", marginally led by prominent banker and former-presidential candidate Alberto Vallarino, includes members of the old Christian Democrats as well as former Arnulfistas who supported Vallarino's candidacy. They lean center-left (as their European Christian Democrats counterparts), and have strong business ties. Other business-oriented parties include MOLIRENA (Spanish-language acronym for the National Liberal Republican Movement) and Cambio Democratico (Democratic Change). Their bases remain the middle and upper classes inside Panama City. As of yet, these parties have never captivated poorer segments of Panamanian society and have thus performed poorly in past presidential and legislative elections. Solidarity and the National Liberal Party (a party of influential business people), both formerly aligned with PRD, switched their support to the Arnulfistas to provide the Moscoso government with stability.

IV. MARKETING U.S. PRODUCTS AND SERVICES

DISTRIBUTION AND SALES CHANNELS

Business practices in Panama are very similar to those in the U.S. Business tends to be direct and straightforward. On average, Panama City accounts for 65% of total national sales of consumer goods, the remaining 35% is distributed among the principal cities of David, Colon, Santiago and Chitre.

Generally, the marketing channel structure in Panama is simple. Direct importers act as

wholesalers and in many cases also as retailers. This situation is common in the case of apparel, automotive parts and hardware products. In the case of consumer goods, food and medicines, the retail operation is separate from the wholesale operation. In the industrial goods sector, sales are normally handled by local exclusive agents or distributors. In other cases, local firms order directly from U.S. brokers or the manufacturer.

Some of Panama's major importers are also regional distributors located in the Colon Free Zone (CFZ). Generally, CFZ importers/distributors have affiliated stores in Panama City for retail sale to the local market.

USE OF AGENTS/DISTRIBUTORS; FINDING A PARTNER

According to Panama's constitution, nationals and foreigners are equal under the law. Both Panamanian and foreign companies must fulfill the same basic requirements to organize and operate most types of business activities in Panama. There are restrictions on foreigners participating in retail trade and practicing certain professions. In practice, however, there are legal ways to overcome these restrictions. U.S. firms interested in retailing should consult a local attorney.

Agents and distributors in Panama are regulated only by the private agreements made between the parties involved. In cases of contract termination or disputes, the private contract clauses prevail over any other document or practice.

Individuals may engage in business activities in their own names or through legal entities. The most commonly adopted form of legal entity is the corporation (sociedad anonima). Other types of legal entities commonly used in Panama are: general partnerships, simple limited partnerships, joint stock partnerships and limited liability companies.

FRANCHISING

Panama is receptive to U.S. style franchising. The market for both specific and general franchising opportunities is attractive. Panama maintains no control on royalty payments or transfers. Recreation, entertainment services, fast food, automotive, and hotel and motel franchises are readily marketable as the local market demands better facilities and services. The U.S. Embassy recommends consulting a local attorney for details on how to set up a franchise in Panama.

DIRECT MARKETING

Key factors for market success in Panama are: high quality, customer service, brand-name recognition and attractive packaging. U.S. products targeting the middle to upper-middle income market are usually competitive. Panamanians have a penchant for high quality U.S. products.

Consumers with high disposable income follow sophisticated U.S. and European consumption patterns. Most high-end U.S. and foreign brand names are represented in Panama. An

aggressive marketing strategy is usually necessary to succeed in this trend-conscious market.

JOINT VENTURES/ LICENSING

Joint ventures, especially for large projects, are becoming common in Panama. Some joint ventures are formed for limited periods of time, such as for a specific construction contract or technology transfer contract. The profits from joint ventures can be distributed annually to each joint venture partner, and are taxed in the same manner as any other income.

Panamanian law does not regulate the registration of license agreements. Nevertheless, license agreements are frequently used to reinforce rights to registered trademarks. The agreements must be attached to the registered trademark and filed with the Industrial Property Department in the Ministry of Commerce and Industry. The agreement becomes part of the file on the trademark covered.

Panama is an interesting and potentially profitable site for licensing agreements and joint ventures as well as routine buy/sell operations. The Colon Free Zone offers the U.S. exporter looking for regional marketing arrangements a convenient one-stop distribution center. There have been problems of money laundering, intellectual property piracy and drug trafficking in the CFZ. All U.S. firms should be aware of these factors before commencing operations in the Zone.

STEPS TO ESTABLISHING AN OFFICE

Panama has one of the most modern and flexible corporate laws in Latin America. Below are some of the advantages offered by Panamanian corporate law:

1. Two or more persons of any nationality, even though not domiciled in Panama, may organize a corporation for any lawful purpose. The articles of incorporation may be executed anywhere, even outside of Panama, and in any language.
2. There are no requirements regarding the amount paid in capital.
3. Ownership of a Panamanian corporation may reside in a single individual or corporation and no part of the capital needs to be held by a Panamanian.
4. There are no nationality or residence requirements for shareholders.
5. Neither the directors nor the officers are required to be shareholders.
6. The Board of Directors must be composed of at least three directors, but one person may hold more than one position.
7. Meetings of shareholders or directors may be held outside of Panama. Proxies may be used by shareholders/directors.

In order to form a corporation in Panama, the client must furnish the following information:

1. The name of the corporation. It may be in any language, but it must terminate in a word or abbreviation indicating that it is a corporation.
2. The objectives and purposes of the corporation.
3. The amount of the authorized capital. Usually the authorized capital will consist of US$

10,000 divided into 100 shares of US$ 100 each. Shares may be nominative or bearer shares.

4. Duration of the corporation, usually perpetual.
5. The full names and addresses of three or more directors and/or officers.
6. The domicile of the corporation.

The time period usually involved in setting up a corporation is from 15 days to two months. Attorney fees usually range from US$ 600 to US$ 1,500 per corporation.

In order to engage in commercial or industrial activities, all corporations, partnerships or individuals must obtain proper authorization from the Ministry of Commerce and Industry. There are three basic types of licenses involved:

a) Commercial License Class A is required for wholesale operations, commercial and mortgage banks, financial companies, international financial brokers, insurance and reinsurance companies, international transportation companies, mutual funds, public utilities, and high-technology service companies.
b) Commercial License Class B is required for retail businesses, including representation agencies, service companies, bars, restaurants, drugstores, real estate agents, gas stations, local transportation, distributors and others. This license is only granted to Panamanians or corporations owned solely by Panamanians.
c) An Industrial License is required for extractive and manufacturing industries, as well as construction companies.

Exemptions for business license requirements are granted to persons or legal entities engaged exclusively in agriculture, cattle, bee, or poultry raising, or in the manufacturing and sale of handicrafts, provided that the work is not performed by hired workers. Licenses must be kept at all times in a visible and accessible place. The cost for obtaining a license ranges from US$ 250 to US$ 750. Also, an annual tax is levied based on the net worth of the company, as stated in the income tax return.

SELLING FACTORS/TECHNIQUES

Panama has the highest per capita income in Central America. The majority of income is skewed to a small, consumer goods oriented economic class. These upper-middle and upper class families have high levels of disposable income. They are interested in purchasing high quality, trend-setting goods. Price is less of a factor in purchasing decisions made by this class than for the middle and lower income classes. The majority of Panamanians are interested in quality but price plays a more important role in the purchase decision.

The use of the U.S. dollar as legal currency and consumer preference for high quality products at competitive prices are two reasons for high acceptance of U.S. products in Panama. Overall, U.S. products are well accepted in the market and are considered of good quality. However, in many instances, U.S. products must compete against lower priced products especially from the Far East. For example, as in the U.S. itself, Japanese and Korean electronics dominate the market

because of aggressive market entry techniques and good quality at competitive prices.

ADVERTISING AND TRADE PROMOTION

Television and newspaper advertising are the promotion tools of choice for the majority of distributors of U.S. products. Panama has a very competitive advertising market, with standard prices and very good production quality. Additionally, trade shows and exhibitions are effective tools for trade promotion. Special sale prices are usually advertised in newspapers during weekends.

Most foreign manufacturers of consumer products maintain a high profile presence in the country through newspaper ads, large billboards, sponsored sports events, and TV advertising. Radio advertising is mainly utilized outside of Metropolitan Panama City.

Major Newspapers:

La Prensa
General Manager - Juan Luis Correa
P.O. Box 6-4586, El Dorado
Panama, Republic of Panama
Tel: (507) 222-1222
Fax: (507) 221-7328
E-mail:ventas@prensa.com
http://www.prensa.com
Daily Circulation: 35,000
Format: standard
Advertising prices: US$ 11.50 per columnar inch, each page 6 columns of 21 inches.

El Panama America
General Manager - Francisco Arias
P.O. Box B-4
Panama 9A, Republic of Panama
Tel: (507) 230-1666
Fax: (507) 230-1033
E-mail:clientes@epasa.com webmaster@epasa.com
http://www.epasa.com
Daily Circulation: 22,000
Format: standard
Advertising prices: US$ 8.50 per columnar inch, each page has 126 columnar inches.

La Estrella de Panama
General Manager - Ing. Ricardo Murcillo
P.O. Box Q
Panama 4, Republic of Panama
Tel: (507) 227-0555

Fax: (507) 227-0723
Daily Circulation: 12,000
Format: standard
Advertising prices: US$ 5.00 per columnar inch, each page has 126 columnar inches.

El Universal de Panamá
General Manager – Ing. Jorge Luis Chau
P.O. Box 9815
Panama 9, Rep. of Panama
Tel. (507) 225-7700
Fax. (507) 225-6993
E-mail: eluniver@sinfo.net
Daily Circulation: 21,143
Format: Standard
Advertising prices: US$ 3.50 per columnar inch, each page has 126 columnar inches.

Major advertising agencies are associated with international advertising firms.

PRICING PRODUCT

The price structure for imported goods in Panama depends on the level of competition. The costs of transportation and import duties vary from item to item. In some cases, prices for consumer products and food are higher than world average because of cartelization of the local market. For the sake of illustration, the calculation below demonstrates average costs added to a product before it reaches the consumer. Import duties average 10% over CIF value and wholesale and retail markups are about 25% each.

Average Pricing Schedule

	$ Price
CIF Panama	$100.00
Import Duty	10.00
Total Landed Cost	$110.00
Wholesale Price	137.50
Retail Price	$171.88

Note: A 5% value added tax on CIF value plus the import duty is assessed at the time of customs liquidation. Since this value-added tax is payable on all goods, domestic and imported, and is passed through to the consumer, it is not included in this calculation.

SALES SERVICE/CUSTOMER SUPPORT

Competition among distributors is often decided by the training, counseling and support they receive from their principals. U.S. companies should focus on providing U.S.-level training and technical assistance to their distributors and making sure they have the resources to provide after-sales support, including spare parts, service equipment, etc.

SELLING TO THE GOVERNMENT

Panama does not have a Central Procurement Office such as the U.S. General Services Administration (GSA). All purchases of goods and services of any significant value are by law advertised for public bid. Government procurement regulations establish that each government organization is responsible for its own procurement but subject to the supervision of the Ministry of Economy and Finance and the Comptroller General's Office. Government regulations also establish a process of company pre-qualification for purchases above $ 250,000, in order to make sure that potential suppliers have the proper qualifications. Another feature of the procurement system is that tender documents are discussed with interested companies in order to assure agreement about an understanding of terms and condition of participation. Lack of transparency, excessive delays, and bureaucracy in the bid selection process have caused problems for U.S. and other bidders in important government bids in the past.

PROTECTING YOUR PRODUCT FROM IPR INFRINGEMENT

Panama is a member of the World Intellectual Property Organization (WIPO), the Geneva Phonogram Convention, the Brussels Satellite Convention, and the Universal Copyright Convention. Panama is also a member of the Bern Convention for the Protection of Literary and Artistic Works, and the Paris Convention for the Protection of Industrial Property. (Refer to Section VII: Protection of Property Rights, for more information).

NEED FOR A LOCAL ATTORNEY

The law requires that every corporation organized pursuant to the laws of Panama have a resident agent within Panama, who must be an attorney. The annual fee for this service is about $ 200. It is estimated that over 400,000 corporations are registered in Panama.

Registering a national trademark, patent or a sanitary registration application requires a power of attorney. A list of attorneys can be obtained from the National Trade Data Bank (NTDB) through the domestic and foreign offices of the U.S. Department of Commerce.

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES

1- BUILDING PRODUCTS (BLD)
Rank of Sector: 1
Name of Sector: Building Products
ITA Industry Code: BLD
Comments: The construction sector in Panama declined after peaking in the first half of the 1990's but resumed growth in recent years. Initially, the majority of construction was concentrated on middle to high-income apartments and commercial buildings but now the construction is strongest for low-cost housing and high cost suburban housing. A growing

demand exists for after-construction building products used for improving, decorating or modifying existing buildings. This market is especially strong because of the high purchasing power of this sector of the population. U.S. building products are well received because of their perceived quality and competitive price. U.S. products in this sector enjoy a market share above 60%. Competitors are mainly from Taiwan, Italy and Spain. There are no significant restrictions on imported products. Import duties are in the range of 5 to 15% over CIF value. The demand is especially strong for gypsum board, lighting, and roofing/flooring products.

(Millions)	1998	1999	2000
Total Market Size	276.0	308.0	336.0
Total Local Production	113.0	135.0	150.0
Total Exports	0.0	0.0	0.0
Total Imports	163.0	173.0	186.0
Imports from the U.S.	106.0	114.0	121.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

2 – TRANSPORTATION SERVICES: PORT AND MARITIME SERVICES
Rank Sector: 2
Name of Sector: Transportation Services: Port and Maritime Services
ITA Industry Code: TRN
Comments: Because of its strategic location Panama is a key maritime center. The Panama Canal has historically been the symbol of Panama's maritime activities. In recent years, Panama's traditional main ports, Cristobal on the Atlantic and Balboa on the Pacific, have been privatized. Balboa has been modernized but little has been done with Cristobal to date.

Additionally, two new container ports have been built on the Atlantic (Manzanillo, operated by the U.S. based Stevedoring Services of America, and Coco Solo operated by Taiwanese-based Evergreen). Panama's container handling capability has increased from 250,000 in 1997 to approximately 1 million in 1999. A new transisthmian railroad is being built by the U.S. firm Kansas City Southern that will increase port activities by allowing container transshipment between the two oceans.

The Panama Canal Authority, now under Panamanian control, intends to increase ancillary service such as fueling, ship chandling, ship repair and other services. This may represent market opportunities for U.S. companies.

Additional opportunities for U.S. companies are in Petroleum Export Zones (PEZ) which are especially designated areas where foreign or national companies can establish operations to produce, refine and export petroleum products. These zones can also make direct sales to foreign vessels transiting the Panama Canal, and to foreign airlines. Companies operating out of these PEZs are exempt from municipal or federal taxes and are not subject to government regulations affecting the local market.

(Millions)	1998	1999	2000
Total Market Size(1)	150.0	180.0	200.0
Total Local Production (2)	10.0	12.0	16.0
Total Exports (3)	0.0	0.0	0.0
Total Imports (4)	140.0	168.0	184.0
Imports from the U.S. (5)	50.0	60.0	69.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)
(1) Total Sales; (2) Sales by local firms; (3) Foreign sales by local firms; (4) Sales by foreign owned firms; (5) Sales by U.S. owned firms.

3 - TELECOMMUNICATIONS EQUIPMENT (TEL)
Rank of Sector: 3
Name of Sector: Telecommunication Equipment
ITA Industry Code: TEL
Comments: The telecommunications sector in Panama changed significantly in 1998, when the government-owned telecommunications company (INTEL) was converted into a corporation and 49 percent of its shares sold to the U.K. firm Cable and Wireless. The terms of the privatization require Cable and Wireless to improve and broaden services, completely digitalize all switching stations and upgrade transmission lines to fiber optics. A cellular license was awarded to Bell South in 1995, which has over 100,000 subscribers so far and provides service in most of the more densely populated areas of the country. A second cellular service was started by Cable & Wireless in 1998 and currently has a similar number of subscribers. On January 1, 2003, all telecom services in Panama will be fully opened to competition and an unlimited number of licenses will be issued gratis. Both the privatization and the increased future competition will provide increased market opportunities for U.S. exporters. There are also 500,000 fixed telephone lines in the country, giving one of the highest teledensity rates in Latin America. There is also an ongoing sector demand for PABX systems, radio trunk systems, satellite-based telecommunications facilities and paging systems. Main competitors in the market are the United Kingdom, Japan, Sweden, France and Canada.

(Millions)	1998	1999	2000
Total Market Size	110.0	120.0	140.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	110.0	120.0	140.0
Imports from the U.S.	20.0	36.0	43.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

4 - AUTOMOTIVE PARTS AND SERVICE EQUIPMENT (APS)
Rank of Sector: 4
Name of Sector: Automotive Parts and Service Equipment
ITA Industry Code: APS
Comments: The market for new automobiles showed a downturn in 1999, following a slowdown in the performance of the economy. This has a direct impact on the demand for automotive parts and service equipment because car owners tend to keep their old cars and spend more on maintenance. The car population in Panama is estimated at 350,000 units. Approximately 20,000 new cars were sold in 1999. U.S. car sales grew during recent years, initially, as Japanese products became less competitive because of the yen's appreciation against the dollar. Although the yen is now substantially weaker, U.S. sales continued to increase in the first half of 2000. U.S. participation in the automotive parts and service equipment is relatively low (market share is 30-35 percent). The main competitors are Japan, Korea and Taiwan. However, the U.S. market position will improve as sales of U.S. cars increase. Demand will also remain strong for U.S.-made car parts and accessories for Japanese models. Import duties for automotive parts are 10-15 percent over C.I.F. value. There are no import restrictions on these products. Sub-sectors offering the best market opportunities are: servicing equipment, tubes and tires, and engine parts.

(Millions)	1998	1999	2000
Total Market Size	60.0	67.0	74.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	60.0	67.0	74.0
Imports from the U.S.	21.0	22.0	27.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

5- MANAGEMENT CONSULTING SERVICES (MCS)
Rank of Sector: 5
Name of Sector: Management Consulting Services
ITA Industry Code: MCS
Comments: A number of factors provide favorable conditions for a continued development of the management consulting services market in Panama. First, under the 1977 Panama Canal Treaties, vast amounts of land and infrastructure reverted to Panama in 1999 from the U.S. military. Panama will need to implement a number of projects to make an efficient use of these resources. The World Bank, the Inter-American Development Bank and other international organizations are or are likely to be involved in financing specific projects in these areas. Second, since Panama joined the World Trade Organization and the tariff protection that existed a few years ago is almost gone, Panamanian companies will have to learn to do business in a more competitive environment. This situation will create the need for consulting services aimed at increasing efficiency. The above factors will generate market opportunities for U.S. consulting companies in the following areas: land development, environment, marketing, tourism

development, privatization, and energy generation.

(Millions)	1998	1999	2000
Total Market Size	27.0	35.0	39.0
Total Local Production	7.0	8.0	10.0
Total Exports	0.0	0.0	0.0
Total Imports	20.0	27.0	29.0
Imports from the U.S.	15.0	20.0	24.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

6 – COMPUTER SOFTWARE
Rank of Sector: 6
Name of Sector: Computer Software
ITA Industry Code:CSF
Comments: The market outlook for computer software improved significantly with the passage in early 1995 of a copyright bill that covers computer software products. Software piracy by individuals and corporations has been the biggest problem faced by the computer software industry. The new bill provides the legal framework for fighting piracy practices at all levels. The Business Software Alliance, a private group, has been active fighting software piracy. Best opportunities are for software productivity tools, i.e. data base software, oriented to the mid range/mainframe environment. This type of software has traditionally represented over 80 percent of the market. Another important market is for personal computer software, including word processing, spreadsheet, graphics, data base and telecommunication applications. An emerging sector is multimedia, including games, educational and other CD-ROM based applications. U.S. software publishers are well known in Panama. Some software companies from Chile, Venezuela and Costa Rica have targeted Panama for the introduction of Spanish-language products, mainly business applications, e.g., payroll, accounts payable/receivable, etc. There are no restrictions on importing/marketing foreign software in Panama.

(Millions)	1998	1999	2000
Total Market Size	17.0	18.0	26.0
Total Local Production	1.0	1.0	2.0
Total Exports	0.0	0.0	0.0
Total Imports	16.0	17.0	24.0
Imports from the U.S.	13.0	14.0	20.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

7 – WATER AND WASTEWATER TREATMENT EQUIPMENT

Rank of Sector: 7
Name of Sector: Water and Wastewater Treatment Equipment
ITA Industry Code: WRE
Comments: The Government of Panama passed several laws in 1996 allowing it to undertake an ambitious privatization program including public utilities. By 1999, all public utilities had been successfully privatized, except the Water and Sewage agency (IDAAN). For political reasons IDAAN was not privatized but the government intends to grant concessions to build and operate water plants in specific areas of the country.

In 1998 the government passed a General Environmental Law and created the National Environmental Authority (ANAM). The law established controls and regulations regarding the use of natural resources and set forth measures to protect the environment. As a result, industrial establishments, municipalities, hospitals, hotels, etc. will have to implement a number of measures in order to comply with regulations aimed at protecting the environment. This includes wastewater treatment procedures.

Best market opportunities are in the construction of new water plants, rehabilitation and expansion of existing infrastructure, and the construction of new wastewater collections and treatment facilities in Panama's metropolitan area (Panama City, Colon and surrounding areas). Another major project for the not too distant future is the cleaning of Panama Bay. This will entail intensive use of wastewater treatment equipment and technology.

There is no domestic production of water and wastewater equipment. Regulations for water and wastewater equipment are those established by the American Waterworks Association /ANSI. The United States is the largest supplier of water and wastewater equipment (market share above 80%).

(Millions)	1998	1999	2000
Total Market Size	7.0	8.0	10.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	7.0	8.0	1.0
Imports from the U.S.	4.0	5.0	8.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

8 – FRANCHISING
Rank of Sector: 8
Name of Sector: Franchising
ITA Industry Code: FRA
Comments: Panama offers excellent opportunities for franchising. Panamanians have a special preference for U.S. products and services. They travel frequently and are familiar with the U.S. franchising industry.

There are approximately 50 franchises already operating in Panama. The franchises cover a number of sectors including fast food, restaurants, hotels, mailing services, courier services, automotive, dry cleaning, tuxedo rental, car rental.

Because the U.S. Dollar is legal currency, Panama has no restrictions on profit repatriation or fee/royalty payments. The government places no limitations or regulations on franchise operations.

Industry sources indicate that new franchise investment in Panama may reach $3 - $6 million annually. This amount is expected to grow in the next years. A number of economic groups and even companies in non-retailing businesses such as law firms are seeking to diversify their businesses and franchising is a favorite area because there is usually no need to have industry expertise. The market is open to non-traditional, innovative franchises.

(Millions)	1998	1999	2000
Total Market Size	5.0	7.0	9.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	5.0	7.0	9.0
Imports from the U.S.	4.0	5.0	7.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

9 – GENERAL SERVICES: WAREHOUSING AND WHOLESALING
Rank of Sector: 9
Name of Sector: General Services: Warehousing and Wholesaling
ITA Industry Code: GSV
Comments: There are significant opportunities for wholesaling, warehousing and distributions in the Colon Free Zone (CFZ), the largest free zone in the Western Hemisphere and second in the world to Hong Kong. The CFZ is located in the city of Colon, adjacent to Manzanillo International Terminal on the Atlantic side of Panama, 90 kilometers from Panama City. Goods (except firearms or petroleum products) may be imported, stored, modified, repacked and re-exported without being subject to any customs regulations.

Most of CFZ merchandise is transshipped from Panama to other parts of the Western Hemisphere and Europe. Imports into the CFZ come mainly from the Far East. Colombia is the largest purchaser of merchandise. Other principal buyers are Ecuador, Panama, Venezuela, the United States, Chile and Guatemala.

The CFZ is administered as an autonomous institution of the Panamanian government. It has been in operation since 1953. The CFZ offers free movement of goods and complete exemption from taxation on imports and re-exports. There are no taxes on the export of capital or the

payment of dividends. In addition, there are reduced income tax rates on earnings from re-export sales. Furthermore, firms located in the CFZ are exempt from import duties as well as from guarantees, licensing, and other requirements and limitations on imports. Due to its geographic location, the CFZ is a major factor in channeling goods from large industrialized countries to consumer markets in Latin America.

Companies operating from the CFZ enjoy numerous trade advantages along with especial tax incentives and tax credits. Special income tax rates are granted for foreign trade operations. Companies in the free zone pay no corporate income tax. Dividends paid on profits from foreign trade operations and from direct sales are not subject to the dividend tax. Merchandise arriving at, stored in, or leaving the CFZ destined for a foreign country is exempt from taxes, charges or any type of fee. Also, CFZ companies are not subject to any other type of federal or municipal tax.

(Billions)	1998	1999	2000
Total Market Size (1)	11.0	9.0	11.0
Total Local Production	0.0	0.0	0.0
Total Exports(2)	6.0	5.0	6.0
Total Imports	5.0	4.0	5.0
Imports from the U.S.	0.5	0.4	0.6

(1) Total Trade (2) Reexports
Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

10 – SECURITY AND SAFETY EQUIPMENT
Rank of Sector: 10
Name of Sector: Security and Safety Equipment
ITA Industry Code: SEC
Comments: The market for security and safety equipment has good growth potential. Crime is on the rise in Panama and banking and commercial institutions have been targeted for armed assaults. There is also an increasing need for security equipment in residential areas and public places. Because of high labor costs many businesses and households are automating security. The United States has kept strong presence in the security and safety equipment market with a share above 70% during recent years. U.S. products are of high quality. Main competitors are from Japan, Korea and Germany. Best sales prospects are fire and burglar alarms, smoke detectors, electronic surveillance equipment and safe/strong boxes. Also, car alarm systems are always in strong demand. There are no restrictions on the entry of security and safety equipment. U.S. and European standards are accepted in Panama. Import duties range between 10% and 15%. Main users are banks, retailers, hotels, airports, hospitals, and large local and multinational corporations.

(Millions)	1998	1999	2000

Total Market Size	3.0	4.0	6.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	3.0	4.0	6.0
Imports from the U.S.	2.0	3.0	4.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

BEST PROSPECTS FOR AGRICULTURAL GOODS AND SERVICES

Name of Sector: Consumer Oriented Agricultural Products
PS/D: High Value Products (HVP)
Comments: HVP continues to be the most important category of American exports of food products to Panama with a growth of 8% during 1999, reaching an all time high of $89 million. Snack foods (up 13% to $12 million) is the most important item, followed by Processed Fruits and Vegetables (33% increase to $11 million); Fruit and Vegetable Juices (75% increase to $8 million); Wine and Beer (28% decrease to $8 million); and Fresh fruits (16% increase to $5.6 million).

Best prospects are: beer, poultry and red meat (for processing), red meat preserved, snack foods, and fruits.

(Millions)	1998	1999	2000 (E)
Total Market Size	218.0	264.0	290.0
Total Local Production (1)	221.0	309.0	350.0
Total Exports	165.0	231.0	260.0
Total Imports	162.0	186.0	200.0
Imports from the U.S.	82.0	89.0	100.0

Banana production recuperated with an increase of 40% over last year and total exports of $182 million in 1999.
Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
Sources: USDA and Office of the Comptroller General
(The above statistics are unofficial estimates.)

Name of sector: Bulk Agricultural Products
PS/D: G&F
Comments: Lower prices have affected export values despite the fact that export volumes of grains, mainly corn and wheat, increased.

Best prospect sub-sectors: Yellow corn, wheat, and pulses

(Millions)	1998	1999	2000 (E)

Total Market Size	128.0	141.0	160.0
Total Local Production	101.0	114.0	120.0
Total Exports (1)	60.0	58.0	60.0
Total Imports	87.0	85.0	100.0
Imports from the U.S.	65.0	50.0	60.0

(1) Adjusted for re-classification of products
Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
Sources: USDA and Office of the Comptroller General
(The above statistics are unofficial estimates.)

Name of Sector: Intermediate Agricultural Products
PS/D: O&P
Comments: With drastic reductions in U.S. exports of sugars, sweeteners and beverage bases, and soybean oil, this sector suffered a 39% decrease to $48 million in 1999.

Best prospects sub-sectors: Soybean meal to feed a fast growing animal industry, vegetable oils and soybean oil.

(Millions)	1998	1999	2000 (E)
Total Market Size	215.0	216.0	222.0
Total Local Production	101.0	105.0	105.0
Total Exports	3.0	3.0	3.0
Total Imports	117.0	114.0	120.0
Imports from the U.S.	80.0	48.0	70.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

SIGNIFICANT INVESTMENT OPPORTUNITIES

The following areas offer investment opportunities for U.S. companies.

Reverted Areas

As a result of the Panama Canal Treaties of 1977, in December 31, 1999, the United States completed the process of transferring to Panama the Canal, 364,000 acres of land, more than 4,000 buildings and other infrastructure located in the former Canal Zone. Panama is committed to utilizing these resources to enhance the country's economic and social development. If this is to be accomplished, a number of projects will have to be developed in these areas in the very near future. The Inter-American Development Bank co-financed a $5 million study to recommend plans for the efficient use of these resources. The study was approved by the National Assembly and became Panama's official plan for the use of the reverted areas. The

Panamanian Government established the Interoceanic Regional Authority (Spanish acronym ARI), to administer the reverted resources and to devise a development strategy. Projects approved or under consideration, include manufacturing, assembly, tourism, marine services, warehousing, education, scientific research, and energy generation. Tourism and marine service projects seem to have the most potential in the reverted areas. The large Howard Air Base offers special opportunities as an air cargo hub or aircraft repair and maintenance facility.

Electric Power Generation

Panama restructured its electric sector in 1998, following the privatization of the Instituto de Recursos Hidraulicos y Electrificacion (IRHE), which until that year controlled the generation, transmission and distribution of electricity in Panama. The Government of Panama only retained ownership and control of the transmission company. A regulatory body (Ente Regulador) was also created to regulate the electric sector as well as the telecommunications and water sectors. Panama's demand for electricity grows approximately by 45 MW per year. New investment is necessary to meet this demand. The law allows for private sector participation in power generation. A number of new projects have been undertaken for thermo and hydroelectric generation. Also, a new 230 KV transmission line project that will cover the entire Central American region is about to be implemented. This transmission line will open up the possibility of larger power generation projects because of the large regional market soon to be available. The planned expansion of the Panama Canal watershed will also allow for increased availability of water resources that are envisioned to be utilized for power generation.

Port and Maritime Services

Because of its strategic location Panama is a key maritime center. The Panama Canal has historically been the symbol of Panama's maritime activities. In recent years, Panama's traditional ports, Cristobal on the Atlantic and Balboa on the Pacific, have been privatized. Balboa has been modernized but little has been done with Cristobal to date.

Additionally, two new container ports have been built on the Atlantic (Manzanillo, operated by the U.S.-based Stevedoring Services of America, and Coco Solo operated by Taiwanese-based Evergreen). Panama's container handling capability increased from 250,000 in 1997 to approximately 1 million in 1999. A new transisthmian railroad is being built by the U.S. firm Kansas City Southern that will increase port activities by allowing container transshipment between the two oceans.

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Additional opportunities for U.S. companies are in the Petroleum Export Zones (PEZ) which are especially designated areas where foreign or national companies can establish operations to produce, refine and export petroleum products. These zones can also make direct sales to foreign vessels transiting the Panama Canal, and to foreign airlines. Companies operating out of these

PEZ's are exempt from municipal or federal taxes and are not subject to government regulations affecting the local market.

Water and Sewage

The National Water and Sewage Company (IDAAN) is the only utility owned and operated by the government. It is expected, however, that the Government will give more participation to the private sector in the water and sewage sector. Panama has a total population of 2.8 million, 1.7 million have access to IDAAN services. There are 304,577 connections. Approximately 69% of the clients are located in Panama City and Colon. IDAAN's revenues in 1999 were approximately $ 70 million. Water production capacity is 43,099.6 M3/HR. IDAAN has been plagued by a number of problems, including bad management, low investment and widespread inefficiency. IDAAN water losses are estimated at 50%, of which 20% are technical and 30% commercial. Multimillion-dollar investments are necessary to modernize and upgrade the country's water and sewage system and large private investment will be required in one form or another. Cleaning Panama Bay, another large project, will offer commercial opportunities for U.S. firms.

Forestry

The Government of Panama is leasing, under 20 year contracts (re-newable for 20 additional years), over 20,000 Acres of land in the water shed of the Panama Canal and also in the central provinces, to anyone interested in establishing forestry projects, for commercial purposes. Private forestry projects may be combined with fruit production and eco-tourism. The size of parcels vary from 250 to 4,000 Acres, with no limit to the total amount of land which can be rented by a single individual or concern. Rental prices range from $8.00 to $16.00 per Acre per year. According to Panamanian legislation, forestry activity has many tax incentives, including import tax exemptions (for equipment), and income tax exemptions. (For more up-dated information refer to The Foreign Agricultural Service, American Embassy Panama, Unit 0945, APO AA 34002, Tel (507) 207-7000, Fax (507) 225-4209, E-mail: Office.Panama@mail.doc.gov)

NOTE: "The Government of the United States acknowledges the contribution that outward foreign direct investment makes to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. For example, roughly 60 percent of U.S. exports are sold by American firms that have operations abroad. Recognizing the benefits that U.S. outward investments brings to the U.S. economy, the government of the United States undertakes initiatives such as Overseas Private Investment Corporation (OPIC) programs, Bilateral Investment Treaty negotiations and business facilitation programs, that support U.S. Investors."

VI. TRADE REGULATIONS AND STANDARDS

TRADE BARRIERS (TARIFFS, NON-TARIFF BARRIERS AND IMPORT TAXES)

The Panamanian Government changed in September 1999. The previous Government joined the

WTO and lowered tariffs to a maximum of 15%, except for a few agricultural products, and to an average of 12%, the lowest in the region. The revised import duty structure was significantly lower than the one negotiated for WTO accession and represented a substantial commitment to trade liberalization. The new Government has maintained this policy with regard to manufactured products but has largely reversed it for agricultural products. Duties for most agricultural products have been increased to the maximum limits permitted by the WTO accession. Additionally, the Government has erected substantial non-tariff barriers for certain agricultural products including chicken, beef, and some produce and dairy products. The mechanism utilized has been alleged phytosanitary deficiencies or simply the refusal to process phytosanitary permit applications for agricultural products. Panamanian law provides that such permits be presumed issued if not processed within 30 days but the relevant ministry has refused to recognize this legislation and refused entry for such shipments. Some containers of perishable items have suffered long delays in Panamanian ports and at least one shipment was returned to the originating country.

The items affected were mostly unprocessed but there have also been cases involving processed or partially processed foods that should not require phytosanitary certificates. The effect of these barriers was to reduce agricultural imports and cause operating problems for Panamanian supermarkets, restaurants and hotels catering to tourists that require access to high quality imported food. In June 2000, in response to complaints from certain exporting countries, the Government stated its intention to maintain its WTO commitments for agricultural imports. If fully implemented, this could mean the end of the harassment of agricultural imports although the higher duty structure is only likely to be reduced slowly in accordance with the WTO accession agreement. If the non-tariff barriers are not lowered it is likely that the dispute will be formally submitted to WTO by one or more of the supplying countries that believe them to be in violation of the treaty.

CUSTOMS VALUATION

Panama assesses import duties on an ad valorem basis. The ad valorem system uses the declared C.I.F. value as the basis for import duty calculations and in some cases utilizes historical price information as a reference.

In addition to the duty, all imports into Panama are subject to a 5 percent transfer or value added tax (ITBM) levied on the C.I.F. value, plus import duty and other handling charges. Pharmaceuticals, foods and school supplies are exempt from the ITBM tax.

In 1995, Panama changed its international trade classification system from the Customs Cooperation Council Nomenclature (CCCN) and Brussels Tariff Nomenclature (BTN) to the Harmonized System (HS).

IMPORT LICENSES

No import licenses are required in Panama. Phytosanitary permits are required to import some agricultural products. These were routinely issued in the past but are now frequently refused or

delayed as a means of limiting agricultural imports. Any company holding a commercial license can freely import goods into Panama. A commercial or industrial license is required by individuals or companies wishing to engage in commercial or industrial activities.

EXPORT CONTROLS

The Fiscal Code regulates all matters concerning the country's exports. The Code establishes that all national products may be exported, except:

- drugs, with the exception of those having pharmaceutical or scientific purposes.
- staple products determined by the Government to be temporarily scarce in the country; and,
- those products the Panamanian Government decides not to export for reasons of convenience or in the economic interest of the country.

Exports subject to the payment of taxes require an Export Authorization, which is issued by the National Customs Office, Ministry of Economy and Finance. (See Appendix E for contact information.) Exports subject to taxes are: bananas, metals, raw sugar and natural resources. Exports of textiles are also subject to an export authorization.

IMPORT\EXPORT DOCUMENTATION

Import Documentation

The processing of customs documents in Panama for imports is fast, efficient and reliable. Merchandise imported into Panama must be cleared through customs by a customs broker licensed by the Government of Panama. Exceptions are made for goods which are imported duty free, consigned to national or municipal governments, imported by foreign diplomats, sold to the authorities of the Canal Area, sold to vessels transiting the Canal, or intended for reexport.

Basic import documentation required by the Panamanian Customs office is:

- Import Declaration (Prepared and signed by a Customs Broker),
- Commercial Invoice (To be presented in English or Spanish in quadruplicate),
- Airway Bill,
- Bill of Lading (To be presented in triplicate),
- Commercial License Number,
- Phytosanitary Certificate (In case of animal and plants products, to be obtained from the U.S. Department of Agriculture), and,
- Certificate of Free Sale (if required)

  Any food product or other item used for human consumption (including for use on human skin or clothes) may be subject to the Certificate of Free Sale (CFS) documentation requirement. The main purpose of the CFS is to prevent the dumping of inferior goods, especially for human consumption, on the Panamanian market. The CFS must verify that

a product is sold freely and used widely in the U.S. Potential exporters of items subject to the CFS documentation requirement may wish to either contact:
(1) their trade association which may provide the service of issuing the documentation, or,
(2) the Food and Drug Administration, Division of Programs and Enforcement Policy, 200 C Street, SW, Washington, DC 20204.

If for any reason the bill of lading or any other required document cannot be presented within 24 hours after the shipment has arrived, clearance of the goods will be permitted by posting a bond equal to the amount of import duties. The bond is cancelled if the prescribed documents are presented in due form within a period of 90 days. The bond may be extended in justified cases, an additional 90 days.

Export Documentation

The Vice Ministry of Foreign Trade was created in 1998 to promote exports and investment. It facilitates the processing of export documentation through a "One Stop" (ventanilla unica) office which can reduce the export process to a few hours.(Refer to Appendix E for contact information on the Vice Ministry of Foreign Trade).

Export documentation required by Panamanian Customs authorities is:

- Commercial Invoice,
- Export Declaration (usually prepared and signed by a Customs Broker),
- Certificate of Origin (issued by the Chamber of Commerce, Industry and Agriculture of Panama or the Panama Trade Development Institute),
- Bill of Lading,
- Airway Bill,
- Veterinary, Sanitary or Phytosanitary Certificate (when applicable).

TEMPORARY ENTRY

The Panamanian Fiscal Code establishes a temporary entry regime of up to one year for all types of merchandise. There are two options. First, the goods can enter the country if the importer makes a deposit equivalent to the import duty. This payment will be reimbursed at the time the goods leave the country. Second, an insurance company can issue a bond for the importer covering the import duty value, payable if the goods fail to exit the country as scheduled.

Special temporary provisions apply in the case of trade shows and exhibitions taking place at the Atlapa Convention Center, Panama's exhibition and convention center. Goods can enter the Atlapa Convention Center with no warranty payment or bond required. The merchandise to be displayed in certain trade shows enjoys duty free status and may be sold off the floor duty free.

Samples with commercial value are subject to temporary entry requirements. Samples with no commercial value are admitted duty free. If samples arrive in large containers, they will be

dutiable even though they may be marked as free samples.

LABELING, MARKING REQUIREMENTS

Panama has no special regulations for labeling and marking. Labels are required to have basic information regarding the name and address of the manufacturer, expiration date, list of ingredients, lot number, and the product form, e.g. powder, liquid, etc.

Labels in English are accepted, except medicines, household products and foods which require special instructions. In these cases instructions regarding dosage, usage, warnings, etc., must be in Spanish.

All goods arriving in Panama intended to be reexported immediately must be marked "PANAMA IN TRANSIT" on each box or outside container.

In general, products which comply with U.S. labeling and marking requirements will also meet local requirements and are suitable for sale in Panama.

PROHIBITED IMPORTS

The following products cannot be imported into Panama:

- Counterfeit coins or printed material that imitates currencies,
- Equipment or instruments for manufacturing coins,
- Liquors, wines, beers or medicines with labels that falsely describe contents, or of any kind of harmful preparation,
- Certain firearms or war materials,
- Foreign lottery or raffle tickets,
- Opium in the form of gum or for smoking,
- Obscene brochures, books, newspapers, magazines, or postcards containing negative portrayals of the country's culture, civilization or dignity, and,
- Plants, seeds, or animals when determined by the Ministry of Agriculture.

STANDARDS (E.G. ISO 9000 Usage)

The Government of Panama designated the Comision Panamena de Normas Tecnicas (COPANIT), an agency of the Ministry of Commerce and Industry, as the domestic registering authority for participation in the International Standards Organization ISO-9000 program. There is no legal limitation in Panama on participation in ISO-9000 by firms doing business here. In fact, an increasing number of Panamanian firms are seeking or have already obtained ISO-9000 certification. Panama is a member of the Pan American Standards Commission (COPAN), headquartered in Venezuela.

FREE TRADE ZONES/WAREHOUSES

The Colon Free Zone

The Colon Free Zone (CFZ), the largest in the Western Hemisphere and second in the world to Hong Kong, is located in the City of Colon, adjacent to Manzanillo International Terminals on the Atlantic side of Panama and 90 kilometers from Panama City. Goods (except firearms or petroleum products) may be imported, stored, modified, repacked and re-exported without being subject to any customs regulations.

Most Free Zone merchandise is transshipped from Panama to other parts of the Western Hemisphere and Europe. Imports into the CFZ come mainly from the Far East. The largest individual supplier of the CFZ in 1999 was Hong Kong, followed by the United States, Taiwan, Japan and Italy. These five countries supplied nearly 63 percent of all CFZ imports in 1999. Colombia is the largest purchaser of merchandise, buying nearly 20 percent of all CFZ exports. Other principal buyers are Ecuador, Panama (domestic market), Venezuela, the United States, Chile and Guatemala. These countries (including Colombia) buy approximately 51% of all exports from the CFZ.

The CFZ is administered as an autonomous institution of the Panamanian Government. It has been in operation since 1953. Today it is completely developed, and covers 300 hectares, including 45 hectares designated as an industrial zone.

The CFZ offers free movement of goods and complete exemption from taxation on imports and re-exports. There are no taxes on the export of capital or the payment of dividends. In addition, there are reduced income tax rates on earnings from re-export sales. Furthermore, firms located in the CFZ are exempt from import duties as well as from guarantees, licensing, and other requirements and limitations on imports. Due to its geographic location, the CFZ is a major factor in channeling goods from large industrialized countries to consumer markets in Latin America. Unfortunately, the CFZ has also been used by the Colombian drug cartels for money laundering and drug trafficking. Other problematic transactions include trade in pirated intellectual property and stolen vehicles.

The CFZ is operated and managed by its Board of Directors, an Executive Committee and the General Manager of the institution. Corporations or individuals of any nationality may establish operations in the CFZ without obtaining a commercial license or investing any minimum amount of capital. Firms interested in operating in the CFZ must file an application and provide a copy of articles of incorporation and bank references.

There are four basic ways of doing business in the CFZ:

1. Leasing lots on which the firm builds a warehouse or other facilities as designed by the firm. Land leases are granted for a 20-year period;
2. Purchasing an existing facility from the Zone Administration;
3. Reaching an agreement with a company already established in the CFZ as the operator's representative. The cost of this service is set by mutual agreement between the parties concerned. Representation agreements are subject to the approval of the Zone Administration; or,

4. Leasing a public warehouse operated by the Zone Administration. The firm receives its goods and stores them like any other company there. There are no fixed costs and payment is based on the weight or volume of the goods stored.

Companies operating in the CFZ can engage in four types of sales operations:

1. Re-export of goods from CFZ warehouses;
2. Sales to clients located within Panama's customs territory;
3. Direct sales to foreign clients in which goods are shipped from a third country manufacturer without physically arriving in the CFZ; or,
4. Transfers in which sales are made to other CFZ firms.

Companies operating from the CFZ enjoy numerous trade advantages along with special tax incentives such as tax credits, depending on the number of Panamanian employees, and special income tax rates on foreign trade operations. Companies in the free zone pay no corporate income tax. Dividends paid on profits from foreign trade operations and from direct sales are not subject to the dividend tax. Merchandise arriving at, stored in, or leaving the CFZ destined for a foreign country is exempt from taxes, charges or any type of fee. Also, CFZ companies are not subject to any type of national or municipal tax.

Contact the CFZ Administration and the Users Association for more information. (Refer to Section II of this report for key statistical information on the CFZ and to Appendix E for contact information).

Export Processing Zones

On November 30, 1992, Panama passed Law No. 25 allowing for the establishment and development of Export Processing Zones (EPZ) within the country.

EPZs are well-defined areas for the establishment of industrial, commercial and service facilities which operate in a free trade system. All or most production is exported. A range of incentives have been established to attract companies into the EPZs.

Companies allowed to establish operations in EPZ are those engaged in manufacturing, assembly, high technology, and specialized and general services, e.g. computer data entry, reinsurance.

The EPZ law establishes two classes of EPZ firms. The first consists of EPZ developers and the second of tenant companies within the EPZ.

The Panamanian Government offers the developer the following tax incentives:

> Exemption during the life of the contract (the maximum is 20 years), from taxes, duties and other charges related to the importation of machinery, equipment, accessories and material used in the construction of the facilities. Exemption from property and income

taxes, and taxes on capital or assets for the first ten years of operation. From the 11th year until the end of the contract, the developer is exempt from income tax on net earnings reinvested in the development and expansion of the EPZ, provided that the amount reinvested exceeds 20 percent of the net taxable income for the fiscal year the reinvestment is made. Lastly, the developer may carry over losses from the year in which the loss takes place.

The tenant companies exporting from an EPZ are offered the following benefits:

Exemption from taxes, duties and other charges related to the importation of machinery, equipment, raw materials, semi-processed goods and other materials such as packaging, fuel and lubricants used in the manufacturing process. Exemption from income tax on profits arising from exports, and exemption from export sales taxes, as well as from taxes on capital and assets of the export industry.

The EPZ law also includes specific labor and immigration provisions for employees of EPZ firms which are more favorable than those established by the current Panamanian Labor Code.

Presently, there are seven EPZs approved by the GOP. Most of them are in early stages of development. Contact the Vice Ministry of Foreign Trade for information on EPZs. (Refer to Appendix E for contact information on the Vice Ministry of Foreign Trade).

Petroleum Export Zones

The Government of Panama enacted Decree No. 29 (Executive Decree) dated July 14, 1992, allowing the creation of Petroleum Export Zones (PEZ) in specially-designated areas in Panama.

Decree No. 29 allows any foreign or national company to establish operations in a PEZ to produce, refine and export petroleum products. It also permits direct sales to foreign vessels transiting the Panama Canal, and to foreign airlines. Companies operating out of these PEZs are exempt from municipal or federal taxes and are not subject to government regulations affecting the local market.

The Government of Panama has authorized the following seven Petroleum Export Zones: Petroterminal de Panama (PTP, the transisthmian pipeline), Refineria Panama (TEXACO), Autoridad Portuaria Nacional (APN, the Port Authority), Aeropuerto Internacional de Tocumen, Petroport, S.A., Alireza Mobil Terminal, S.A., and Atlantic Pacific, S.A.. Contact the Ministry of Commerce and Industry, Direccion Nacional de Hidrocarburos for more information.

SPECIAL IMPORT PROVISIONS

Special import permits are required for all types of firearms and ammunition. Import permits can be obtained from the Ministry of Government and Justice.

MEMBERSHIP IN FREE TRADE ARRANGEMENTS

Panama is not a party to any agreements providing completely free trade, but does have bilateral preferential trade agreements with Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua and the Dominican Republic. These accords are quota-based and deal with a limited number of specific products. There are also limited preferential agreements with Mexico, Dominican Republic and Colombia. Negotiations are under way to sign full-blown trade agreements with Chile and Mexico. Panama has also agreed to negotiate a more inclusive preferential agreement with Central America and the Andean Free Trade Agreement (Pacto Andino).

Panama is a beneficiary of the Caribbean Basin Economic Recovery Act, better known as the Caribbean Basin Initiative (CBI), which provides for one-way free trade access for specific Panamanian exports to the U.S. In 2000, the U.S. Government enacted new legislation enhancing the CBI program. The new CBI Law permits more liberal treatment of textile imports from CBI countries. Since Panama is not an important textile exporter, the new legislation will be of limited value to Panama.

VII. INVESTMENT CLIMATE

OPENNESS TO FOREIGN INVESTMENT

Based on Panama's central geographic location and its limited manufacturing and agricultural sectors, the Government of Panama and the business community actively promote this country's long-standing reputation as an international trading, banking, and services center, and as a site for foreign direct investment (FDI). Panama's dollar-based economy offers low inflation and no foreign exchange risk. The Panamanian Vice Ministry of Foreign Trade is responsible for providing investors with information, expediting specific projects, leading investment-seeking missions abroad, and supporting foreign investment missions to Panama.

U.S. companies own or are partners in many of the largest investments in Panama. Major U.S. investments include:

- Panama's only refinery (Texaco),
- Latin America 's largest container port Manzanillo International Terminal (Stevedoring Services of America),
- Chiriqui Land Company (Chiquita Brands International),
- Power generation and distribution facilities (Constellation Power, AES, Enron, and Coastal Power),
- a cellular telephone concession (Bell South),
- the transisthmian oil pipeline (moth-balled) and container port at Chiriqui Grande (60% owned by Northville Industries and Chicago Bridge and Iron),
- an oil storage and transit facility (Mobil, in partnership with Alireza of Saudi Arabia), and
- 49% of COPA airline (Continental Airlines).

A U.S. partnership (Kansas City Southern Industries and Mi-Jack Products) has begun construction on an expected $73 million investment to rebuild and operate the transisthmian

railroad.

Large non-U.S. foreign investments include:
- the local telecommunications company (Cable and Wireless of the U.K., 49% owner with management rights),
- the ports of Balboa and Cristobal, (Hutchison Port Holdings of Hong Kong),
- a container port (Evergreen of Taiwan),
- a power distribution company (Union Fenosa of Spain), and
- three private toll roads (PYCSA (2) and ICA (1), both of Mexico).

A major challenge for the new government, headed by President Moscoso, will be the development and productive use of the U.S. military areas reverted to Panama by the United States under the Carter-Torrijos treaties.

Projects concluded are the former Arraijan fuel tank farm, which is being managed by a U.S./Saudi partnership; the commuter airport at the former Albrook Airfield; and a sputtering Taiwanese investment in an industrial “export processing zone” (EPZ). Other projects on the drawing board include as yet undefined major tourist projects at the former Fort Amador on the Pacific and Fort Sherman on the Atlantic; a multi-use facility at Howard Air Base; and an academic and research community (City of Knowledge) at Fort Clayton. The latter two facilities have generated little interest or have been plagued by poor marketing, inept administration and revolving-door staffing at the agency responsible for their promotion.

The previous Perez-Balladares administration considered public infrastructure a key priority and therefore embarked on ambitious public construction projects. Both the Inter-American and the Transisthmian Highways are being widened, while construction of two highway toll roads around Panama City has been completed. Other infrastructure development includes Cable and Wireless' investment of $500 million in telecom equipment and new lines, multimillion-dollar investments by power companies in the privatized power generation and distribution facilities, and heavy port investments on both coasts.

Panama's tax system promotes savings and investment by giving a wide variety of incentives, deductions, and allowances, which result in very low effective rates of taxation. The maximum personal income tax rate is 33% and the maximum corporate rate is 30% of domestically produced earnings. Although successive GOPs claim to have strengthened tax collection methods, the overall regulatory and supervisory framework is quite weak. Collection rates remain low due to tax evasion and the prevalence of a large informal economy. A proposal to reduce the number of taxes from over fifty to under ten remains on the agenda for the September legislative session.

The previous Panamanian government privatized a number of state-owned enterprises. These include the state telecom; electricity generation and distribution utilities; the transisthmian railroad; ports on both coasts; state-owned sugar companies; casino operations; the state cement company; a state-owned fruit company; and a horse racetrack. The national airport and a major convention center were scheduled for privatization in 1999, but these have been placed on hold

by the new administration. The new government pledged to prevent privatization of the inefficient state water and sewage utility and has gone back on promises of its predecessor to liquidate two money losing state banks.

While bids under the previous government were generally open, transparent, and problem-free, the government came under fire for the manner in which it conducted the privatization of port facilities near the Pacific end of the Panama Canal. As least one US firm complained that the process lacked transparency. The contract was awarded to a Hong-Kong based company, Hutchinson-Whampoa. Two other U.S. firms claim the Panamanian government knowingly overpriced the value of government assets in their concessions. One was compensated by the GOP and the other is seeking compensation via arbitration.

Panama's privatization framework law does not distinguish between foreign and domestic investor participation in prospective privatizations. The law calls for pre-screening of potential investors or bidders in certain cases to establish technical viability, but nationality and Panamanian participation are not criteria. Foreigners have participated actively and successfully in most privatizations to date.

Panama suffers from an expansive, unproductive labor force. Inflexible labor laws are partly responsible for this situation. Excessive regulation of firing practices reduces labor mobility and flexibility. The combination of high electricity and telecommunications costs and the highest minimum wage in Central America deters some investors. The minimum wage, which ranges from $253 (in the city) to $166 a month in the countryside, was recently set by decree, after a panel formed by the GOP, organized labor and business failed to agreed on a new wage. President Moscoso promised to increase the minimum wage by 40% in the next four years.

Panamanian Law forbids monopolistic and anti-competitive behavior. The Government of Panama passed in February 1996 an Antimonopoly Law, designed to prevent monopolistic practices and create a consumer protection authority. Consumers are protected by the independent CLICAC (Free Competition and Consumer Affairs Commission), which has instituted fines for practices ranging from selling expired products to price gouging. The agency tends to be for the most part active and respected, yet remains underfunded.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

With the exception of retail trade and a few professions, foreign and domestic entities have the right to establish, own, and dispose of business interests in virtually all forms of remunerative enterprise. Foreigners need not be legally resident or physically present in Panama to establish corporations or to obtain local operating licenses for a foreign corporation. Business visas (and even citizenship) are readily obtainable for significant investors. Banking, legal and financial services and the legal regime are strongly oriented toward attracting foreign business and banking activity.

PROTECTION OF PROPERTY RIGHTS

Some of Panama's business, corporate, and banking codes have been modernized. They are, in general, enforced so as to create a favorable business climate. Panama does not have a bankruptcy law to facilitate the restructuring of firms, such as Chapter 11 in the U.S., although the new banking law gives the Superintendent of Banks considerable powers over the banking sector in this regard. Mortgages, liens, and other security interests are recognized. There is a public property registry, which is undergoing expansion and modernization. Unique features of Panamanian law and practice in specific areas (including but not limited to banking, accounting requirements, formation and functioning of corporations, and taxation) make retention of local legal counsel highly advisable. The civil legal system is inefficient, has a very large backlog, and is not viewed as fair or impartial by most Panamanians. The system has been corrupted in the past to strip U.S. investors of their legal property.

Intellectual Property Rights: Panama is a member of the World Intellectual Property Organization (WIPO), the Geneva Phonograms Convention, the Brussels Satellite Convention, the Universal Copyright Convention, the Bern Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, and the International Convention for the Protection of Plant Varieties. In addition, Panama was one of the first countries to ratify the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.

Protection of intellectual property rights in Panama has improved significantly over the past several years, but concerns remain. Representatives of some U.S. firms allege that Panama provides inadequate copyright and trademark protection. For example, Nintendo of America and associated video game manufacturers petitioned the U.S. Trade Representative (USTR) in 1995 to remove Panama's benefits under the Generalized System of Preferences (GSP) program. In October 1998, USTR dismissed the petition, citing improvement in Panama's IPR regime. However, USTR remains concerned about inadequate border measures to combat transshipment of counterfeited goods through Panama and about enforcement deficiencies in the Colon Free Zone (CFZ).

In August 1994, the Legislative Assembly passed Law 15 (the Copyright Law) to help modernize copyright protection. A new Industrial Property Law (Law 35) went into force in November 1996. The Anti-Monopoly Law of 1996 mandated the creation of four commercial courts to hear anti-trust, patent, trademark, and copyright cases exclusively. Two courts and one superior tribunal began to operate in mid-1997, but establishment of the other courts has been delayed. Some U.S. intellectual property owners have experienced significant delays when they have sought infringement remedies in the Panamanian judicial system.

Over the past several years, Panamanian authorities have conducted numerous raids against large video piracy operations, and several cases are pending in the courts. In a series of raids in September 1998, authorities seized more than 5 million pirated compact discs being transshipped through Tocumen International Airport, believed to be the largest seizure ever in Latin America. The operating permits of some CFZ companies have been suspended as a result, but transshipment of such goods remains a serious problem.

Patents: Panama's Industrial Property law provides 20 years of patent protection from the date of filing. Pharmaceutical patents are granted for only 15 years, but can be renewed for an additional ten years, if the patent owner licenses a national company (minimum of 30% Panamanian ownership) to exploit the patent. The law also provides for protection of trademarks, simplifying the process of registering trademarks and making them renewable for ten-year periods. The Industrial Property Law provides specific protection for trade secrets.

Copyrights: The National Assembly in 1994 passed a comprehensive copyright bill, based on a World Intellectual Property Organization model. The law modernizes copyright protection in Panama, provides for payment of royalties, facilitates the prosecution of copyright violators, protects computer software, and makes copyright infringement a felony. Although the Attorney General's Office has taken a vigorous enforcement stance, the Copyright Office remains small and ineffective, and Panama's judicial system has not provided speedy and effective remedies for private civil litigants under the law. The government of Panama has recently taken initial steps to curb the use of pirated software in government entities. U.S. software manufactures estimate that illegal software use in government offices is pervasive.

PERFORMANCE REQUIREMENTS / INCENTIVES

There are no legal performance requirements such as minimum export percentages or significant local procurement rules. There are special tax and other incentives for manufacturers to locate in an export-processing zone (EPZ). In practice, however, the current Ministry of Agriculture has conditioned issuance of phytosanitary permits for certain food imports with local purchase commitments. This practice is inconsistant with Panama's WTO obligations. Official support for investment and business activity is especially strong for the Colon Free Zone (CFZ), the banking sector, the tourism sector, and EPZs.

Companies in the CFZ pay no taxes. Banks in Panama pay no tax on interest or other income earned outside Panama and withhold no tax on savings or fixed time deposits in Panama. EPZs offer tax-free status and special immigration privileges, and license and customs exemptions to manufacturers who locate there.

Law 8 of 1994 offers tax and other incentives to investors in tourist industries. Tourism incentive laws provide, among other measures, tax exemptions for vehicles and other designated goods imported for use in, or to construct infrastructure for, the tourist sector. Similar incentives exist for the mining sector.

Law 28 of 1995 abolished national industry and export incentives. Nevertheless, contracts that were created prior to Law 28 continue to receive the benefits of the previous incentives. Investors should seek legal and accounting advice to evaluate potential investment incentives.

TRANSPARENCY OF THE REGULATORY SYSTEM

Regulations in Panama remain generally clear and tend not to present undue obstacles to companies seeking investment.

Like the judicial branch of government, regulatory authorities can, at times, be subjected to corruption and improper political influence.

LABOR

The Panamanian labor force numbers 1,083,500, with about 80% employed in the private sector and 20% in the public sector. Unemployment in 1998 was 11.6%, but Embassy estimates the rate may be underestimated. Pockets of chronic high unemployment, notably in Colon, Panama's second city, abound. Minimum wages range from $0.80/hr. to $1.50/hr., depending on the sector and the location.

While the Government of Panama has periodically revised its labor code, it nevertheless remains highly restrictive. Greater flexibility, easier termination of workers, and the elimination of many constraints on productivity-based pay must await future amendments.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

Stock market financing is limited due to the small size of the national stock exchange, which reflects the limited liquidity available for equity investment. However, bank and non-bank financing is widely available on market terms to private domestic and foreign investors and to consumers. Mortgage lending mirrors practice in the U.S. It is common place, as is the availability of credit cards and personal loans, even to those earning modest incomes. Panamanian interest rates closely follow international rates (i.e., the London Interbank Offered Rate - LIBOR), plus a country-risk premium. The rate on a domestic commercial loan was 9.99% in 1999, while the six-month domestic deposit rate was 6.92%.

Traditional bank lending from the well-developed banking sector is relatively efficient and is the most common source of financing. Some private companies -- including foreign multinational corporations -- have issued bonds in the local securities market. Companies rarely issue stock on the local market. When they do, investor demand is limited because the small pool of persons with the resources to invest. There is a 10% withholding tax on dividends, although capital gains from the sale of equities listed on the Panamanian exchange are tax exempt. Fixed bank deposits and certain bonds are tax-exempt.

The private sector has access to a variety of credit instruments. Cross-shareholding or stable shareholder arrangements, designed to restrict foreign investment through mergers and acquisitions, do not exist. There are no restrictions on, nor practical measures to prevent, hostile foreign investor takeovers, nor are there regulatory provisions authorizing limitations on foreign participation or control or other practices to restrict foreign participation. There are no government or private sector rules to prevent foreign participation in industry standards-setting consortia.

A new Banking Law, passed in March 1998 regulates Panama's banking sector. The law, which concentrates regulatory authority in the hands of a powerful and well-financed Superintendent,

transforms the previously inadequate regime into one that will be able to meet international standards. Total bank assets in 2000 were $36.6 billion.

Early in 1999 Panama passed a new Securities law that established a National Securities Commission to regulate brokers, fund managers, and all matters related to the securities' industry. The Commission began to function in early 2000, with financing from the Inter-American Development Bank.

CONVERSION AND TRANSFER POLICIES

Panama has no legal restrictions on the transfer abroad of funds associated with, profits deriving from, or capital employed in an investment. Panama uses the U.S. dollar as legal tender. Currency conversion therefore is not an issue. The Government of Panama has repeatedly emphasized its intention to retain the U.S. dollar as the national currency. There is, therefore, no independent monetary policy in Panama. Inflation, bound by the dollar, is low and predictable, thus enhancing the attraction of foreign investment.

EXPROPRIATION AND COMPENSATION

There is no de jure discrimination against U.S. or other foreign investors in most sectors, although recently two U.S. investors have had property or funds extra-judicially expropriated. There is a constitutional prohibition against foreign land ownership within ten kilometers of the national border or on an island. Neither Panamanian citizens nor foreigners may own beaches or the shores of rivers or lakes. Builders and investors generally rent the land for 20-30 years, via the Ministry of Economy and Finance. The tourism incentive law expands this period for up to 40 years.

DISPUTE SETTLEMENT

Panama has a court and judicial system built around a civil code, rather than the Anglo-American system of reliance upon case law and judicial precedent. Fundamental procedural rights in civil cases are broadly similar to those available in U.S. civil courts, although some notice and discovery rights, particularly in administrative matters, may be less extensive than in the U.S. Judicial pleadings are not always a matter of public record, nor is the process always transparent.

Most U.S. investors lack confidence in the Panamanian judicial system as an objective, independent arbiter in legal or commercial disputes, especially when the case involves powerful local figures with political influence. When disputes with foreign investors arise, as they do from time to time, the investors often choose not to pursue remedies available to them via the court system. The decision by investors to avoid the court system is understandable, given massive case backlogs and the aforementioned political influence in case outcomes.

An increasingly popular and viable alternative is the Center for Reconciliation and Arbitration established by the Panamanian Chamber of Commerce. Rulings by arbitrators are generally fair

and reasonable. In 1998, these rulings were afforded the status of judicial rulings by the GOP.

Panama became a member of the International Center for the Settlement of Investment Disputes (ICSID) in 1996. The United States and Panama signed an amendment to the Bilateral Investment Treaty to incorporate Panama's membership on June 1, 2000.

Panama enacted an Investment Stability Law in 1998, which among other things guarantees foreign investors ten years to adjust to changes in the regulatory regime made after the investment. One less attractive feature of the new law is that it calls for foreign investors who take advantage of the law's benefits to waive their rights to enlist the support of their Embassy in case of a dispute. The USG position on this clause is that the USG has a sovereign right to make diplomatic representations in matters of concern to it, a right that cannot be waived by a private investor.

POLITICAL VIOLENCE

Political violence in Panama is rare, although on the increase. Worker and student violence directed at the government occurred several times during the last Assembly session resulting in several injuries and arrests. In one instance protestors stormed and briefly occupied the National Assembly. The causes of violent protests have ranged from: opposition to the proposed privatization of the state water utility to the plight of the unemployed. These have occasionally resulted in injuries, but no deaths.

Concentration of wealth, the high unemployment rate (officially 11.6% but much higher in certain urban areas) and illicit drugs have been cited as the chief causes of crime. This is especially true in Panama's second largest city, Colon, where unemployment among young people is close to 50% and lack of housing and extreme poverty is commonplace. Although attempts are being made to reform the criminal justice system, it is overloaded, cumbersome, inefficient and at times inequitable.

BILATERAL INVESTMENT AGREEMENTS

Panama has bilateral investment agreements with the United States, the United Kingdom, France, Switzerland, Germany and Taiwan. Panama is not a party to any agreements providing for completely free trade, but does have bilateral preferential trade agreements with Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua, Colombia, Dominican Republic, Germany, Bulgaria, Czech Republic, Hungary, Romania, Russia, and Poland. Panama finished negotiating a free trade agreement with Mexico in May 2000 and has committed to finishing trade agreements with the Andean Pact and the Central American Market.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

OPIC and the government of Panama recently signed a comprehensive agreement in April 2000, which the legislature approved and the President signed. OPIC President George Muñoz visited Panama for the signing and held a regional OPIC summit in Panama in late July to increase

knowledge of OPIC procedures. General enthusiasm for OPIC's role in FDI is high among the local business community.

OPIC currently supports only a few U.S. investments in Panama, but the numbers should quickly increase thanks to the new agreement. In previous years, OPIC has supported over 30 projects in Panama.

CAPITAL OUTFLOW POLICY

The U.S. dollar is legal tender in Panama. There are no restrictions on capital outflows or convertibility.

MAJOR FOREIGN INVESTORS

- Adrian Resources
- AES Corporation
- Alireza Mobil
- American Airlines
- American Hospital Supply Co.
- American Life Insurance Co.
- AOKI Corporation
- AT&T
- Banco Do Brasil
- Banco Exterior, S.A.
- Becton Dickinson & Co.
- Bell South Corp.
- Black and Decker International Corp.
- Borden Co.
- Braswell Service Group
- Bristol Laboratories International Corp.
- Cable and Wireless (U.K.)
- Challenge Air Cargo
- Chase Manhattan Bank, N.A.
- Cheesebrough Pond's Int. Ltd.
- Chiriqui Land Company (Chiquita)
- Chevron Corp.
- Citibank, N.A.
- Coastal Power
- Coca-Cola Bottling Co.
- Colgate Palmolive (Central America), Inc.
- Constellation Power
- Continental Airlines
- Cyprus Minerals Co.
- Del Monte Corporation
- Dole Foods Co.

- Eastman Kodak Company
- Enron Power
- Environmental System Research Institute
- Exxon Corp.
- Esso Standard Oil, S.A.
- First National Bank of Boston
- Freeport Exploration Co.
- General Mills Inc.
- Georgia Pacific Corp.
- Gillette Co.
- Glidden - Durkee
- Greenstone Resources
- Griffith Laboratories, Inc.
- Grupo Carvajal
- Goldstar Corp.
- GTE
- Hong Kong Shangai Bank
- Hospital Corporation of America
- Hutchison Port Holdings (Hong Kong)
- IBM
- ICA
- International Proteins Corp.
- Jenny Manufacturing, Inc.
- Johnson and Johnson
- Kansas City Southern Industries
- Kendall Company
- Ketchum Public Relations
- Kimberly-Clark International, S.A.
- Kraft Foods, Inc.
- Lanier Worldwide, Inc.
- Lykes Line
- Marine Midland Bank
- McDonald's Corporation
- Merrill Lynch, Pierce, Fenner & Smith Int'l
- Mi-Jack Products
- Minnesota, Mining & Manufacturing
- Nabisco Brands Inc.
- Nestle Company
- Northville Industries Corp.
- Otis Elevator Company
- Chas. Pfizer & Company, Inc.
- Panasonic Latin America
- Phelps Dodge Corp.
- Phillip Morris, Inc.
- PYCSA, S.A.

- Revlon Inc.
- Rubbermaid Inc.
- Samsung Electronics
- Schering Corp. International
- Seaboard Marine Ltd.
- Sears, Roebuck & Co.
- Sherwin Williams
- Shell Co. (WI) Ltd.
- Sony Corporation
- Sterling Drugs International
- Stevedoring Services of America
- Swift and Company
- Swiss Bank Corp.
- Syntex Corporation
- Technoserve Inc.
- Texaco Inc.
- TRT Telecommunications Corp.
- Twentieth Century Fox
- Union Fenosa, S.A.
- United Brands
- United Parcel Service
- UNYSIS USA
- Warner Lambert Co.
- Xerox Corp.

VIII. TRADE AND PROJECT FINANCING

BANKING AND FINANCING

Panama’s banking sector is one of the most dynamic areas of the economy. A new banking law enacted in March 1998, modernized the banking system and increased government supervision. Under the new law, the system meets Basle Accord standards. Bank financial statements now must comply with international standards and be audited by internationally recognized auditors. Panama's 86 banks (June 1999) had total deposits of $27 billion, and reported $37 billion in total assets, a 1 percent increase from 1997. In 1999, approximately 8 percent of the total credit portfolio represented loans to the public sector. Loans to the private sector in Panama reached $10.2 billion, or 92 percent of total credit. Sectors obtaining significant shares of the loans are: trade and commerce (36%), mortgages (24%), and consumer banking (21%).

Panama opened its banking sector to foreign competition in 1971 under legislation which placed high priority on banker-depositor confidentiality. This has heightened the risk that the banking system can be exploited by money launderers. The banking legislation establishes three classes of operations. General license banks operate full service banks in Panama and compete for domestic deposits and loans (54 banks). International License or "Offshore" banks, can only

accept deposits from persons or organizations located overseas (23 banks). Representative Offices can only perform representational activities (9 banks). There are also two state-owned deposit-taking institutions. Foreign and Panamanian banks compete on equal terms. Banks are organized into two groups, the Panamanian Banking Association (Panamanian and Foreign Banks) and the Association of Panamanian Banks (only Panamanians banks). Banks are licensed and regulated by the Banking Supervisory Authority (Superintendencia de Bancos). Panama's banking system does not have a deposit insurance scheme.

FOREIGN EXCHANGE CONTROLS

There are no foreign exchange controls. The U.S. dollar is the national currency. There are no restrictions on capital flows in or out of the country.

GENERAL FINANCING AVAILABILITY

In mid-2000 the banking sector had a high level of liquidity. Private financing is readily available. The Government of Panama does not maintain statistics on the sources or level of privately-financed investment or trade and is not itself an important lender.

HOW TO FINANCE EXPORTS/METHODS OF PAYMENT

A number of local banks provide trade financing. Additionally, the Latin American Export Bank (BLADEX) provides trade financing through the local banking system. Because Panama is an international banking center, there are a number of financing options for Panamanian exporters and importers.

TYPES OF AVAILABLE EXPORT FINANCING AND INSURANCE

The Overseas Private Investment Corporation (OPIC), the U.S. Export-Import Bank (EXIM), the International Finance Corporation(IFC) of the World Bank, and the Inter-American Development Bank (IDB) have projects in Panama. A new OPIC agreement was signed with Panama on June 1, 2000 and subsequently confirmed by the Panamanian Legislative Assembly. Although there was a previous agreement dating to 1961, OPIC has been relatively inactive in Panama because of restrictive conditions in the enabling legislation for the original agreement. The new accord eliminates these problems and should open the way for considerably greater OPIC activity in Panama. Currently there are no projects in Panama large enough to require multi-institutional "bundling" arrangements. The Commodity Credit Corporation's (CCC) GSM Credit Guarantee program in Panama for fiscal year 1999 totaled $44.5 million for exports of U.S. feed grains, protein meals and vegetable oil. Credit from any bank in Panama approved by CCC will be guaranteed. Significant lines of commodity credit guarantees were still available at the time of this writing.

AVAILABILITY OF PROJECT FINANCING

The EximBank has participated in the financing of a number of Government purchases. It is

currently providing financing in excess of $100 million in insurance and guarantees (short, medium and long-term) in a number of sectors. The Inter-American Development Bank has financed several studies and projects, including a Nathan Associates study for the Panamanian Government of development strategies for the U.S. military facilities that reverted to Panama under the Panama Canal Treaties. The World Bank (IBRD) has a number of small social-sector-oriented projects, and recently cofinanced with IDB and the Government of Panama a $406 million road construction and rehabilitation project. Panama has held discussions with IBRD about membership in the World Bank's Multilateral Investment Guarantee Agency, but has not yet applied to join. The Moscoso government has pursued financing from International Financial Institutions for a number of infrastructure and social sector investment projects (see also Section II, Infrastructure Situation).

LIST OF PANAMANIAN BANKS WITH CORRESPONDENT U.S. BANKS

Banco Continental de Panama, S.A.
P.O. Box 135
Panama, 9A, Republic of Panama
Tel: (507) 215-7000
Fax: (507) 215-7134
General Manager: Lic. Osvaldo Moines
Http://www.bcocontinental.com

U.S. Correspondents:
Chemical Bank, New York
Citibank, New York and Miami
Credit Suisse, Miami
Nations Bank, Miami
Standard Chartered Bank PLC, Miami

Banco de Latinoamerica, S.A. (BANCOLAT)
P.O. Box 4401
Panama 5, Republic of Panama
Tel: (507) 210-7100
Fax: (507) 263-7368
General Manager: Rafael Arias
E-mail: bancolat@bancolat.com

U.S. Correspondents:
Banco Atlantico, New York
The Chase Manhattan Bank, New York
Extebank, New York
AmTrade Bank International, Miami
Barclays Bank PLC, Miami
Capital Bank N.A., Miami
Hamilton Bank N.A., Miami

The International Bank of Miami, Miami
Republic National Bank of Miami, Miami
Popular Bank of Florida, Miami

Banco del Istmo, S.A.
P.O. Box 6-3823, El Dorado
Panama, Republic of Panama
Tel: (507) 270-0015
Fax: (507) 270-0861
General Manager: J. Montague Belanger

U.S. Correspondents:
Capital Bank, Miami
Nations Bank, Miami
Standard Chartered Bank, Miami
Banco Atlantico, Miami
Barclays Bank PLC, Miami
The Chase Manhattan Bank N.A., New York
Brown Brothers, Harriman & Co., New York

Banco del Pacifico, (Panama, S.A.)
P.O. Box 6-3100, El Dorado
Panama, Republic of Panama
Tel: (507) 263-5833
Fax: (507) 263-7481
General Manager: Jose Chung, Jr.

U.S. Correspondent:
First Chicago International Bank, New York

Banco Disa, S.A.
P.O. Box 7201
Panama 1, Republic of Panama
Tel: (507) 263-5933
Fax: (507) 264-1084
http://www.bdisa.com
General Manager: Lic. Rafael Endara J.

U.S. Correspondents:
The Chase Manhattan Bank N.A., New York and Miami
Marine Midland Bank, New York
Nations Bank International, New York
Dadeland Bank, Miami
National Westminister USA International, Miami

Banco General, S.A.
P.O. Box 4592
Panama 5, Republic of Panama
Tel: (507) 265-0303
Fax: (507) 265-0210
http://www.banco-general.com
General Manager: Raul Aleman Z.

U.S. Correspondents:
Citibank N.A., New York
The Chase Manhattan Bank N.A., New York
Marine Midland Bank, New York
Bank of America N.T. & S.A., San Francisco
Nations Bank, Atlanta
Dadeland National Bank, Miami
First Union Bank, Miami

Banco Internacional de Costa Rica, S.A. (BICSA)
P.O. Box 600
Panama 1, Republic of Panama
Tel: (507) 263-6822
Fax: (507) 263-6393
General Manager: Jose Francisco Ulate

U.S. Correspondents:
Citibank N.A., New York
BankAmerica International, New York
Banco Atlantico, New York
The Bank of New York, New York

Banco Internacional de Panama, S.A. (BIPAN)
P.O. Box 11181
Panama 6, Republic of Panama
Tel: (507) 263-9000
Fax: (507) 263-9514
General Manager: Rene A. Diaz A.
E-mail: bipan@bipan.com
Http://www.bipan.com

U.S. Correspondents:
Nations Bank International, Miami
Barclays Bank, Miami
Banco Internacional de Costa Rica, Miami

Banco Latinoamericano de Exportaciones, S.A. (BLADEX)

P.O. Box 6-1497, El Dorado
Panama, Republic of Panama
Tel: (507) 210-8500
Fax: (507) 269-6333
Chief Executive Officer: Jose Castaneda

U.S. Correspondents:
The Chase Manhattan Bank N.A., New York
Citibank N.A., New York
Credit Lyonnais, New York
Swiss Bank Corporation, New York
Barclays Bank PLC, Miami

Banco Panamericano, S.A. (PANABANK)
P.O. Box 1828
Panama 1, Panama
Tel: (507) 263-9266
Fax: (507) 269-1537
General Manager: Guido Martinelli
E-mail: panabank@pty.com

U.S. Correspondents:
American Express Bank, New York
Marine Midland Bank, New York
Hong Kong and Shanghai Bank, New York
Popular Bank of Florida, Miami
Hamilton Bank N.A., Miami
Barclays Bank PLC, Miami
Nations Bank International, Miami

Note: This list is intended to be representative and not complete. Further detailed information on these banks and other banks in Panama can be located in the Polk Register or by contacting the Asociacion Bancaria de Panama (Panamanian Bank Association). Refer to Appendix E for the three U.S. Banks with full operations in Panama.

IX. BUSINESS TRAVEL

Foreign visitors should use the same precautions while traveling in Panama as in any metropolitan U.S. city.

BUSINESS CUSTOMS

Business practices and customs in Panama are a unique blend of North American methods and traditional Latin style. Foreign corporations operating in Panama are important in shaping the style and manner of doing business.

Most private business offices are open from 8:00 a.m. until 5:00 p.m., Monday through Friday, and Saturdays from 8:00 a.m. to 12 noon. Banks are open from 8:00 a.m. to 3:00 p.m., Monday through Friday. Most local banks open Saturdays from 9:00 A.M. to 12:00 Noon. Government offices are open from 8:30 a.m. to 4:30 p.m., Monday through Friday.

TRAVEL ADVISORY AND VISAS

U.S. Citizens are subject to Panamanian law when visiting Panama and penalties for possession, use and trafficking in illegal drugs are severe.

In 1987, the State Department's Bureau of Consular Affairs established the Consular Affairs Bulletin Board (CABB), as a means to keep the international business community informed about security and crime problems abroad. Access to the CABB is free of charge to anyone with a computer and a modem. Callers dial 202-647-9225 from their modem. Consular Affairs and the Bureau of Diplomatic Security update the CABB daily.

The Travel Advisory Service of the Department of State provides foreign travel information and, when appropriate, warnings. Phone: (202)647-5225, Fax: (202)647-3000, Http://travel.state.gov.

U.S. citizens may enter Panama with a passport or a certified copy of a U.S. birth certificate and an official picture I.D., (e.g. driver's license) and a Tourist Card purchased for $ 5.00 from an airline serving Panama. The Tourist Card is valid for 30 days and may be extended for two more 30-day periods. The following are three types of Visas available to businesspersons wishing to spend extended periods of time in Panama:

1. Inversionista (Investor): A minimum of $ 100,000 must be invested and $ 600 must be deposited in advance ($ 500 with the Ministry of Government and Justice and $ 100 with the Ministry of Economy and Finance).
2. Visa de Visitante Temporal (Temporary Visitor's Visa): For executives or technicians working with a company in Panama for a limited time. The Visa is valid for one year and is renewable.
3. Temporal Especial (Working Permit): For professional or skilled personnel transferred from an overseas office to work in Panama temporarily. The applicant must prove his earnings will come from outside of Panama. The Visa is valid from three to six months.

Further information can be obtained from the Consular Section of the U.S. Embassy in Panama, Unit 0945, APO AA 34002, Tel: (507) 207-7332, Fax: (507) 225-1495.

HOLIDAYS

All private, government, municipal and U.S. Embassy offices are closed during local holidays, . In addition the U.S. Mission observes all U.S. holidays.

The national holidays for 2001 are:

January	1	New Year's Day
January	9	Mourning Day
March	6	Carnival
April	13	Good Friday
May	1	Labor Day
November	3	Independence Day from Colombia
November	4	Flag Day
November	10	The Uprising of Los Santos
November	28	Independence Day from Spain
December	8	Mother's Day
December	25	Christmas Day

There are a large number of Jewish owned businesses, which observe Jewish holidays.

BUSINESS INFRASTRUCTURE

Panama's official language is Spanish. However, English is widely spoken as a second language in the main cities. Panama has excellent local and international telephone services. Direct dialing is available to more than 150 countries worldwide. There are 170 radio stations and 5 television stations in Panama. Office space both permanent and temporary is readily available.

Health conditions in Panama are good, especially in the urban centers. Running water is available in almost all parts of the country and is usually potable. Use of bottled water or boiling before use is necessary only in some rural areas and small towns in the provinces.

There are several international level hotels. Facilities usually include swimming pools, tennis courts, fitness centers, clothing and souvenir shops, casinos, restaurants, coffee shops and bars. Furnished apartments are available for longer stays. A wide variety of restaurants offer international cuisine, including Chinese, Italian, Mexican, Indian, Spanish and Japanese. Several specialize in seafood. All large hotels offer American, European, and local cuisine. There are some hotel coffee shops that are open around the clock.

Transportation from the International Airport into Panama City is by a special taxi service, and the price ranges from $ 15 per trip for small taxis to $ 25 for large taxis. Taxis may be shared with other passengers. Car rentals are available. There is no bus service at the airport.

Buses and Taxis are readily available in urban areas. Taxi fares are low and usually range from one to five dollars depending on the trip's length.

The official currency of Panama is the Balboa (symbol B/.) which is the same as the U.S. Dollar. The Balboa exists only in coin form of the same denomination and size as U.S. coins. Both U.S. paper currency and coins are legal tender and circulate freely.

The U.S. system of weights and measures and the metric system are both used in Panama. Speed

limits are posted in kilometers per hour.

"Guides for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; tel. (202) 512-1800; fax. (202) 512-2250. Business travelers to Panama seeking appointments with U.S. Embassy Panama officials should contact the Commercial Section in advance. The Commercial Section can be reached by tel. (507) 207-7000 or by fax at (507) 227-1713".

X. ECONOMIC AND TRADE STATISTICS

APPENDIX A: COUNTRY DATA - PANAMA

Population:	2.85 Million
Population Growth Rate:	1.4%
Religion:	82% Roman Catholic, 10% Evangelical (complete religious freedom)
Government:	Democratic, Representative
Language:	Spanish, English widely spoken.
Work Week:	Monday – Friday, and Saturday mornings depending on business. Department Stores: Monday - Sunday

APPENDIX B: DOMESTIC ECONOMY
(millions of U.S. Dollars, except as noted)

	1997	1998	1999	2000 (proj)
GDP (Current Prices)	8,657	9,143	9,608	10,049
GDP (1982 dollars)	6,657	6,933	7,157	7,344
Real GDP Growth Rate	4.5%	4.1%	3.2%	2.6%
GDP Per Capita (Current Prices)	3,198	3,308	3,420	3,513
GDP Per Capita (1982 dollars)	2,449	2,509	2,548	2,614
Central Goverment Spending (as a % of GDP)	26.1%	28.7%	26.9%	n/a
Inflation (CPI)(%)	1.2%	0.6%	1.5%	1.8%
Unemployment (%)	13.4%	13.6%	11.6%	n/a
Foreign Exchange Reserves(1)	1,148	1,370	1,516	1,616
Average Exchange Rate Balboas to U.S. Dollars	1.00	1.00	1.00	1.00
USAID Assistance	7.2	4.8	5.3	4.4

Sources: Ministry of Economic and Finance, Panama ComptrollerGovernment of Panama, U.S. Embassy estimates.

(1) Corresponds to foreign assets of the National Bank of Panama

APPENDIX C: TRADE
(Millions of U.S. Dollars, except as noted)

	1997	1998	1999
Total Country Exports	648	704	707
Total Country Imports	3,006	3,417	3,515
U.S. Share of Panama Imports	36.7%	39.5%	35.3%
U.S. Share of Panama Exports	42.2%	39.9%	42.2%

Sources: Ministry of Economy and Finance, U.S. International Trade Commission, Embassy Projections.

The figures above do not include trade to/from the Colon Free Zone (CFZ). In 1999, the CFZ imported 4.04 billion and exported 4.93 billion. These figures compared to the 1998 ones represent a decrease of 21.45% on imports and a 17.27% on exports.*

These numbers have diminished of CFZ's reliance upon the Andean Region as its primary customer. As the region continues to suffer from economic and political instability, CFZ lingers in a recessionary pattern. CFZ has shown some signs of recovery in the first quarter of this year.

APPENDIX D: INVESTMENTS STATISTICS

FOREIGN DIRECT INVESTMENT IN PANAMA /1, 1995-1999
(IN US$ MILLIONS AND AS PERCENT OF GDP)

Year	FDI	GDP	New FDI
1995	266.7	7,906	3.4%
1996	410.4	8,151	5.3%
1997	1,255.8	8,657	14.5%
1998	1,206.1	9,144	13.2%
1999	22.3	9,608	0.23%

FOREIGN INVESTMENT IN PANAMA /1, BY COUNTRY OF ORIGIN 1998

	US$ Millions	Percent of total
United States	1,500	40%
United Kingdom	880	23%
Mexico	700	19%
Taiwan	300	8%
Others	378	10%
Total	3,758	100%

FOREIGN DIRECT INVESTMENT /2, BY SECTOR 1998

	US$ Millions	Percent of Total
Transport, Storage	1,290	33%
Services, Communication	1,150	31%
Manufacturing	400	11%
Finance, Real Estate	400	11%
Others	518	14%
Total	3,758	100%

/1 GOP Comptroller General
/2 Embassy estimates.

The GOP has not published recent information on foreign direct investment either total stock or by country of origin. The above figures were developed in consultation with private sector economists and are the Embassy's best estimate of a dynamic investment situation.

XI. U.S. AND COUNTRY CONTACT

APPENDIX E: U.S. AND COUNTRY CONTACTS - PANAMA

U.S. EMBASSY CONTACTS

The Commercial Service
U.S. Department of Commerce
Tel: (507) 207-7000
Fax: (507) 227-1713
http:\\www.ita.doc.gov

E-mail: Office.Panama@mail.doc.gov

Richard Benson, Commercial Attache;
Tel. (507) 207-7388
E-mail: Richard.Benson@mail.doc.gov
J. Enrique Tellez, Senior Trade Specialist;
Tel. (507) 207-7080
E-mail: Enrique.Tellez@mail.doc.gov
Jilma A. de Robles, Commercial Assistant;
Tel. (507) 207-7304
E-mail: Jilma.de.Robles@mail.doc.gov
Diana Lozano, Commercial Secretary;
Tel. (507) 207-7242
E-mail: Diana.Lozano@mail.doc.gov
Jeane A. de Zuniga, Commercial Clerk
Tel. (507) 207-7392
E-mail: Jeane.Zuniga@mail.doc.gov

Economic Unit, U.S. Department of State
Gene Bigler, Chief, Economic/Political Section
Tel: (507) 207-7000
Fax: (507) 227-1964

Foreign Agricultural Service,
U.S. Department of Agriculture
Hugo Salazar, Agricultural Specialist
Maria Victoria Guardia, Secretary
Tel: (507) 207-7064
Fax: (507) 225-4209

Embassy Mailing Address in the U.S.:
Unit 0945
APO AA 34002
Tel: (507) 207-7000
Fax: (507) 227-1964

WASHINGTON-BASED USG COUNTRY CONTACTS

U.S. Department of Commerce,
International Economic Policy
Matt Gaisford, Panama Desk Officer
14th & Constitution Ave.
Washington, D.C. 20230
Tel: (202) 482-4464
Fax: (202) 482-4157

U.S. Department of State
Kelly Keiderling, Desk Officer
ARA (Inter American Affairs)/CEN-PAN
2201 C St. NW
Washington, DC 20520
Tel: (202) 647-4986
Fax: (202) 647-2901

U.S. Department of the Treasury
Rachel Barrell, Desk Officer
Office of Latin America & Caribbean
1500 Pennsylvania Ave. NW
Washington, D.C. 20220
Tel: (202) 622-1266
Fax: (202) 622-1273

U.S. Department of Commerce,
Liaison Office to the Inter-American Development Bank
Rebecca Mann, IDB Liaison, Comm. Liaison
1250 H Street, NW, 10th Floor
Washington, D.C. 20005
Tel: (202) 623-3821
Fax: (202) 623-2039

U.S. Department of Commerce,
Liaison Office to the International Bank
for Reconstruction and Development
U.S. Executive Director's Office
1818 H St., NW, Room D-13004
Washington, D.C. 20433
Tel: (202) 458-0118
Fax: (202) 477-2967

U.S. Department of Commerce,
Office of Multilateral Development Banks
Janet Thomas, Director
Ronald Reagan Building
MS/MDBO
Washington, D.C. 20230
Tel: (202) 482-3399
Fax: (202) 273-0927

U.S. Department of Agriculture,
Foreign Agricultural Service

Robert K. Hoff, WH Area Officer
Room 5094
14 th and Independence Ave, SW
Washington, DC 20250
Tel: (202) 720-3221
Fax: (202) 690-5183

Overseas Private Investment Corporation
1100 New York Avenue, N.W.
Washington, DC 20527
Adrien Seaton, Finance Officer
Tel: (202) 336-8472
Fax: (202) 408-9866

Export-Import Bank of the U.S.
811 Vermont Avenue, NW
Washington, DC 20571
Veronique Cavallier, Business Development
Tel: (202) 565-3921 X3916
Fax: (202) 565-3931
http:// www.exim.gov

U.S. Trade and Development Agency
Jeremy Martin, Country Manager for Panama
1621 N. Kent St., Suite 300
Arlington, VA 2209-2131
Tel: (703) 875-4357
Fax: (703) 875-4009
E-mail: info@tda.gov

Office of U.S. Trade Representative
Associate USTR for Western Hemisphere,
Director for Caribbean Basin Affairs
Office of the U.S. Trade Representative
600 17th Street, NW
Washington, D.C. 20506
Tel: (202) 395-5190
Fax: (202) 395-3911

U.S. - BASED MULTIPLIER ORGANIZATIONS RELEVANT FOR COUNTRY

Embassy of Panama
Ambassador Guillermo “Billy” Ford
2862 McGill Terrace NW
Washington, DC 20008

Tel: (202) 483-1407
Fax: (202) 483-8413

MINISTRIES AND GOVERNMENT OWNED AGENCIES IN PANAMA

Ministerio de Comercio e Industrias,
(Ministry of Commerce and Industry)
Joaquin Jacome, Minister
P.O. Box 9658
Panama 4, Republic of Panama
Tel: (507) 360-0600
Fax: (507) 360-0663
E-mail: Uti@mici.gob.pa
Http: www.mici.gob.pa

Ministerio de Comercio e Industrias,
Direccion General de Registro de la Propiedad Industrial,
(Industrial Property Registry Administration)
Luz Celeste R. de Davis, Director General
P.O. Box 9658
Panama 4, Republic of Panama
Tel: (507) 321-0266
Fax: (507) 321-0266

Vice Ministerio de Comercio Exterior
Roberto Henriquez, Vice Minister
P.O. Box 6-1897
Panama 6, Republic of Panama
Tel: (507) 236-0550/0347
Fax: (507) 236-0495
E-mail: secomex@mici.gob.pa

Ministerio de Desarrollo Agropecuario,
(Ministry of Agricultural Development)
Ing. Luis Alejandro Posse Martins, Minister
P.O. Box 5390
Panama 5, Republic of Panama
Tel: (507) 232-5043
Fax: (507) 232-5044

Ministerio de Economia y Finanzas
(Ministry of Economics and Finance)
Ing. Victor Juliao, Minister
P.O. Box 7304
Panama 5, Republic of Panama

Tel: (507) 227-4998
Fax: (507) 227-2357
http://www.mhyt.gob.pa/
E-mail: mhyt@mhyt.gob.pa

Direccion Nacional de Aduanas, (Customs Service)
Mercedes de Villalaz, Director
P.O. Box 1671 Balboa, Ancon
Panama, Republic of Panama
Tel: (507) 232-5292/6014
Fax: (507) 232-6494
http://www.mhyt.gob.pa

Ministerio de Salud, (Ministry of Health)
Dr. Jose Teran, Minister
P.O. Box 2048
Panama 1, Republic of Panama
Tel: (507) 262-3511/3510
Fax: (507) 262-5597
Http://www.min-salud.gob.pa

Ministerio de Obras Publicas,
(Ministry of Public Works)
Ing. Moises Castillo de Leon, Minister
P.O. Box 1632
Panama 1, Republic of Panama
Tel: (507) 232-5572
Fax: (507) 232-5776
http://www.mop.gob.pa/
E-mail: infomop@sinfo.net

Autoridad de la Region Interoceanica (ARI),
(Interoceanic Regional Authority)
Ing. Alfredo Arias Grimaldo, Administrator
P.O. Box 2097, Balboa
Panama, Republic of Panama
Tel: (507) 228-8044
Fax: (507) 228-8988
http://www.ari-panama.com
E-mail: ari@sinfo.net

Autoridad Marítima Nacional,
(National Maritime Authority)
Lic. Jerry Salazar, Administrator
P.O. Box 8062

Panama 7, Rep. of Panama
Tel: (507) 232-5553/5528
Fax: (507) 232-5527

Administracion de la Zona Libre de Colon,
(Colon Free Zone Administration)
Lic. Jorge Luis Fernandez Urriola, General Manager
P.O. Box 1118
Colon, Republic of Panama
Tel: (507) 445-5794/5114
Fax: (507) 445-2165
http://www.zonalibre.com
E-mail: david@zolicol.org

Direccion de Aeronautica Civil (DAC),
(National Aeronautics Authority)
Ing. Jaime Fabrega, Director
P.O. Box 7615
Panama 5, Republic of Panama
Tel: (507) 315-0210/0212
Fax: (507) 315-0214
E-mail: fabrega@pan.gbm.net

Instituto Panameno de Turismo (IPAT),
(Tourism Institute of Panama)
Liriola de Cordoba, Director
P.O. Box 4421
Panama 5, Republic of Panama
Tel: (507) 226-7414 or 226-3751
Fax: (507) 226-3483
http://www.ipat.gob.pa
E-mail: webmaster@ipat.gob.pa

Instituto de Acueductos y Alcantarillados Nacionales (IDAAN),
(National Water Works Company)
Lic. Carlos Sanchez Frias, Director
P.O. Box 5234
Panama 5, Republic of Panama
Tel: (507) 223-8640
Fax: (507) 264-0034

Inter-American Development Bank,
(In-country office)
John Hastings, Representative
Apartado Postal 7297

Panama 5, Rep. of Panama
Tel: (507) 263-6944
Fax: (507) 263-6183
http://www.iadr.org

TRADE ASSOCIATIONS

American Chamber of Commerce and Industry
Richard Wainio, Executive Director
P.O. Box 168, Balboa
Panama, Republic of Panama
Tel: (507) 269-3881
Fax: (507) 223-3508
http://www.panamcham.com
E-mail: amcham@sinfo.net

Asociacion de Distribuidores de Automoviles de Panama (ADAP),
(Automobile Distributors Association)
Angie Ubben, Executive Director
P.O. Box 476
Panama 9A, Republic of Panama
Tel: (507) 261-1264
Fax: (507) 261-0906
E-mail: analmo@sinfo.net

Asociacion de Usuarios de la Zona Libre de Colon,
(Colon Free Zone Users Association)
Galo Pinto de la Ossa, Executive Director
P.O. Box 3118, Zona Libre de Colon
Colon, Republic of Panama
Tel: (507) 441-4244
Fax: (507) 441-4347
E-mail: au@sinfo.net

Asociacion Panamena de Exportadores (APEX),
(Exporters Association)
Daniel Vega, Executive Director
P.O. Box 6-6527
Panama 6, Republic of Panama
Tel: (507) 230-0284 or 230-0169
Fax: (507) 230-0805
E-mail: sip@sinfo.net

Camara de Comercio, Industrias y Agricultura de Panama,
(Chamber of Commerce, Industry and Agriculture of Panama)

Jose Ramon Varela, Executive Director
P.O. Box 74
Panama 1, Republic of Panama
Tel: (507) 227-1285 or 227-1445
Fax: (507) 227-4186 or 225-3653
http://www.panacamara.com
E-mail: cciap@panama.phoenix.net

Camara Panamena de la Construccion (CAPAC),
(Construction Chamber)
Eduardo Rodriguez, Executive Director
Apartado 6793
Panama 5, Republic of Panama
Tel: (507) 264-2255
Fax: (507) 264-2384
E-mail: capac@pty.com

Sindicato de Industriales de Panama (SIP),
(Industrialists Association of Panama)
Daniel Vega, Executive Director
P.O. Box 6-4798
Panama 6, Republic of Panama
Tel: (507) 230-0284 or 230-0169
Fax: (507) 230-0805
E-mail: sip@sinfo.net

COUNTRY COMMERCIAL BANKS

Superintendencia de Bancos
(Banking Superintendency)
Lic. Delia Cardenas, Superintendent
P.O. Box 0832-2397 WTC
Panama, Rep. of Panama
Tel. (507) 206-7800
Fax. (507) 264-9467
E-mail: superintendencia@superbancos.gob.pa
Http: www.superbancos.gob.pa

Asociacion Bancaria de Panama,
(Banking Association of Panama)
Mario de Diego, Executive Vice President
P.O. Box 4554
Panama 5, Republic of Panama
Tel: (507) 263-7044
Fax: (507) 263-7783

E-mail: abp@orbi.net

Banco del Istmo
L.J. Montague Belanger, General Manager
P.O. Box 6-3823, El Dorado
Panama 6A, Republic of Panama
Tel: (507) 270-0015
Fax: (507) 270-0861
Http://www.banistmo.com
E-mail: www@banistmo.com

Banco General
Raul Aleman, General Manager
P.O. Box 4592
Panama 5, Republic of Panama
Tel: (507) 265-0303
Fax: (507) 265-0206
http://www.banco-general.com

Banco Comercial de Panama
Emmanuel Gonzalez Revilla, General Manager
P.O. Box 7659
Panama 5, Republic of Panama
Tel: (507) 263-6800 or 263-4433
Fax: (507) 263-8033

Banco Nacional de Panama
Eduardo C. Urriola, General Manager
P.O. Box 5220
Panama 5, Republic of Panama
Tel: (507) 269-2966/269-2966
Fax: (507) 264-7155

The Chase Manhattan Bank, N.A.
Olegario Barrelier, General Manager
P.O. Box 9A-76
Panama 9A, Republic of Panama
Tel: (507) 263-5855 or 263-5877
Fax: (507) 263-6009

Citibank, N.A.
Francisco Conto, General Manager
P.O. Box 555
Panama 9A, Republic of Panama
Tel: (507) 236-4044

Fax: (507) 236-1025

The First National Bank of Boston
Luis Navarro, General Manager
P.O. Box 5368
Panama 5, Republic of Panama
Tel: (507) 264-2244 or 64-2146
Fax: (507) 223-4089

COUNTRY MARKET RESEARCH FIRMS

Ditcher & Neira - Marketing Consultant
Leopoldo Neira, Director General
P.O. Box 6-7373, El Dorado
Panama, Republic of Panama
Tel: (507) 264-3466
Fax: (507) 223-1174
E-mail: d&n@pananet.com

Jaime Porcell & Asociados
Jaime A. Porcell, President
P.O. Box 4760
Panama 5, Rep. of Panama
Tel: (507) 226-0438/0452
Fax: (507) 226-7390

Grupo Ariston
Maria Nela Galvez, General Manager
P.O. Box 944
Panama 9A, Republic of Panama
Tel: (507) 226-1276
Fax: (507) 226-5275
E-mail: mthalass@pan.gbm.net

XII. MARKET RESEARCH AND TRADE EVENTS

APPENDIX F: MARKET RESEARCH: PANAMA

Non-Agricultural Market Research

FY-2000

Industry Sector Analyses (ISA)

Health Care Services

Television Cable Industries
Telecommunications equipment
Water and Wastewater Treatment Equipment
Computer Software

International Market Insight (IMI)

Tocumen International Airport
Import Duty increases for Certain Products
New Structure of the Electric Sector
Trade Shows in Panama
Business Organizations in Panama
Procurement Regulations for the Panama Canal Authority
Bid for TV Frequencies
Panama Services Sector
Contacts for the Electric Sector

Agricultural Market Research: None

NOTE: A complete list of market research reports is available from the National Trade Data Bank (NTDB).

APPENDIX G: TRADE EVENTS SCHEDULE – PANAMA

OFICINA 2000 (Computer and Office Equipment Show)
Manufacturers, distributors, agents of computer, office and telecommunications equipment. Also, office equipment accessories and supplies, office furniture, computer magazines, computer software, video games, etc
September 28-October 1, 2000, Panama City, Panama
Adeofi Panama
P.O. Box 1924
Panama 9A, Republic of Panama
Phone: 507-226-9518
Fax: 507-226-3863
E-mail: Oficina@sinfo.net
Web site: www.sinfo.net/oficina
Contacts: Franklin Martinez, Executive Director

MEDTRADE 2000
U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Healthcare Products and Services
October 3-6, 2000, Orlando Florida

Kelly Ireland, Marketing Manager
Bill Communications-Atlanta
1115 Northmeadow Pkwy.
Roswel, GA 30076
Tel. (770) 569-1540
Web: http://www.medtrade.com/

PANAMA MOTOR SHOW 2000
Sponsored by the Panamanian Automobile Distributors Association (ADAP). A bi-annual vertical exhibition. Industry: New cars, trucks, parts, accessories, leasing and finance.
October 12-22, 2000
Asociación de Distribuidores de Automóviles de Panama (ADAP**)**
(Panama Automobile Distributors Association)
President: Michael J. Maduro
Executive Director: Angela Ubben
P.O. Box: 476, Zona 9A
Tel.: (507) 321-0215
Fax.: (507) 321-0214
E-mail: Adap@sinfo.net

AUTOMOTIVE AFTERMARKET WEEK 2000
U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Automotive parts and service equipment.
October 31 - November 3, 2000, Las Vegas, Nevada
William T Glasgow, Inc.
16066 South Park Avenue
South Holland, IL 60473-1500
Tel. (708) 333-9292
Fax. (708) 333-4086
E-mail: Judynovakl@aol.com
Contact: Judy Novak, Vice President

COMDEX FALL 2000
U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Computers/Peripherals.
November 13-17, 2000, Las Vegas, Nevada
ZD Events, Inc.
300 First Avenue
Needham, MA 02194
Tel. (781) 433-1823
Fax. (781) 7722

E-mail: SonnySaslaw@zd.com
Contact: Sonny Saslaw, Director

MAGIC 2001
U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Apparel
February 13-16, 2001, Las Vegas, NV
Magic International
6200 Canoga Ave.
Suite 303
Woodland Hills, CA 91367
Tel. (818) 593-5000
Fax. (818)593-5020
E-mail: Magiconline.com
Contact: Joseph Loggia, Pres. CEO

EXPOCOMER 2001 (Multisector Show)
This is Panama's premiere international trade shows. Expocomer is a horizontal trade show covering a number of sectors such as consumer goods, toys, food and beverage, clothing, hardware products, interior decoration, computers, telecommunications, sporting goods, services, medical products, etc.
March 7-12, 2001, Panama City, Panama
Organizer: Camara de Comercio, Industrias y Agricultura de Panama (Panamanian Chamber of Commerce, Industry and Agriculture of Panama), Expocomer
P.O. Box 74
Panama 1, Republic of Panama
Phone: 507-227-0033 or 507-227-0034
Fax: 507-227-0115
E-mail: expo@expocomer.com
Web site: www.expocomer.com
Contacts: Roberto Appleby, Executive Director

EXPOALIMENTOS 2001 (Food Show)
Manufacturers, Distributors, agents of food and beverage. Food processing equipment, accessories, restaurant equipment, restaurant decoration, kitchen equipment, etc.
July, 2001, Panama City, Panama
Organizer: Camara de Comercio, Industrias y Agricultura de Panama (Panamanian Chamber of Commerce, Industry and Agriculture of Panama), Expoalimento
P.O. Box 74
Panama 1, Republic of Panama
Phone: 507-227-0033 or 507-227-0034
Fax: 507-227-0115
E-mail: expo@expocomer.com

Web site: www.expocomer.com
Contacts: Roberto Appleby, Executive Director

INTL. HARDWARE WEEK & NATIONAL HARDWARE SHOW 2001
U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Tools – Hand and Power.
August 12-15, 2001, Chicago, Illinois
American Hardware Manufacturers Association
801 North Plaza Drive
Schaumburg, IL 60173-4977
Tel. (847) 605-1025
Fax. (847) 605-1093
E-mail: AHMA@ahma.org
Contact: Timothy Farrell

PCIA GLOBAL XCHANGE 2001
U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Wireless Communications
September 11-14, 2001, Las Vegas, Nevada
PCIA
500 Montgomery Street, Suite 700
Alexandria, VA 22314-1561
Tel. (703) 739-0300
Fax. (703) 836-1608
Web: www.pciaglobalexchange.com

EXPOMEDICA 2001 (Medical Show)
Manufacturers, Distributors, agents of medical equipment, supplies, pharmaceutical products, veterinary products, interior decoration, hospital and health services. There are medical seminars and conferences during the show.
October 4-7, 2001, Panama City, Panama
Camara de Comercio, Industrias y Agricultura de Panama (Panamanian Chamber of Commerce, Industry and Agriculture of Panama), Expocomer
P.O. Box 74
Panama 1, Republic of Panama
Phone: 507-227-0033 or 507-227-0034
Fax: 507-227-0115
E-mail: expomed@expocomer.com
Web site: www.expocomer.com/expomedica
Contacts: Roberto Appleby, Executive Director

DECLARATION OF SUSAN BAILEY – EXHIBIT C

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

THEO GARB, BELLA JUNGEWIRTH, SAM LEFKOWITZ, PETER KOPPENHEIM, JUDAH WELLER, CHANA LEWKOWICZ, SAMUEL GOLDIN, KARL DIAMOND, HALA SOBOL, GOLDIE KNOBEL, DAN LIPMAN, and WILLIAM Z. ZIMMERSPTIZ, Individually and on Behalf of Themselves and All Others Similarly Situated,	CV-99-3487 (ERK) (MG)
Plaintiffs,	**AMENDED COMPLAINT**
- against -	
REPUBLIC OF POLAND and MINISTRY OF THE TREASURY OF POLAND (MINISTERSTWO SKARBU PANSTWA),	
Defendants.	

Plaintiffs, individually and on behalf of themselves and all others similarly situated, by their undersigned attorneys, as and for their Amended Complaint allege as follows:

OVERVIEW OF THE CLAIMS

1. This is a class action brought by twelve individual plaintiffs, on behalf of themselves and all others similarly situated, pursuant to 28 U.S.C. §§ 1330 *et seq.* and §§ 1602 *et seq.* (the "Foreign Sovereign Immunities Act") and other federal and state statutory and common laws and the law of nations against the Republic of Poland, hereinafter referred to at times as "Poland," and the Ministry of the Treasury of Poland ("Ministerstwo Skarb Panstwa"), hereinafter at times referred to as the "Treasury" or "Skarb."

2. Plaintiffs and the Class are Jewish owners of real properties and improvements thereon in Poland ("Property") during any part of the period from September 1, 1939 to May 30, 1945 and their heirs and successors. As a result of the Holocaust, the vast majority of Polish Jews

were killed and their Property fell into the hands of the Nazis or their agents. Those who survived were forced to leave the country under emergency conditions.

3. Following World War II, Defendants engaged in a course of action designed to prevent surviving Polish Jews from asserting ownership interest over such Property by, among other things, participating in and fomenting anti-Semitic pogroms, failing to protect Jews returning to Poland, encouraging Jewish emigration from Poland, and adopting practices and procedures designed to frustrate inquiries by Class members regarding their Properties. Defendants then proceeded to exercise ownership or management rights over such Property, which they declared to be "abandoned" when they, in fact, knew or should have known that the owners or their heirs were alive, and profit from its ownership, management, or sale. Plaintiffs and the Class seek damages and other relief from Defendants for this ongoing conduct, which is in violation of international law and common law.

JURISDICTION AND VENUE

4. This Court has jurisdiction pursuant to section 1330 of the United States Judicial Code, 28 U.S.C. § 1330, as this action is against a foreign state, and section 1605(a) of the United States Judicial Code, 28 U.S.C. § 1605(a), as an exception to immunity under the Foreign Sovereign Immunities Act.

5. Venue is proper in this Court pursuant to 28 U.S.C. § 1391.

6. This Court has jurisdiction over the subject matter of this action pursuant to section 1605 of the Foreign Sovereign Immunities Act as follows:

(a) This action is based upon acts outside the territory of the United States in connection with commercial activities of a foreign state elsewhere, which acts cause a direct effect in the United States, under section 1605(a)(2); and

(b) This case is one in which rights in Properties taken in violation of international law are in issue and that Properties or any properties exchanged for such Properties is owned or operated by an agency or instrumentality of a foreign state and that agency or instrumentality is engaged in commercial activities in the United States, under section 1605(a)(3).

7. The transactions and ownership of Properties were and continue to be of the same type of activities commonly engaged in by private persons and entities. In addition, Defendants derived substantial profits in a wholly-commercial manner from real estate transactions related to Properties owned by Plaintiffs and the other members of the Class.

8. In regard to the allegations set forth herein, Poland and Skarb have engaged in commercial activities that are typically conducted by the private sector. A significant percentage of their operations involve the management, renting, leasing, and development of parcels of real property and other valuable assets and the marketing and selling of such properties in and to persons located in the United States. These Properties were confiscated illegally from Jews living in Poland before, during, or after World War II through a calculated common scheme of anti-Semitism, undertaken or sanctioned by Poland in violation of international law, which culminated in the death, injury, maiming, and expulsion of thousands of Jews from Poland after the Holocaust, instilling in members of the Class a well-founded fear that Jews as a group would be persecuted in Poland because of their religion and membership in a distinct ethnic group should they return to that country.

9. Defendants have marketed and offered for sale to persons in the United States Properties that Defendants have improperly taken as provided herein.

10. Defendants have sold to persons in the United States Properties that Defendants have improperly taken as provided herein.

11. Defendants have used financial institutions in the United States to maintain Properties that Defendants have improperly taken as provided herein.

12. In sale transactions involving some Properties that Defendants have improperly taken as provided herein, Defendants have received money from United States financial institutions or from other financial institutions with offices in the United States.

13. Additionally, upon information and belief, all Defendants' reserves in the United States have been augmented and enhanced by profits earned by the illegal transactions in which they engaged, as described above.

14. Defendants have also engaged in other commercial activities within the United States and have raised capital through access to financial markets and financial institutions in the United States.

15. For a period of over fifty years, Poland and Skarb fraudulently concealed the nature and extent of their involvement in transactions involving such looted Properties. Until recently, when previously secret documents have become accessible in Polish archives, Plaintiffs and the other Class members were unaware of the extent of Poland's and Skarb's fraudulent acts and conduct, and, thus, their right to a remedy against Poland and Skarb. In addition, Plaintiffs and the other members of the Class have, as a result of Defendants' conduct, suffered from fear to their safety should they take steps to enforce their rights in Poland so that Defendants' conduct deterred Plaintiffs and the other members of the Class from learning of the true condition of their Property and from enforcing such rights as they might have had with respect thereto. Consequently, Plaintiffs and the other Class members are entitled to the benefit of equitable tolling with respect to any limitations period.

PARTIES

PLAINTIFFS

16. **Theo Garb** ("Mr. Garb") is a U.S. citizen and resident of Long Island, New York. His late mother, Ruchla Rosenstrauch-Garbarz, shared ownership with her siblings of the building at 45 Targowa Street, a large apartment building in the Praga district of Warsaw. Until the onset of World War II she received commercial income from that ownership. Upon information and belief, none of Ruchla Rosenstrauch-Garbarz's siblings or or their heirs survived the Holocaust.

17. Ruchla Rosenstrauch-Garbarz has since died, and Mr. Garb is her sole heir. At the time of her death, Ruchla Rosenstrauch-Garbarz had not transferred her ownership interest in any portion of 45 Targowa Street nor had that ownership interest been transferred from her except by reason of the wrongful conduct of Defendants as alleged herein.

18. Since his mother's death, Mr. Garb has undertaken to recover the Properties at 45 Targowa Street without success. Among other things, he traveled to Poland where he was granted access only to old ledgers but denied access to more recent documents, which would show in whose name title to the Properties at 45 Targowa Street is held. The building is believed to be fully rented, with commercial stores on the ground floor. Neither Mr. Garb nor any other member of his family has ever received any compensation for the unlawful taking of his family's Property.

19. **Bella Jungewirth (née Neustadt)** ("Mrs. Jungewirth") is a native of Poland who is a U.S. citizen and lives in New York, New York. Before World War II, she lived in a building owned by her parents in Krakow, Poland. Of her immediate family – which consisted of both of her parents and six siblings – only she survived World War II and death at the hands of the Nazis.

20. Having survived Auschwitz, she returned to Krakow in 1945 to take possession of her parents' house. At that time it was occupied by a Polish woman who said that she paid rent to the Treasury. Mrs. Jungewirth was threatened with death by the occupants of her home if she tried to regain possession of her Property. After having received multiple death threats, Mrs. Jungewirth fled Poland shortly thereafter.

21. Mrs. Jungewirth's efforts to reclaim her Property have proved unsuccessful, even though records recently uncovered in Polish archives confirm that her family owned the Property. Based on information and belief, following the Holocaust, Skarb registered itself as the "owner" of the Property, managed the Property, and sold it in 1957, without providing Mrs. Jungewirth with any notice or opportunity to reclaim it or giving her any compensation for the taking.

22. **Sam Lefkowitz** ("Mr. Lefkowitz") was also born in Poland. He is a U.S. citizen and lives in Florida. His father, Jacob Lefkowitz, owned a large leather export business and several parcels of real estate, including a thirty-two family residence located at 9 Ulica Warshawska, in Czestochowa, Poland.

23. Mr. Lefkowitz escaped from the Treblinka concentration camp and hid in a stable until he was liberated by Soviet troops in late 1944. Upon his return to Czestochowa, he discovered that the 9 Ulica Warshawska Property was being controlled by its former superintendent. After learning that other Jewish survivors were attacked in Czestochowa, some seriously, and receiving several threats himself, Mr. Lefkowitz fled Poland.

24. Mr. Lefkowitz is the heir to his father's estate, including the Property at 9 Ulica Warshawska, but he has been unable to pursue his recovery of that Property in Poland.

25. **Peter Koppenheim** ("Mr. Koppenheim") is a British citizen and lives in Manchester, England. He was born in a Bresslau, which is in a part of Germany that became part

of Poland after World War II. His grandfather Meyer Koppenheim owned a five story house on Ring 7, in Bresslau, as well as several other buildings in the same city.

26. In 1939, the Koppenheim house was seized by the Nazis and purchased by a Nazi sympathizer.

27. After World War II, when Bresslau became part of Poland, all German assets there came under the control of Skarb or other instrumentalities of Poland. Mr. Koppenheim retained lawyers in Germany in the 1990's, but, over his objection, Skarb and Poland permitted the grandchildren of the Nazi sympathizer who was permitted to "purchase" that Property from the occupying Nazis, to sell it to the Thyssen Companies, part of the Krupp Group, for several million Deutsch Marks. Mr. Koppenheim has not received any compensation for the Property notwithstanding that he was its rightful owner at the time of the sale.

28. **Judah Weller** ("Mr. Weller") is a U.S. citizen and resides in Queens, New York. His father, Sruel Eizik Weller, was a Polish national who avoided the Holocaust by fleeing to Brazil before September 1939. His family was to follow, but was trapped by the German invasion in September 1939 and killed in 1942. The family owned and ran a store at 8 Warsaw Street, Kaluszyn, Poland, which has been taken from the family and never returned. Sruel Eizik Weller left Brazil, became a U.S. citizen, remarried and raised a new family. He died in 1973.

29. In 1999, Mr. Weller initiated an investigation into the Property in Kaluszyn. Eventually, records were uncovered showing that Mr. Weller's father's first wife purportedly sold the Property in 1950, eight years *after* she was murdered by the Nazis. At that time, Defendants knew that the first Mrs. Weller had been killed in 1942.

30. Mr. Weller has not received any compensation for his family's Property in Poland, to which he is entitled.

31. **Chana Lewkowicz** ("Ms. Lewkowicz") is a U.S. citizen living in Brooklyn, New York. Her parents owned a parcel of Property on Rynek Glowny 14 in the city of Oswiecim, Poland, more commonly known as Auschwitz. During the Nazi occupation of Poland, her parents were evicted from the house and the Nazis turned it into a court. During World War II, Ms. Lewkowicz was sent to various concentration camps where she was forced to work as a slave laborer. After World War II, she returned to her home, whereupon she was threatened by its occupants. She fled, ironically, to Germany for her safety. The Polish Treasury took the Property and has refused to return it to Ms. Lewkowicz. The building is still used as a courthouse. To date, Ms. Lewkowicz has not received any compensation for this Property. Her parents also owned other Property, but she has been unable to find the pertinent records.

32. **Samuel Goldin** ("Mr. Goldin") was born in 1916 in Nieswiez, Poland and is a U.S. citizen living in Binghamton, New York.

33. His father, Mowsza Goldin, owned, with Jacob Sadowski, a Warsaw business named Tartak Radzyminski, which owned a large tract of land with railroad tracks for four rail cars, a large factory and an office building. Mowsza Goldin and Mr. Goldin's mother were killed at the Auschwitz concentration camp.

34. With his two sisters, both of whom also survived World War II, Mr. Goldin is the heir to his father's Property, including the interest in Tartak Radzyminski and, through it, the Warsaw realty. Since World War II he has tried, without success, to obtain title to that Property.

35. After World War II, Mr. Goldin learned from other Jewish survivors that the Nazis took control of his father's factory as soon as they entered Warsaw. The most recent property records he was able to obtain, from 1996, show that Skarb and the Polish Treasury are the "owners" of the factory and continue to run the business and receive income from it to the present day.

36. **Karl Diamond** ("Mr. Diamond") was born and raised in Tarnow, Poland, and is a U.S. citizen residing in Memphis, Tennessee. Before World War II, Mr. Diamond's family owned a pickling business and a store as well as a vast forest, which was lumbered once a year. The forest land was owned by Mr. Diamond's father and uncle, and consisted of approximately 240 acres in Stempina near Frystak (Powiat Strzyzow), Poland.

37. On June 12, 1942, Mr. Diamond's family, along with the other Jewish inhabitants of Tarnow, were evicted under the pretext of "resettlement" by the Nazis. Mr. Diamond was sent to the Plaszow slave labor camp, where he remained until he was liberated by Soviet troops in 1945.

38. After World War II, Mr. Diamond retained lawyers in Poland and Israel seeking to recover his family's Property. He learned that his father's real estate was taken by Skarb after World War II, but has been unable to reclaim any of it. Defendants have resisted his ongoing efforts to recover his family's Property.

39. **Hala Sobol** ("Ms. Sobol") was born in Poland in 1924 and is a U.S. citizen and resident of Ohio. Her uncle Mottel Horn owned a large building on a property fronting on two main streets in downtown Krakow, Poland; one side of the Property is located on ul. Bozego Ciala 23 and the other side on ul. Krakowska 26. He died at the Auschwitz concentration camp.

40. Mottel Horn's Krakow Property was confiscated and subdivided after World War II, with a bank registered as its "owner." Ms. Sobol is the sole heir with respect to that Property.

41. In addition, Mottel Horn purchased a villa in Rabka, ul. Poniatowskiego 185, Poland in 1930.

42. Ms. Sobol's grandparents owned two houses in Kshanow, ul. Malarinik 3, which are no longer standing, having been demolished by Skarb.

43. Ms. Sobol's aunt and uncle, who owned several of the family's properties, are deceased and had no children. All of Ms. Sobol's other relatives in the family were murdered during the Holocaust, leaving Ms. Sobol and her sister as the only survivors of her entire family. Ms. Sobol's sister died three years ago, and is survived by one daughter in London.

44. Ms. Sobol was liberated by the British army at the Bergen Belsen concentration camp. Her physical and mental condition was extremely poor after the liberation – having spent five years under Nazi occupation. She wanted to return to Poland to reclaim her family's Property, but was warned of the dangerous situation and the wave of anti-Semitism that was being unleashed against the returning Jewish survivors. She then fled the country. Ms. Sobol and her family have not received any compensation for the Property that was confiscated by Defendants.

45. **Goldie Knobel** ("Ms. Knobel") was born on July 9, 1942 in Dukla, Poland. She is a U.S. citizen and lives in Brooklyn, New York. Her mother, Yochwet Knobel (née Feit), owned and managed two large international convalescent hotels and spas in Ivonitch, Poland, in partnership with her brother, Nochum Feit. They also owned Ivonitch-Edtrov private houses in which they lived.

46. Shortly after the invasion of Poland in 1939, the Nazis ordered the entire Knobel family to evacuate the Ivonitch buildings, which they did. The family remained in hiding for the next five years.

47. After World War II, the Knobel family emerged from hiding and was directed to go to Stetin, Poland, where they were registered. They were later sent to a displaced persons ("DP") camp in Berlin, and in 1951 came to the United States from there.

48. Nochum Feit also returned to Stetin, Poland, with the Knobel family. He had been in hiding with the Knobel family. One day in 1946, he went out to visit a government office and failed to return. Sometime later he was found dead, hacked to death with a sharp weapon by local Poles. When trying to report the death, they were forced to flee for their lives.

49. The Knobel family had been threatened by Poles before the murder. They had been told that if they tried to remain in Poland, they would all be killed. After the brutal death of Nochum, they felt compelled to flee Poland, going to a displaced persons camp.

50. Ms. Knobel's parents lived the rest of their lives in Brooklyn, New York. Her father died in the 1980's and her mother died in the 1990's. While alive, both of Ms. Knobel's parents were terrified of ever returning to Poland.

51. Ms. Knobel seeks the return of the real Property that belonged to her family before World War II, to which she is the rightful heir.

52. **Dan Lipman** ("Mr. Lipman") was born in 1919 in Lodz, Poland. His given name is Lipman Yedidyah Lipmanowicz. His father was Kiva Lipmanowicz and his mother was Jura Lipmanowicz Kleinlerer, a daughter of Moses Kleinlerer. He currently lives in Chicago, Illinois.

53. Mr. Lipman left Poland in 1940, and is the sole survivor of his family.

54. Before World War II, his mother's family owned several Properties in Lodz, Poland, at 38 Jaracza Street (formerly 38 Cegielniana), 8 Plac Wolnosci (formerly 4 Plac Koscielny), and 8 Pilsudskiego. Title to each of these Properties is currently held by either Poland or an instrumentality of the City of Lodz.

55. Mr. Lipman is the sole heir to his family's Property, including the real Properties in Lodz.

56. Mr. Lipman, a representative of the Sub-Class as well as the Class, seeks the return of the real Property that belonged to his family before World War II, to which he is the rightful heir.

57. **William Z. Zimmersptiz** ("Mr. Zimmerspitz") was born on May 8, 1926 in Krokow, Poland. He currently lives in Cherry Hill, New Jersey.

58. Before World War II, his parents owned a twelve unit apartment house at 4 Podskale, Krakow, Poland. His father, Szymon Zimmerspitz, died in a concentration camp in or about 1944. His mother, Rozalia Zimmerspitz, died after World War II. When Mr. Zimmerspitz married in 1953, Rozalia Zimmerspitz gave all of her interest in the Properties in Krakow to Mr. Zimmerspitz.

59. Before World War II, Mr. Zimmerspitz's maternal grandparents, Szmerl and Tauba Gemiiner, owned a 20 unit apartment house at 61 Dietlowska, Krakow, Poland. Both of these grandparents were killed by the Germans in 1943.

60. Titles to the Properties at 4 Podskale and 61 Dietlowska, Krakow are currently believed to be held by Poland or Skarb.

61. Mr. Zimmerspitz is the sole heir to his family's Property, including the real Properties in Krakow.

62. Mr. Zimmerspitz, a representative of the Sub-Class as well as the Class, seeks the return of the real Property that belonged to his family before World War II, to which he is the rightful heir.

DEFENDANTS

63. Republic of Poland and Skarb, through their ministers, officers and directors, conduct the affairs of Poland.

64. Upon information and belief, Poland and Skarb do business in the United States. A portion of all of Defendants' financial activities are directed at, and impact upon, persons in the United States. At all relevant times, Defendants have maintained substantial quantities of assets in the United States, including New York, and/or have places of business in the United States or continuously and systematically transact business in the United States.

65. Defendants have committed tortious acts outside the United States which acts have caused injury to persons within the United States, and Defendants regularly do or solicit business and engage in a persistent course of conduct within the state.

66. After World War II, Defendants coordinated and participated in a scheme to force Jewish Holocaust survivors to flee from Poland, through the use and threat of violence, culminating in the death, injury, and maiming of thousands of Jews from Poland, in violation of the laws of nations.

67. Defendants have committed tortious acts outside the United States which acts have caused injury to persons within the United States, and Defendants expect or should reasonably expect those acts to have consequences in the United States, and Defendants derive substantial revenue from international commerce.

CLASS ALLEGATIONS

68. Plaintiffs seek to represent a Class comprised of the following:

> All Jewish persons and entities (and their heirs and successors) who owned real property and improvements thereon in Poland during the period September 1, 1939 to May 30, 1945 as to which Defendants exercised any rights of ownership or management and who have not been compensated.

69. **Fed. R. Civ. P. 23(a)(1).** The proposed Class is so numerous that individual joinder of all its members is impracticable under the standards of Fed. R. Civ. P. 23(a)(1).

Thousands of persons are members of the Class, residing throughout the United States and elsewhere. While the exact number and identities of the Class members are unknown at this time, such information can be ascertained through appropriate investigation and discovery.

70. **Fed. R. Civ. P. 23(a)(2) and 23(b)(3).** There are questions of law and fact that are common with respect to all members of the Class and that predominate over any individual issues that may exist. Common questions of fact and law include the following:

(i) Whether Defendants conducted or participated in a scheme of threats, violence, beatings, murder, expulsions and racial cleansing against the Jews of Poland in the post-World War II period in Poland.

(ii) Whether Defendants engaged in a course of conduct to illegally seize, confiscate, or benefit from the Properties of Class members and commercially control, manage and alienate such Properties in violation of the rights and entitlements of Class members.

(iii) Whether Defendants obtained profits through their transactions in Properties taken from Class members.

(iv) Whether Defendants knowingly or intentionally concealed their participation in transactions involving such looted Properties.

(v) Whether Defendants, after they understood that they had dealt in, held and profited from transactions involving such looted Properties, refused to disgorge such Properties and the profits unjustly earned therefrom to their rightful owners.

71. **Fed. R. Civ. P. 23(a)(3).** Plaintiffs' claims are typical of the claims of the other members of the Class. Plaintiffs and all other members of the Class have been similarly affected and harmed by Defendants' course of conduct.

72. **Fed. R. Civ. P. 23(a)(4).** The Class representatives will fairly and adequately protect the interests of the members of the Class, and do not have interests which are antagonistic to the interests of other Class members. The Class representatives have retained attorneys experienced in the prosecution of complex litigation and class action litigation.

73. **Fed. R. Civ. P. 23(b)(3).** A class action is superior to other available methods for the fair, efficient and just adjudication of this litigation. Individual joinder of all members of the Class is impractical. Even if individual Class members had the resources to pursue individual litigation, it would be unduly burdensome to the courts in which the individual litigation would proceed. The class action device allows a single court to provide the benefits of unitary adjudication, judicial economy, and the fair and equitable handling of all plaintiffs' claims in a single forum. The prosecution of this action as a class action conserves the resources of the parties and of the judicial system, and protects the rights of each Class member. Furthermore, for many, if not most, Class members, a class action is the only feasible mechanism that allows them an opportunity for legal redress and justice.

SUB-CLASS ALLEGATIONS

74. Plaintiffs Dan Lippman and William Zimmerspitz (the "Sub-Class Representatives") also seek to represent a Sub-Class comprised of the following:

> Members of the Class defined in paragraph 68 hereof whose Property is currently held by either Defendant or by an instrumentality of the Polish government or any other political sub-division of Poland.

75. **Fed. R. Civ. P. 23(a)(1).** The proposed Sub-Class is so numerous that individual joinder of all its members is impracticable under the standards of Fed. R. Civ. P. 23(a)(1). Thousands of persons are members of the Sub-Class. While the exact number and identities of the

Sub-Class members are unknown at this time, such information can be ascertained through appropriate investigation and discovery.

76. **Fed. R. Civ. P. 23(a)(2) and 23(b)(3).** There are questions of law and fact that are common with respect to all members of the Sub-Class and that predominate over any individual issues that may exist. These questions include those generally applicable to the Class, set forth at Paragraph 70, but also include the following:

(i) Whether Defendants or any other instrumentality of the Polish government or any political sub-division of Poland holds title to Property that is rightfully owned by members of the Sub-Class;

(ii) Whether transfers of Property from either Defendant to any other instrumentality of the Polish government or any political sub-division of Poland was done without adequate consideration and was otherwise sham transactions so that such instrumentalities of the Polish government or political sub-divisions of Poland were with respect to such "transfers" actually alter egos of Defendants for which Defendants bear responsibility with respect to such Property.

77. **Fed. R. Civ. P. 23(a)(3).** Plaintiffs' claims are typical of the claims of the other members of the Sub-Class. Plaintiffs and all other members of the Sub-Class have been similarly affected and harmed by Defendants.

78. **Fed. R. Civ. P. 23(a)(4).** The Sub-Class Representatives will fairly and adequately protect the interests of the members of the Sub-Class, and do not have interests which are antagonistic to the interests of other Sub-Class members. The Sub-Class Representatives have retained attorneys experienced in the prosecution of complex litigation and class action litigation.

79. Fed. R. Civ. P. 23(b)(3). A class action is superior to other available methods for the fair, efficient and just adjudication of this litigation. Individual joinder of all members of the Sub-Class is impractical. Even if individual Sub-Class members had the resources to pursue individual litigation, it would be unduly burdensome to the courts in which the individual litigation would proceed. Individual litigation magnifies the delay and expense to all parties in the court system of resolving the controversies engendered by Defendants' conduct. The class action device allows a single court to provide the benefits of unitary adjudication, judicial economy, and the fair and equitable handling of all plaintiffs' claims in a single forum. The prosecution of this action as a class action conserves the resources of the parties and of the judicial system, and protects the rights of each Sub-Class member. Furthermore, for many, if not most, Sub-Class members, a class action is the only feasible mechanism that allows them an opportunity for legal redress and justice.

FACTS

80. On the eve of the Holocaust, there were over three million Jews living in Poland, representing about one in ten Poles. This was the largest single concentration of Jewish population, representing one in five of the world's Jews.

81. In Eastern Europe, including Poland, Jewish life centered around major cities. In Warsaw, approximately thirty-three percent of the population was Jewish. In Krakow, it was approximately twenty-five percent; in Lodz, approximately thirty-four percent; in Kielce, half of the population was Jewish.

82. The Jews in Poland in the years immediately preceding the Holocaust paid approximately thirty percent of the taxes collected by the Polish government.

83. On September 1, 1939, the armed forces of Nazi Germany invaded Poland from the west. Pursuant to a previously arranged plan, Soviet armed forces advanced into eastern Poland.

After Polish armed resistance was quelled, Germany and the Soviet Union divided Poland between themselves. Germany eventually attacked its former ally and occupied all of pre-war Poland. The Nazis used Polish soil as the principal ground for their plan to kill the Jews of Europe.

84. As an integral part of the Nazi master plan to achieve a "final solution of ethnic cleansing" and as a component of their strategy to dominate Europe and beyond, the Nazis set about looting the assets of the very peoples they sought to liquidate. The group that suffered the most from these policies was European Jews. Mass extermination was preceded, accompanied, and followed by a methodical, systematic, and industrialized confiscation of Properties, including through the enactment of illegal statutes, forcible-taking of property, extortion, blackmail, and murder.

85. Billions of dollars worth of Property owned by Jews in Poland were misappropriated by the Nazis. Individual Jewish businesses were put under the administration of Nazi-controlled "treuhandlers," who controlled all the assets of the Jewish-owned companies and used such Properties for the benefit of their Nazi masters.

86. Before and during the early months of Nazi occupation, a small percentage of Polish Jews escaped to the West or Palestine. Many others fled the Nazi terror by moving eastward to the area controlled by the Soviet Union and later, when hostilities began between that country and Germany, into Russia itself. By the end of the war, over 250,000 Polish Jews had found temporary refuge in Soviet territory.

87. As Soviet troops began to move westward into Germany, the issue of the resettlement of Polish Jews then in Russia was the subject of considerable diplomatic discussion. At the conference at Yalta in February 1945, the Allies agreed that the borders of post-War Europe would be changed. Poland would be reconfigured westward, acquiring a large portion of former

German territory to the west, but losing a similar portion of its eastern territory to the Soviet Union. The borders of Ukraine, Belorussia, Russia, and Lithuania were also to be changed from their pre-War locations.

88. The Allies recognized that these modified borders would result in significant ethnic minorities in these countries. Consequently, it was agreed that Poles, Ukrainians, Belorussians, Russians, and Lithuanians could relocate within the new borders of their homelands. The principal opposition to this agreement came from the Polish exile leader, Wladislaw Gomulka, who was to become Poland's post-War Communist dictator. Gomulka's strongly held belief was that Poland should become a single nationality state. This left no room for Jews, who Gomulka viewed as being inherently non-Polish. Under extreme pressure from Stalin, who did not want a large population of Polish Jews left in Russia, Gomulka reluctantly consented to allow Polish, Jewish refugees to return.

89. At the end of World War II, the only Jews remaining in Poland were those who were freed from the concentration camps – most of the survivors of the camps were non-Jews – who were largely non-Polish, those fighting with partisan units, and those few who had successfully evaded the Nazis. The millions of Polish Jews who had fled or had been murdered had left behind a huge inventory of abandoned properties. By the end of the War, many of those properties not destroyed had been taken over by non-Jewish Poles.

90. On July 6, 1945, the Soviet Union and Poland entered into a repatriation agreement which resulted in the return of about 230,000, or 90%, of the Polish Jews who had fled to the Soviet Union. At the same time, Poland was receiving a huge influx from the West of Poles who had been impressed into forced labor within Germany. The Polish Government, now under the leadership of Gomulka, saw this chaotic situation as a pretext to effectuate its plan to rid Poland of

the Jews it never wanted to take back in the first place. It also played on the fears of the population that returning Jews would seek to reclaim their property.

91. A common scheme of savage, unchecked, anti-Semitism was unleashed against returning Jews, killing, maiming, and injuring thousands of defenseless returning Jewish Poles. The Polish government, people, police, and army were actual participants.

92. Polish governmental entities thus fanned the flames of anti-Semitism and when outbreaks occurred, stood by as Jews were victimized. In June 1945, forty Jews were killed within a space of ten days. On August 11 of that year, police and security service personnel participated in a pogrom in Krakow. There were no repercussions to any of the participants.

93. The governmental campaign to oust the Jews of Poland reached its peak in the pogrom of July 4, 1946 at Kielce. There, in broad daylight, a mob led by uniformed police and security personnel attacked the building in which the local Jewish Committee was headquartered. Forty-two Jews were killed and about eighty were injured. In similar incidents throughout the country, thirty-three other Jews were murdered in July 1946. In none of these instances did Polish governmental officials either come to the aid of the Jews being attacked or take criminal action against the perpetrators, which included governmental officials.

94. Polish soldiers escorting wounded Jews to a nearby hospital beat and robbed their Jewish charges on the way. Polish soldiers directly participated in the murder of Jews and the looting of their Property. The head of the Provincial Bureau for Public Security, a Major Sobczynski, in charge of security in Kielce, has been directly implicated in escalating this pogrom.

95. The Kielce pogrom had the effect intended by the Polish Government. Fearful for their lives, Jews sought to flee Poland. Although strict immigration controls were applicable in Poland at the time, the Polish Government undercut its own laws in encouraging and tacitly

allowing Jews to leave the country. By September 1946, 63,000 Jews had fled. Within a year, 180,000 Polish Jews were living in displaced persons camps outside of Poland. The property belonging to these Jews were declared to be abandoned.

96. After the post-War exodus, very few Jews were left in Poland. The Arab-Israeli conflicts of 1956 and 1967 provided further pretexts for the Polish Government to oppress the Jews remaining in Poland. In each instance, the Polish Government fomented and encouraged anti-Semitic riots and other actions. In 1967, some 9,000 Jews were dismissed from their jobs. Again, in fear of their lives and livelihoods, Jews chose to emigrate leaving behind properties and possessions.

The Role of Poland and Skarb

97. Before the Holocaust, middle and upper class Jews owned significant assets and properties in Poland. At the onset of the Holocaust, many Jews buried or hid whatever assets they could on their properties in order to avoid anticipated looting by the Nazis.

98. At the end of World War II and the Holocaust, survivors, many gravely ill from abuse and neglect suffered in German labor and concentration camps, returned to their homes in Poland, seeking their family members and possessions and hoping to resume their lives. Others, who had fled into the Soviet Union and elsewhere, also returned to their former homes in Poland after World War II.

99. The Polish administration and the local Poles did not welcome this return of Jews. Poles wrongfully took possession of Jewish Properties before Jewish survivors had returned, with no intention of restoring ownership, control, or management of such Properties to their rightful owners.

100. Polish Jews were not accepted back to Poland. As more fully described above, the Polish government undertook a campaign to bring an end to the 1,000 year Jewish presence there, and were not prepared to allow the Jews to resettle and regain ownership of their Properties and other assets. Instead, a horrific plan was put into action.

101. Many properties belonging to Jews in Poland had been initially confiscated by the Nazis. As the Nazis retreated, Jewish survivors tried unsuccessfully to return to the Properties. After forcing returning Jews out of Poland, Poland and Skarb seized these assets and treated them as their own, without any attempt to locate survivors and heirs who had ownership rights to those Properties.

102. Subsequently, the Polish Government passed a series of illegal, self-serving laws allowing for the change of title to it of "abandoned property," which was designed to and had the effect of providing "legitimacy" to the taking of title to Jewish Property. In fact, because these "abandoned" Properties had not been abandoned but were unoccupied or unclaimed or otherwise "abandoned" by their true owners solely as a result of Defendants' improper conduct complained of herein. These laws could not legitimize the Property takings that were improper and illegal, including under the laws of nations.

103. Even in the post-Communist era, access to courts for Class members in order to establish their rights and interests in the Properties seized, or to recover damages for the value thereof, has been substantially denied, and there has been no statutory resolution to these issues.

104. Since the Holocaust, survivors and their heirs have tried to regain their Properties, mostly without any success.

105. Until recently, it has been impossible to gain access to the relevant documents to substantiate a property claim in Poland for Jewish survivors and their heirs. Even today, it is

extremely difficult for Jews to gain the cooperation of Polish authorities that is necessary to pursue such claims.

106. As a result of the foregoing, Plaintiffs and the other members of the Class have suffered persecution because of their religion and membership in an ethnic group.

107. Because of threats, acts of violence and futility, members of the Class had and have a well-founded fear of future persecution which prevents them from returning to Poland or taking appropriate action to reclaim their Properties. These fears are justified and reasonable under the circumstances.

The Knowledge of Poland and Skarb

108. At all times relevant to the events described herein, ministers, officers, and directors of Poland and Skarb knew, or were in possession of such information that they should have known, that they were part of an improper and unlawful scheme that (i) resulted in depriving Jewish Holocaust victims and their heirs of their Properties, and (ii) provided Poland and Skarb with enormous profits from the use and enjoyment of such Properties.

109. From 1945 and onward, Defendants were aware of the circumstances under which they were confiscating Jewish-owned Properties. They nonetheless continued to assume ownership rights over those Properties on a massive level and engaged in a course of conduct designed to result in the "abandonment" of Properties by Class members and the intimidation of Class members from asserting their ownership rights in such Properties.

110. Defendants have never attempted to determine which Property owners survived World War II. They have made no reasonable effort to locate living heirs. Defendants' conduct in orchestrating and participating in a scheme to coerce Jews to flee Poland under threat of death, torture, and physical injury was a violation of international law.

AS AND FOR A
FIRST CLAIM FOR RELIEF
Violation of International Law

111. Plaintiffs repeat and reallege the allegations contained in paragraphs 1 through 110 as if the same were fully set forth herein.

112. Poland and Skarb violated customary international law enforceable in this Court as federal common law and the law of nations, as exemplified by the Nuremberg Principles, the Hague Convention of 1907, the Polish Minority Treaty of 1919, and the Geneva Convention of 1929.

113. Defendants violated such customary international laws by creating, participating in, and/or failing to prevent acts to dispossess permanently an ethnic and religious group from their Properties and from Poland itself after the Holocaust and by trafficking in, managing, and commercially profiting from the Properties looted from Plaintiffs and the other Class members, and failing to disgorge, concealing and refusing to disgorge such assets and the profits obtained from such assets, all of which were obtained pursuant to crimes against an ethnic and racial minority in an on-going scheme that has continued for the last fifty-five years.

114. Among other things, Defendants' conduct complained of herein constituted the practice, encouragement, or condoning, as a matter of state policy, genocide, degrading treatment or punishment against Jews, and systematic racial and religious discrimination.

115. By reason of the foregoing, Plaintiffs and the other members of the Class have been damaged in an amount to be determined at trial.

AS AND FOR A
SECOND CLAIM FOR RELIEF
Conversion

116. Plaintiffs repeat and reallege the allegations contained in paragraphs 1 through 115 as if the same were fully set forth herein.

117. Poland and Skarb have wrongfully converted, used, operated, managed and alienated Plaintiffs' and the other Class members' Properties for their own use and benefit, in violation of customary international laws.

118. By reason of the foregoing, Plaintiffs and the other members of the Class have been damaged in an amount to be determined at trial.

AS AND FOR A
THIRD CLAIM FOR RELIEF
Constructive Trust

119. Plaintiffs repeat and reallege the allegations contained in paragraphs 1 through 118 as if the same were fully set forth herein.

120. By reason of the foregoing, with respect to the income and profits generated before the trial of this Action from the Properties properly belonging to Plaintiffs and the other Class members, Plaintiffs and the other Class members are entitled to have Defendants declared to be constructive trustees and required to turn such income and profits over to Plaintiffs and the other members of the Class.

121. Such turnover of income and profits shall be in addition to the award of damages to Plaintiffs and the other members of the Class for the value of their Properties as of the time of the trial of this Action.

AS AND FOR AN
FOURTH CLAIM FOR RELIEF
Accounting

122. Plaintiffs repeat and reallege the allegations contained paragraphs 1 through 121 as if the same were fully set forth herein.

123. Poland and Skarb fraudulently concealed the Properties converted from Plaintiffs and the other Class members, and have, for the last fifty-four years, concealed the profits obtained from such Properties, all of which were obtained as a direct result of the improper scheme alleged herein.

124. Defendants have consistently withheld and misrepresented information concerning the status and disposition of such Properties, and the profits realized therefrom, and have failed and refused to account for the same, such that Plaintiffs and the other Class members are entitled to an accounting as to the amount and disposition of all such Properties and profits.

AS AND FOR A
FIFTH CLAIM FOR RELIEF
By Sub-Class, For Restitution

125. Plaintiffs repeat and reallege the allegations contained in paragraphs 1 through 124 as if the same were fully set forth herein.

126. This claim is brought on behalf of a sub-class consisting of Class members whose Property is currently held by either Defendant or any other Polish governmental body or instrumentality.

127. Defendants and other Polish governmental bodies or instrumentalities purport to hold title to Property that was improperly taken from Class members as described herein.

128. As a result of the foregoing, such title is defective and subject to the superior rights of members of the Sub-Class.

129. As a result of the foregoing, each member of the Sub-Class is entitled to be restored in his title to the Property that was improperly taken by Defendants and for which either Defendants purport to have title.

130. With respect to a significant amount of real Property that was improperly taken by Defendants as alleged herein, official title has been transferred to the municipality or other local government, or an agency or instrumentality thereof, in which the Property is located. Such transfers have been for little or no consideration.

131. For example, the Property at 38 Jaracza Street, Lodz, to which Mr. Lippman is entitled, was transferred from Skarb (which had wrongly taken title) to the Lodz commune, a local governmental body, free of charge in 1992 pursuant to a 1990 Polish law that authorized such free transfers to local governments without consideration.

132. Such municipalities and other governmental entities are, with respect to such Property, the alter egos of Defendants.

133. As a result, insofar as a title to a piece of real Property that was, for the reasons set forth herein, improperly taken from a member of the Sub-Class is held by a municipality or other local government, or an agency or instrumentality thereof, in which the Property is located as a result of either Defendant transferring such title for little or no consideration, each member of the Sub-Class who is entitled to such Property is entitled to be restored in his title to such Property from the municipality or other governmental entity in whose name title is currently held.

134. With respect to the Sub-Class members whose title, as set forth herein, is superior to that of the Defendant or other Polish governmental body or instrument that currently "holds" title, they are entitled to a declaration that they are the true title holder and to the return of that Property.

135. The members of this Sub-Class have no adequate remedy at law.

WHEREFORE, Plaintiffs, on behalf of themselves and all other Class members, pray that the Court:

(i) Certify a class comprised of members as identified in paragraph 68 hereof and declare Plaintiffs' counsel to be counsel to the Class;

(ii) Certify a sub-class comprised of members as identified in paragraph 74 hereof and declare Plaintiffs' counsel to be counsel to the sub-Class;

(iii) Declare that Poland and Skarb, by their conduct complained of herein, violated international law with respect to Plaintiffs and the other members of the Class;

(iv) Award damages to Plaintiffs and the other members of the Class from Poland and Skarb, jointly and severally, in an amount to be determined at the trial of this Action;

(v) On the third claim for relief, declare that Poland and Skarb are constructive trustees of the all of Plaintiffs' and the other Class members' Properties, and the income and profits derived therefrom, held and realized by Defendants, and direct said Defendants to compensate Plaintiffs and the other Class members appropriately;

(vi) On the fourth claim for relief, order an audit of Poland's and Skarb's transactions from 1945 to the present involving the Properties of Plaintiffs and the other Class members in Poland, and direct them to account to Plaintiffs and the other Class members for all such Properties, income and profits;

(vii) On the fifth claim for relief, declaring each member of the Sub-Class to be the right and true owner of the Property to which he has true title and ordering the restitution of that Property to that sub-Class member;

(viii) Award to Plaintiffs and the Class the costs and expenses of this action, including the fees and costs of experts, together with reasonable attorney's fees; and

(ix) Grant such other and further relief as the Court shall deem just, proper and equitable.

Dated: New York, New York
March 8, 2000

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DECLARATION OF SUSAN BAILEY – EXHIBIT D

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA	:	
	:	
-v.-	:	**VERIFIED COMPLAINT FOR FORFEITURE**
$717,200,000 IN UNITED STATES CURRENCY,	:	18 Civ.
Defendant-*in-rem*.	:	

Plaintiff United States of America, by its attorney Geoffrey S. Berman, United States Attorney for the Southern District of New York, for its verified complaint, alleges, upon information and belief, as follows:

I. JURISDICTION AND VENUE

1. This action is brought pursuant to Title 18, United States Code, Section 981 by the United States of America seeking the forfeiture of $717,200,000 in United States currency (the "Defendant Funds" or the "defendant-*in-rem*").

2. This Court has jurisdiction pursuant to Title 28, United States Code, Section 1355.

3. Venue is proper under Title 28, United States Code, Section 1355(b)(1)(A) because certain actions and omissions giving rise to forfeiture took place in the Southern District

of New York and pursuant to Title 28, United States Code, Section 1395 because the Defendant Funds have been transferred to the Southern District of New York.

4. The Defendant Funds constitute proceeds of violations of the Trading with the Enemy Act ("TWEA"), Title 50, United States Code, Sections 4303, 4305, and 4315(a), and the Cuban Assets Control Regulations promulgated thereunder, Title 31, Code of Federal Regulations, Sections 515.201(a)(1), (c) and (d), and are thus subject to forfeiture to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C).

5. Following the entry of a final order forfeiting the Defendant Funds to the United States, one half of the Defendant Funds shall be transferred to the United States Victims of State Sponsored Terrorism Fund pursuant to the Justice for United States Victims of State Sponsored Terrorism Act, Title 34, United States Code, Section 20144.

II. BACKGROUND

6. From at least 2004, up through and including 2010, Société Générale S.A. ("SG") knowingly and willfully violated U.S. economic sanctions relating to Cuba, specifically TWEA and the Cuban Assets Control Regulations, by structuring, conducting and concealing U.S. dollar transactions using the U.S. financial system in connection with U.S. dollar credit facilities involving Cuba, including facilities provided to Cuban banks and other entities controlled by Cuba, and to Cuban and foreign corporations for business conducted in Cuba. On or about November 18, 2018, SG entered into a Deferred Prosecution Agreement (the "DPA") with the United States with respect to these violations (the DPA and the accompanying Statement of Facts are attached as Exhibit 1). As forth in greater detail in the Statement of Facts, SG engaged in more than $10 billion worth of sanctions-violating transactions valued through financial institutions located in the County of New York during the offense period.

7. Under the DPA, SG agreed to pay $717,200,000 to the United States, in addition to penalties paid to the New York County District Attorney's Office, the United States Department of the Treasury, Office of Foreign Assets Control, the Federal Reserve Board of Governors and the Federal Reserve Bank of New York, and the New York State Department of Financial Services

III. THE DEFENDANT-IN-REM

8. Pursuant and subject to the DPA, SG transferred the Defendant Funds to the United States in the Southern District of New York as a substitute *res* for proceeds of its offense that were transferred by SG or its subsidiaries in connection with the conduct described in the Statement of Facts. SG agrees that the Defendant Funds are subject to civil forfeiture to the United States pursuant to 18 U.S.C. § 981(a)(1)(C).

IV. CLAIM FOR FORFEITURE

9. Incorporated herein are the allegations contained in paragraphs one through eight of this Verified Complaint.

10. Title 18, United States Code, Section 981(a)(1)(C) subjects to forfeiture "[a]ny property, real or personal, which constitutes or is derived from proceeds traceable to . . . any offense constituting 'specific unlawful activity' (as defined in section 1956(c)(7) of this title), or a conspiracy to commit such offense."

11. "Specified unlawful activity" is defined in Title 18, United States Code, Section 1956(c)(7), and the term includes, among other things, violations of the Trading With the Enemy Act.

12. By reason of the foregoing, the Defendant Funds are subject to forfeiture to the United States of America pursuant to Title 18, United States Code, Section 981(a)(1)(C), because the Defendant Funds constitute proceeds of violations of TWEA.

WHEREFORE, plaintiff United States of America prays that process issue to enforce the forfeiture of the defendant-in-rem and that all persons having an interest in the defendant-in-rem be cited to appear and show cause why the forfeiture should not be decreed, and that this Court decree forfeiture of the defendant-in-rem to the United States of America for disposition according to law, and that this Court grant plaintiff such further relief as this Court may deem just and proper, together with the costs and disbursements of this action.

Dated: New York, New York
November 19, 2018

GEOFFREY S. BERMAN
United States Attorney for the
Southern District of New York
Attorney for the Plaintiff
United States of America

By: _____
ALEXANDER WILSON
BENET KEARNEY
Assistant United States Attorneys
One Saint Andrew's Plaza
New York, New York 10007
Tel. (212) 637-2453 / 2260

VERIFICATION

STATE OF NEW YORK)
COUNTY OF NEW YORK :
SOUTHERN DISTRICT OF NEW YORK)

AMY LINDNER, being duly sworn, deposes and says that she is a Special Agent with the Internal Revenue Service – Criminal Investigations ("IRS-CI"), and as such has responsibility for the within action; that she has read the foregoing complaint and knows the contents thereof, and that the same is true to the best of his knowledge, information, and belief.

The sources of deponent's information on the ground of her belief are official records and files of the United States, information obtained directly by the deponent, and information obtained by other law enforcement officials.

Amy Lindner
AMY LINDNER
Special Agent
Internal Revenue Service --
Criminal Investigations

Sworn to before me this
19th day of November 2018

NOTARY PUBLIC

JOHN E. KOVELESKI
NOTARY PUBLIC, State of New York
No. 4872988
Qualified in Nassau County
Commission Expires October 06, 2020

EXHIBIT 1

U.S. Department of Justice

United States Attorney
Southern District of New York

The Silvio J. Mollo Building
One Saint Andrew's Plaza
New York New York 10007

November 18, 2018

Keith Krakaur, Esq.
Skadden, Arps, Slate, Meagher & Flom (UK) LLP
40 Bank Street, Canary Wharf
London, E14 5DS
United Kingdom

David Braff, Esq.
Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004

Re: Société Générale S.A. – Deferred Prosecution Agreement

Dear Messrs. Krakaur and Braff:

Pursuant to the understandings specified below, the Office of the United States Attorney for the Southern District of New York (the "Office") and defendant Société Générale S.A. ("SG"), under authority granted by its Board of Directors in the form of a Board Resolution (a copy of which is attached hereto as Exhibit A), hereby enter into this Deferred Prosecution Agreement (the "Agreement").

The Criminal Information

1. SG consents to the filing of a one-count Information (the "Information") in the United States District Court for the Southern District of New York (the "Court"), charging SG with conspiring to violate the Trading with the Enemy Act ("TWEA"), Title 50, United States Code, Sections 4303, 4305 and 4315(a), and the Cuban Assets Control Regulations, Title 31, Code of Federal Regulations, Section 515.201, promulgated thereunder. A copy of the Information is attached hereto as Exhibit B. This Agreement shall take effect upon its execution by both parties.

Acceptance of Responsibility

2. SG stipulates that the facts set forth in the Statement of Facts, attached hereto as Exhibit C and incorporated herein, are true and accurate, and admits, accepts and acknowledges that it is responsible under United States law for the acts of its current and former officers and employees as set forth in the Statement of Facts. Should the Office pursue the prosecution that is deferred by this Agreement, SG stipulates to the admissibility of the Statement of Facts in any proceeding including any trial and sentencing proceeding.

Keith Krakaur, Esq.
David Braff, Esq.
November 18, 2018

Payments and Forfeiture Obligation

3. As a result of the conduct described in the Information and the Statement of Facts, SG agrees to pay $717,200,000 to the United States (the "Stipulated Forfeiture Amount") pursuant to this Agreement. SG has further agreed to pay the following monetary penalties in connection with its concurrent settlement of related criminal and civil actions (the "Related Settlements"): $162,800,000 to the New York County District Attorney's Office ("DANY"); $53,900,000 to the United States Department of the Treasury, Office of Foreign Assets Control ("OFAC"); $81,265,000 to the Federal Reserve Board of Governors and the Federal Reserve Bank of New York (collectively the "Federal Reserve"); and $325,000,000 to the New York State Department of Financial Services ("DFS").

4. SG agrees that the Stipulated Forfeiture Amount represents a substitute *res* for proceeds of the offense that were transferred by SG or its subsidiaries in connection with the conduct described in the Statement of Facts, and is subject to civil forfeiture to the United States pursuant to 18 U.S.C. § 981(a)(1)(C).

5. SG further agrees that this Agreement, the Information and the Statement of Facts may be attached and incorporated into a civil forfeiture complaint (the "Civil Forfeiture Complaint") that will be filed against the Stipulated Forfeiture Amount. By this agreement, SG expressly waives any challenge to that Civil Forfeiture Complaint and consents to the forfeiture of the Stipulated Forfeiture Amount to the United States. SG agrees that it will not file a claim with the Court or otherwise contest the civil forfeiture of the Stipulated Forfeiture Amount and will not assist or direct a third party in asserting any claim to the Stipulated Forfeiture Amount. SG also waives all rights to service or notice of the Civil Forfeiture Complaint.

6. SG shall transfer the Stipulated Forfeiture Amount to the United States by no later than November 19, 2018 (or as otherwise directed by the Office following such date). Such payment shall be made by wire transfer to the United States Treasury, pursuant to wire instructions provided by the Office. If SG fails to timely make the payment required under this paragraph, interest (at the rate specified in Title 28, United States Code, Section 1961) shall accrue on the unpaid balance through the date of payment, unless the Office, in its sole discretion, chooses to reinstate prosecution pursuant to paragraphs 14 and 15 below. SG certifies that the funds used to pay the Stipulated Forfeiture Amount are not the subject of any lien, security agreement, or other encumbrance. Transferring encumbered funds or failing to pass clean title to these funds in any way will be considered a breach of this Agreement.

7. SG agrees that the Stipulated Forfeiture Amount shall be treated as a penalty paid to the United States government for all purposes, including all tax purposes. SG agrees that it will not claim, assert, or apply for a tax deduction or tax credit with regard to any federal, state, local, or foreign tax for any portion of the $717,200,000 that SG has agreed to pay to the United States pursuant to this Agreement. To the extent the Office chooses to reinstate prosecution pursuant to paragraphs 14 and 15, the Office agrees that under those circumstances, it shall recommend to the Court that the Stipulated Forfeiture Amount should be offset against any fine or forfeiture the Court imposes as part of a future judgment.

Keith Krakaur, Esq.
David Braff, Esq.
November 18, 2018

Obligation to Cooperate

8. SG agrees to cooperate fully with the Office, DANY, OFAC, the Federal Reserve, DFS, and any other governmental agency designated by the Office regarding any matter relating to the conduct described in the Information or Statement of Facts.

9. It is understood that SG shall, subject to paragraph 10 below, (a) truthfully and completely disclose all information with respect to the activities of SG, its officers, agents, and employees, and any affiliates that it controls concerning all matters about which the Office inquires of it, which information can be used for any purpose; (b) attend all meetings at which the Office requests its presence and use its reasonable best efforts to secure the attendance and truthful statements or testimony of any past or current officers, agents, or employees of SG at any meeting or interview or before the grand jury or at trial or at any other court proceeding; (c) provide to the Office upon request any document, record, or other tangible evidence relating to matters about which the Office or any designated law enforcement agency inquires of it; (d) assemble, organize, and provide in a responsive and prompt fashion, and upon request, on an expedited schedule, all documents, records, information and other evidence in SG's possession, custody or control as may be requested by the Office; (e) volunteer and provide to the Office any information and documents that come to SG's attention that it understands may be relevant to the Office's investigation of this matter or any issue related to the Statement of Facts; (f) provide testimony or information necessary to identify or establish the original location, authenticity, or other basis for admission into evidence of documents or physical evidence in any criminal or other proceeding as requested by the Office, or any governmental agency designated by the Office; and (g) bring to the Office's attention all criminal conduct by SG or any of its agents or employees acting within the scope of their employment related to violations of the federal laws of the United States, as to which SG's Board of Directors, senior management, or United States legal and compliance personnel are aware. In addition, SG shall (i) bring to the Office's attention any administrative, regulatory, civil or criminal proceeding or investigation of SG or any agents or employees acting within the scope of their employment relating to United States sanctions or anti-money laundering laws; and (ii) commit no crimes under the federal laws of the United States subsequent to the execution of this Agreement.

10. Nothing in this Agreement shall be construed to require SG to take any steps in violation of applicable law, including, but not limited to providing information, documents, or testimony (including interviews of any officer, employee, agent, consultant, or representative) that is prohibited from disclosure by French, European Union, or other applicable laws, including data protection, bank secrecy, and other local confidentiality laws, or by the rules and regulations of banking regulators regarding the disclosure of confidential supervisory information. Nor shall anything in this Agreement shall be construed to require SG to provide information, documents, or testimony protected by the attorney-client privilege, work product doctrine, or other applicable privileges. To the extent that SG believes that any materials it would otherwise be required to produce pursuant to this Agreement are covered by any such laws or privileges, SG shall notify the Office of the existence and type of such materials. At the request of the Office, SG shall also provide (a) a log of all materials withheld on these grounds and (b) a written explanation of the operation and application of any law or privilege under which SG concludes that it would be impermissible to produce the materials to the Office, and any methods

or procedures by which production of such materials may be authorized. To the extent SG believes that production of such materials would violate applicable laws or regulations, it shall use its best efforts to produce such materials, including by obtaining approval from the appropriate governmental agency or court to produce the materials, or by supporting an application made by the Office to the appropriate governmental agency or court, for production of the requested materials to the Office. Furthermore, it is understood and agreed that the obligations in this Agreement do not apply to any affiliates that are not controlled by SG.

11. SG agrees that its obligations pursuant to this Agreement, which shall commence upon the signing of this Agreement, will continue for three years from the date of the execution of this Agreement, unless otherwise extended pursuant to paragraph 16 below. SG's obligation to cooperate pursuant to this Agreement shall terminate in the event that a prosecution against SG by this Office is pursued.

Deferral of Prosecution

12. The Office agrees that the prosecution of SG on the Information be deferred for three years from the date of the execution of the Agreement. This decision reflects a variety of factors and considerations, including but not limited to SG's acceptance and acknowledgement of responsibility under the laws of the United States for its conduct, as exhibited by its undertaking of a thorough internal investigation, collecting and producing voluminous evidence located in other countries to the full extent permitted under applicable laws and regulations, providing frequent and regular updates to the Office, and its enhancement of its compliance program and sanctions-related internal controls both before and after it became the subject of a U.S. law enforcement investigation. In reaching this decision, the Office also considered SG's commitment to: (a) cooperate with the Office, DANY, OFAC, the Federal Reserve, DFS and any other law enforcement agency designated by this Office; (b) make the payments specified in paragraph 3 of this Agreement; (c) commit no future crimes under the federal laws of the United States (as provided herein in paragraph 9); and (d) otherwise comply with all of the terms of this Agreement. All of the above factors and considerations, as well as others, collectively weighed in favor of deferral of prosecution in this case, and outweighed in this particular case SG's decision not to self-report all its violations of United States sanctions laws in a timely manner. SG shall expressly waive indictment and all rights to a speedy trial pursuant to the Sixth Amendment of the United States Constitution, Title 18, United States Code, Section 3161, Federal Rule of Criminal Procedure 48(b), and any applicable Local Rules of the United States District Court for the Southern District of New York for the period during which this Agreement is in effect.

13. It is understood that this Office cannot, and does not, agree not to prosecute SG for criminal tax violations. However, if SG fully complies with the terms of this Agreement, no testimony given or other information provided by SG (or any other information directly or indirectly derived therefrom) will be used against SG in any criminal tax prosecution. In addition, the Office agrees that, if SG is in compliance with all of its obligations under this Agreement, the Office will, within thirty (30) days after the expiration of the period of deferral (including any extensions thereof), seek dismissal with prejudice of the Information filed against SG pursuant to this Agreement. Except in the event of a violation by SG of any term of this

Agreement or as otherwise provided in paragraph 14, the Office will bring no additional charges against SG, its subsidiaries, predecessors, successors or any affiliate that it controls, except for criminal tax violations, relating to conduct described in the Statement of Facts or otherwise disclosed to the Office during its investigation of this matter. This Agreement does not provide any protection against prosecution for any crimes except as set forth above and does not apply to any individual or entity other than SG, its subsidiaries and any affiliate that it controls. SG and the Office understand that the Agreement to defer prosecution of SG can only operate as intended if the Court grants a waiver of the Speedy Trial Act pursuant to 18 U.S.C. § 3161(h)(2). Should the Court decline to do so, both the Office and SG are released from any obligation imposed upon them by this Agreement, and this Agreement shall be null and void, except for the tolling provision set forth in paragraph 14.

14. It is further understood that should the Office in its sole discretion determine that SG has: (a) knowingly given false, incomplete or misleading information either during the term of this Agreement or in connection with the Office's investigation of the conduct described in the Information and Statement of Facts, (b) committed any crime under the federal laws of the United States subsequent to the execution of this Agreement, or (c) otherwise violated any provision of this Agreement, SG shall, in the Office's sole discretion, thereafter be subject to prosecution for any federal criminal violation, or suit for any civil cause of action, of which the Office has knowledge, including but not limited to a prosecution or civil action based on the Information, the Statement of Facts, the conduct described therein, or perjury and obstruction of justice. Any such prosecution or civil action may be premised on any information provided by or on behalf of SG to the Office, the Internal Revenue Service ("IRS"), DANY, OFAC, the Federal Reserve, or DFS at any time. In any such prosecution or civil action, it is understood that: (i) no charge or claim would be time-barred provided that such prosecution or civil action is brought within the applicable statute of limitations period (subject to any prior tolling agreements between the Office and SG), excluding the period from the execution of this Agreement until its termination; (ii) SG agrees to toll, and exclude from any calculation of time, the running of the applicable statute of limitations for the length of this Agreement starting from the date of the execution of this Agreement and including any extension of the period of deferral of prosecution pursuant to paragraph 16 below; and (iii) SG waives any objection to venue with respect to any charges arising out of the conduct described in the Statement of Facts and consents to the filing of such charges in the Southern District of New York. By this Agreement, SG expressly intends to and hereby does waive its rights in the foregoing respects, including the right to make a claim premised on the statute of limitations as set forth above, as well as any constitutional, statutory, or other claim concerning pre-indictment delay as set forth above. Such waivers are knowing, voluntary, and in express reliance on the advice of SG's counsel.

15. It is further agreed that in the event that the Office, in its sole discretion, determines that SG has violated any provision of this Agreement, including by failure to meet its obligations under this Agreement: (a) SG shall not object to the admissibility of all statements made or acknowledged by or on behalf of SG to the Office, IRS, DANY, OFAC, Federal Reserve or DFS including but not limited to the Statement of Facts, or any testimony given by SG or by any agent of SG before a grand jury, or elsewhere, whether before or after the date of this Agreement, or any leads from such statements or testimony, in any and all criminal proceedings hereinafter brought by the Office against SG; and (b) SG shall not assert any claim under the

United States Constitution, Rule 11(f) of the Federal Rules of Criminal Procedure, Rule 410 of the Federal Rules of Evidence, or any other federal rule, that statements made or acknowledged by or on behalf of SG before or after the date of this Agreement, or any leads derived therefrom, should be suppressed or otherwise excluded from evidence. It is the intent of this Agreement to waive any and all rights in the foregoing respects.

16. SG agrees that, in the event that the Office determines during the period of deferral of prosecution described in paragraph 12 above (or any extensions thereof) that SG has violated any provision of this Agreement, an extension of the period of deferral of prosecution may be imposed in the sole discretion of the Office, up to an additional one year, but in no event shall the total term of the deferral-of-prosecution period of this Agreement exceed four (4) years. Any extension of the deferral-of-prosecution period extends all terms of this Agreement for an equivalent period. In the event the Office finds that there exists a change in circumstances sufficient to eliminate the need for the cooperation requirements set forth in paragraphs 8 and 9 above, and the reporting requirements in paragraphs 21 through 23 below, and that the other provisions of this Agreement have been satisfied, the Office may, in its sole discretion, choose to terminate SG's obligations under the Agreement and seek dismissal with prejudice of the Information filed against SG before the end of the period of deferral of prosecution described in paragraph 12.

17. SG, having truthfully admitted to the facts in the Statement of Facts, agrees that it shall not, through its attorneys, agents, employees, or others authorized to speak on its behalf, make any statement to any person outside of SG, in litigation or otherwise, contradicting the Statement of Facts or this Agreement. Consistent with this provision, SG may raise defenses and/or assert affirmative claims in any proceedings brought by private and/or public parties as long as doing so does not contradict the Statement of Facts. Any such contradictory statement by SG, its present or future attorneys, agents, employees, or others authorized to speak on its behalf shall constitute a violation of this Agreement and SG thereafter may be subject to prosecution as specified in paragraphs 14 through 15, above, or the deferral-of-prosecution period shall be extended pursuant to paragraph 16, above, unless SG subsequently cures such violation as set forth below. The decision as to whether any such contradictory statement will be imputed to SG for the purpose of determining whether SG has violated this Agreement shall be within the sole discretion of the Office. If the Office determines that a statement to any person outside of SG by any such person contradicts a statement contained in the Statement of Facts, the Office shall so notify SG. Upon the Office's notifying SG of any such contradictory statement, SG may cure such a violation of this Agreement by repudiating such statement both to the recipient of such statement and to the Office within five business days after having been provided notice by the Office. SG consents to the public release by the Office, in its sole discretion, of any such repudiation. This paragraph does not apply to any statement made by any present or former officer, director, employee, or agent of SG in the course of any criminal, regulatory, or civil investigation or case initiated against such individual or by such individuals against SG, unless such individual is speaking on behalf of SG. Nothing in this Agreement affects the obligation of SG or its officers, directors, agents or employees to testify truthfully in any investigation or proceeding.

18. SG agrees that it is within the Office's sole discretion to choose, in the event of a violation, the remedies contained in paragraphs 14 and 15 above, or instead to choose to extend the period of deferral of prosecution pursuant to paragraph 16, provided, however, that if SG's violation of this Agreement is limited to an untimely payment of the Stipulated Forfeiture Amount, the Office may elect instead to choose the additional payment of interest by SG set forth in paragraph 6, above. Should the Office determine that SG has violated this Agreement, the Office shall provide written notice to SG of that determination and provide SG with an opportunity within a period of no less than thirty (30) days to make a presentation to the Office to demonstrate that no violation occurred, or, to the extent applicable, that the violation should not result in the exercise of any of those remedies, including because the violation has been cured by SG.

19. SG understands and agrees that the exercise of the Office's discretion under this Agreement, including the Office's determination regarding whether SG has violated any provision of this Agreement and whether to pursue the remedies contained in paragraphs 14, 15, and 16, is unreviewable by any court.

The Related Settlements and the Bank's Compliance Programs

20. SG shall comply with any and all terms of the Related Settlements, including but not limited to implementing all remedial changes to its compliance programs required by the Related Settlements, and shall further comply with any other Consent Order, Cease-and-Desist Order, or equivalent order issued by any of its U.S. Federal or State regulators regarding its sanctions or Bank Secrecy Act/anti-money laundering compliance programs. A failure by SG to comply with the Related Settlements or such orders by its U.S. Federal or State regulators shall not constitute a violation of this Agreement unless the failure to comply was willful and intentional. The determination of whether SG has failed to comply and whether such a violation was willful and intentional, for purposes of this Agreement, shall be within the sole discretion of the Office.

Review of the Bank's Compliance Programs

21. For the duration of the Agreement, SG shall provide the Office with quarterly reports within thirty (30) days after the end of each calendar quarter ("Quarterly Reports") describing the status of SG's implementation of any remedial changes to its sanctions or Bank Secrecy Act/anti-money laundering compliance programs required by the Related Settlements, by any other Consent Order, Cease-and-Desist Order, or equivalent order issued by any of its U.S. Federal or State regulators. The Quarterly Reports shall identify any violations of United States sanctions laws that have come to the attention of SG's legal and compliance personnel during this reporting period. SG further agrees that any compliance consultant or monitor imposed by any U.S. Federal or State regulator of SG shall, at SG's own expense, submit to the Office any report that it submits to that regulator. It is understood that any violation of United States sanctions laws arising from conduct exclusively occurring prior to the date of execution of this Agreement will not constitute a breach of SG's obligations pursuant to this Agreement. However, there shall be no limitation on the ability of the Office to investigate or prosecute such violations and/or conduct in accordance with the applicable law and the other

terms of this Agreement, including paragraph 13 hereof. In the event the Office finds that there exists a change in circumstances sufficient to eliminate the need for any portion of the reporting requirements set forth in this paragraph, the Office may, in its sole discretion, choose to suspend or terminate those requirements in whole or in part.

22. For the duration of this Agreement, the Office, as it deems necessary and upon request to SG, shall: (a) be provided by SG with access to any and all non-privileged books, records, accounts, correspondence, files, and any and all other documents or other electronic records, including e-mails, of SG and its representatives, agents, affiliates that it controls, and employees, relating to any matters described or identified in the Quarterly Reports; and (b) have the right to interview any officer, employee, agent, consultant, or representative of SG concerning any non-privileged matter described or identified in the Quarterly Reports.

23. It is understood that SG shall promptly notify the Office of (a) any deficiencies, failings, or matters requiring attention with respect to the Bank's sanctions compliance program identified by any U.S. Federal or State regulatory authority within 30 business days of any such regulatory notice; and (b) any steps taken or planned to be taken by SG to address the identified deficiency, failing, or matter requiring attention. The Office may, in its sole discretion, direct SG to provide other reports about its sanctions compliance program as warranted.

Limits of this Agreement

24. It is understood that this Agreement is binding on the Office but does not bind any other Federal agencies, any state or local law enforcement agencies, any licensing authorities, or any regulatory authorities. However, if requested by SG or its attorneys, the Office will bring to the attention of any such agencies, including but not limited to any regulators, as applicable, this Agreement, the nature and quality of SG's cooperation, and SG's compliance with its obligations under this Agreement.

Sale or Merger of SG

25. Except as may otherwise be agreed by the parties hereto in connection with a particular transaction, SG agrees that in the event it sells, merges, or transfers all or substantially all of its banking operations as they exist as of the date of this Agreement, whether such sale is structured as a sale, asset sale, merger, or transfer, it shall include in any contract for sale, merger or transfer a provision binding the purchaser, or any successor in interest thereto, to the obligations described in this Agreement.

Public Filing

26. SG and the Office agree that, upon the submission of this Agreement (including the Statement of Facts and other attachments hereto) to the Court, this Agreement (and its attachments) shall be filed publicly in the proceedings in the Court.

27. The parties understand that this Agreement reflects the unique facts of this case and is not intended as precedent for other cases.

Keith Krakaur, Esq.
David Braff, Esq.
November 18, 2018

Execution in Counterparts

28. This Agreement may be executed in one or more counterparts, each of which shall be considered effective as an original signature. Further, all digital images of signatures shall be treated as originals for all purposes.

Integration Clause

29. This Agreement sets forth all the terms of the Deferred Prosecution Agreement between SG and the Office. No modifications or additions to this Agreement shall be valid unless they are in writing and signed by the Office, SG's attorneys, and a duly authorized representative of SG.

GEOFFREY S. BERMAN
United States Attorney
Southern District of New York

By: _____
ALEXANDER WILSON
BENET KEARNEY
Assistant United States Attorneys

_____
LISA ZORNBERG
Chief, Criminal Division

Accepted and agreed to:

_____ _____
NICOLAS BROOKE Date
Managing Director, General Counsel for Litigation
and Investigations, Société Générale S.A.

_____ _____
KEITH D. KRAKAUR, ESQ. Date
Skadden, Arps, Slate, Meagher & Flom (UK) LLP
Attorney for Société Générale S.A.

Keith Krakaur, Esq.
David Braff, Esq.
November 18, 2018

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GEOFFREY S. BERMAN
United States Attorney
Southern District of New York

By: _____
ALEXANDER WILSON
BENET KEARNEY
Assistant United States Attorneys

_____
LISA ZORNBERG
Chief, Criminal Division

Accepted and agreed to:

_____ 18·XI·18
NICOLAS BROOKE — Date
Managing Director, General Counsel for Litigation and Investigations, Société Générale S.A.

_____ _____
KEITH D. KRAKAUR, ESQ. — Date
Skadden, Arps, Slate, Meagher & Flom (UK) LLP
Attorney for Société Générale S.A.

Keith Krakaur, Esq.
David Braff, Esq.
November 18, 2018

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GEOFFREY S. BERMAN
United States Attorney
Southern District of New York

By: _____
ALEXANDER WILSON
BENET KEARNEY
Assistant United States Attorneys

_____
LISA ZORNBERG
Chief, Criminal Division

Accepted and agreed to:

_____ _____
NICOLAS BROOKE Date
Managing Director, General Counsel for Litigation
and Investigations, Société Générale S.A.

_____ 11/18/18
KEITH D. KRAKAUR, ESQ. Date
Skadden, Arps, Slate, Meagher & Flom (UK) LLP
Attorney for Société Générale S.A.

Keith Krakaur, Esq.
David Braff, Esq.
November 18, 2018

Jamie Boucher
JAMIE L. BOUCHER, ESQ.
Skadden, Arps, Slate, Meagher & Flom LLP
Attorney for Société Générale S.A.

Nov. 18, 2018
Date

RYAN D. JUNCK, ESQ.
Skadden, Arps, Slate, Meagher & Flom (UK) LLP
Attorney for Société Générale S.A.

Date

DAVID BRAFF, ESQ.
Sullivan & Cromwell LLP
Attorney for Société Générale S.A.

Date

Keith Krakaur, Esq.
David Braff, Esq.
November 18, 2018

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Skadden, Arps, Slate, Meagher & Flom LLP
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Date

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11/18/18
Date

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Date

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David Braff, Esq.
November 18, 2018

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Skadden, Arps, Slate, Meagher & Flom (UK) LLP
Attorney for Société Générale S.A.

Date

David Braff/KB

DAVID BRAFF, ESQ.
Sullivan & Cromwell LLP
Attorney for Société Générale S.A.

Nov. 18, 2018
Date

EXHIBIT A

CERTIFICATE OF CORPORATE RESOLUTIONS

WHEREAS, Société Générale S.A. (the "Company" or "Société Générale") has been engaged in discussions with the United States Attorney's Office for the Southern District of New York and the New York County District Attorney's Office (collectively, the "Offices") regarding issues arising in relation to certain U.S. dollar transactions processed by Société Générale involving countries that are the subject of sanctions enforced by the United States Department of the Treasury's Office of Foreign Assets Control;

WHEREAS, in order to resolve such discussions with the Offices, it is proposed that the Company enter into certain agreements with the Offices;

WHEREAS, the Company has also been engaged in discussions with the Office of Foreign Assets Control of the U.S. Department of the Treasury, the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York, and the New York State Department of Financial Services regarding the same issues; and

WHEREAS, the Company's General Secretary, Gilles Briatta, together with outside counsel for the Company, have advised the Board of Directors regarding the terms and conditions of the agreements with the Offices, including advising the Company of its rights, possible defenses, the relevant United States Sentencing Guidelines provisions, and the consequences of entering into the agreements with the Offices;

Therefore, after deliberation, the Board of Directors has RESOLVED that:

The Board of Directors approves the terms and conditions of the proposed agreements between the Company and the Offices, including but not limited to payment under the agreements

of monetary penalties totaling $880,000,000, and the waiver of rights described in the deferred prosecution agreements ("DPAs") with the Offices;

The Board of Directors (a) acknowledges the filing of the one-count Information by the United States Attorney's Office for the Southern District of New York in the United States District Court for the Southern District of New York charging the Company with one count of conspiracy to commit offenses against the United States in violation of Title 18, United States Code, Section 371, by engaging in transactions in violation of Title 50, United States Code, Sections 4303, 4305, and 4315(a), and Title 31, Code of Federal Regulations, Sections 515.201(a)(1), (c) and (d); (b) approves waiving indictment on such charges and entering into the DPAs; and (c) agrees to accept a civil forfeiture against the Company totaling $880,000,000 with respect to the conduct described in the one-count Information mentioned above, and to pay $717,200,000 of said forfeiture amount to the United States Treasury and $162,800,000 of said forfeiture amount to the New York County District Attorney's Office ;

Frédéric Oudéa, in his capacity as Chief Executive Officer of Société Générale, with the right to subdelegate to Dominique Bourrinet and/or Nicolas Brooke, in their respective capacities as Group General Counsel and General Counsel for Litigation and Investigations of Société Générale, either individually or collectively, is hereby authorized, empowered and directed, on behalf of the Company, to execute the agreements with the Offices substantially in such form as provided to this Board of Directors at this meeting with such changes as the Company's Chief Executive Officer, Frédéric Oudéa (or the Company's Group General Counsel and/or the Company's General Counsel for Litigation and Investigations, Dominique Bourrinet and Nicolas Brooke, respectively, in case of subdelegation), may approve;

Frédéric Oudéa, in his capacity as Chief Executive Officer of Société Générale (or Dominique Bourrinet and/or Nicolas Brooke, in their capacities as Group General Counsel and General Counsel for Litigation and Investigations of Société Générale, respectively, in case of subdelegation) is hereby authorized, empowered and directed to take any and all actions as may be necessary or appropriate and to approve the forms, terms or provisions of any agreement or other documents as may be necessary or appropriate, to carry out and effectuate the purpose and intent of the foregoing resolutions, including but not limited to participating in legal proceedings in the United States; and

All of the actions of Frédéric Oudéa, in his capacity as Chief Executive Officer of Société Générale, and/or Dominique Bourrinet and/or Nicolas Brooke, in their respective capacities as Group General Counsel and General Counsel for Litigation and Investigations of Société Générale, which actions would have been authorized by the foregoing resolutions except that such actions were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved, and adopted as actions on behalf of the Company.

Date: November 18th 2018

By: Patrick Suet

Corporate Secretary

EXHIBIT B

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- X

INFORMATION

UNITED STATES OF AMERICA

- v. -

SOCIÉTÉ GÉNÉRALE S.A.,

Defendant.

18 Cr.

- X

COUNT ONE

(Conspiracy to Violate the Trading with the Enemy Act)

The United States Attorney charges:

1. From at least in or about 2004 through in or about 2010, in the Southern District of New York and elsewhere, SOCIÉTÉ GÉNÉRALE S.A., the defendant, together with others known and unknown, willfully and knowingly did combine, conspire, confederate, and agree together and with each other to commit an offense against the United States, to wit, a violation of the Trading with the Enemy Act and the Cuban Assets Control Regulations promulgated thereunder.

2. It was a part and an object of the conspiracy that SOCIÉTÉ GÉNÉRALE S.A., the defendant, and others known and unknown, willfully and knowingly would and did violate regulations prohibiting all transfers of credit and all payments between, by, through, and to any banking institution, with

respect to any property subject to the jurisdiction of the United States, in which Cuba has any interest of any nature whatsoever, direct or indirect, and the evasion and avoidance of the aforementioned prohibition, to wit, SOCIÉTÉ GÉNÉRALE S.A., the defendant, willfully and knowingly violated U.S. sanctions against Cuba by structuring, conducting and concealing U.S. dollar transactions using the U.S. financial system in connection with U.S. dollar credit facilities involving Cuba, including facilities provided to Cuban banks and other entities controlled by Cuba, and to Cuban and foreign corporations for business conducted in Cuba, in violation of Title 50, United States Code, Sections 4303, 4305, and 4315(a), and Title 31, Code of Federal Regulations, Sections 515.201(a)(1), (c) and (d).

(Title 18, United States Code, Section 371.)

FORFEITURE ALLEGATION

3. As a result of committing the offense alleged in Count One of this Information, SOCIÉTÉ GÉNÉRALE S.A., the defendant, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of the offense, including but not limited to a

sum of money in United States currency representing the amount of proceeds traceable to the commission of said offense.

Substitute Assets Provision

4. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

a. cannot be located upon the exercise of due diligence;

b. has been transferred or sold to, or deposited with, a third person;

c. has been placed beyond the jurisdiction of the Court;

d. has been substantially diminished in value; or

e. has been commingled with other property which cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendant up to the value of the forfeitable property described above.

(Title 18, United States Code, Section 981;
Title 21, United States Code, Section 853; and
Title 28, United States Code, Section 2461.)

GEOFFREY S. BERMAN
United States Attorney

Form No. USA-33s-274 (Ed. 9-25-58)

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA

- v. -

SOCIÉTÉ GÉNÉRALE S.A.,
Defendant.

INFORMATION

18 Cr.

(18 U.S.C. § 371)

GEOFFREY S. BERMAN
United States Attorney.

EXHIBIT C

STATEMENT OF FACTS

1. This Statement of Facts is made pursuant to, and is part of, the Deferred Prosecution Agreement dated November 18, 2018 between the United States Attorney's Office for the Southern District of New York ("SDNY") and Société Générale S.A. ("SG"), a French bank, and the Deferred Prosecution Agreement dated November 18, 2018 between the New York County District Attorney's Office ("DANY") and SG.

2. The parties agree and stipulate that the information contained in this Statement of Facts is true and accurate.

Introduction

3. SG is a financial institution and global financial services company headquartered in Paris, France, which maintains a branch located in New York, New York ("SGNY"). During the relevant time period, SG's top-level management or "General Management" was led by a Chairman and Chief Executive Office ("CEO") and was responsible for preparing and supervising the implementation of bank strategy, as determined by SG's Board of Directors. To that end, General Management oversaw the Executive Committee ("COMEX"), which was responsible for the implementation of those strategies. Below General Management were the various divisions with bank-wide, or "Group," functions, including the Risk Division ("RISQ") and the General Secretariat ("SEGL"). RISQ was tasked with the supervision of SG's credit, market, and operational risk and had teams dedicated to each of SG's business lines. SEGL was responsible for the supervision of the administration, compliance, legal, tax, insurance, and corporate social responsibility functions and served as the liaison between SG and its regulators,

including foreign regulators.[1] SG's business lines include its retail banking operation in France, Banque de Détail en France ("BDDF") and its Global Finance Department ("GLFI").

4. Starting in at least 2004, up through and including 2010, SG knowingly and willfully violated U.S. and New York State laws by illegally sending payments through the U.S. financial system in violation of U.S. economic sanctions, which caused both affiliated and unaffiliated U.S. financial institutions to process transactions that otherwise should have been rejected, blocked or stopped for investigation pursuant to regulations promulgated by the Office of Foreign Assets Control of the United States Department of Treasury ("OFAC") relating to transactions involving sanctioned countries and parties.

U.S. Sanctions Laws

5. Pursuant to U.S. law, financial institutions, including SG, are prohibited from participating in certain financial transactions involving persons, entities, and countries that are subject to U.S. economic sanctions ("Sanctioned Entities"). The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") promulgates regulations to administer and enforce U.S. law governing economic sanctions, including regulations for sanctions related to specific countries, as well as sanctions related to Specially Designated Nationals ("SDNs"). SDNs are individuals and companies specifically designated by OFAC as having their assets blocked from the U.S. financial system by virtue of being owned or controlled by, or acting for or on behalf of, targeted countries, as well as individuals, groups, and entities, such as terrorists and narcotics traffickers, designated under sanctions programs that are not country-specific. Violators of OFAC regulations are subject to a range of penalties, both criminal and civil, and

[1] The Group Compliance function now reports directly to General Management.

U.S. financial institutions that discover sanctions-violating transactions are required to block or reject those transactions from proceeding and hold the funds involved.

Cuba Sanctions

6. Beginning with Executive Orders issued in 1960 and 1962, the United States has maintained an economic embargo against Cuba through the enactment of various laws and regulations. Pursuant to the Trading with the Enemy Act ("TWEA"), 50 U.S.C. § 4305(b)(1) *et seq.*, OFAC has promulgated the Cuban Assets Control Regulations (the "Cuba Regulations"), which bar financial transactions through the United States for the benefit of Cuban parties, or which involve Cuban property. Specifically, in relevant part, the Cuba Regulations prohibit "[a]ll transfers of credit and all payments between, by, through, or to any banking institution or banking institutions wheresoever located, with respect to any property subject to the jurisdiction of the United States or by any person (including a banking institution) subject to the jurisdiction of the United States" that are undertaken "by, or on behalf of, or pursuant to the direction of [Cuba or any Cuban nationals], or that "involve property in which [Cuba or any Cuban national] has or had any interest of any nature whatsoever, direct or indirect [after July 8, 1963]." 31 C.F.R. § 515.201 (a)(1) and (d). The Cuba Regulations further prohibit "[a]ny transaction for the purpose or which has the effect of evading or avoiding" those restrictions. 31 C.F.R. § 515.201(c)

7. Pursuant to Title 50, United States Code, Section 4315(a) and Title 31, Code of Federal Regulations, Section 501.701, it is a crime to willfully violate any of the regulations issued pursuant to TWEA, including the Cuba Regulations.

Sanctions Involving Other Countries

8. The International Economic Emergency Powers Act ("IEEPA"), 50 U.S.C. § 1701 *et seq.*, authorizes the president "to deal with any unusual and extraordinary threat, which has its source in whole or substantial part outside the United States, to the national security, foreign policy, or economy of the United States" by declaring a national emergency with respect to such threats, 50 U.S.C. § 1701(a), and to take steps to address such threats, including the authority to "investigate, regulate, or prohibit . . . any transactions in foreign exchange," "transfers of credit or payments between, by, through, or to any banking institution, to the extent that such transfers or payments involve any interest of any foreign country or a national thereof," and "the importing or exporting of currency or securities by any person, or with respect to any property, subject to the jurisdiction of the United States[,]" 50 U.S.C. § 1702(a)(1)(A). Pursuant to Title 50, United States Code, Section 1705, it is a crime for any person to "willfully commit[], willfully attempt[] to commit, or willfully conspire[] to commit, or [to] aid[] or abet[] in the commission of" a violation of any regulation or prohibition issued under IEEPA. 50 U.S.C. § 1705(a).

9. At various points in time, presidents have invoked their authority pursuant to IEEPA to impose sanctions on countries that posed a threat to United States security, including, since the 1990's, Iran, Myanmar, Libya, Sudan, and North Korea, and entities and individuals affiliated with those countries. OFAC has promulgated regulations making it unlawful to export goods and services from the United States, including U.S. financial services, to sanctioned countries, individuals, and entities without a license from OFAC. OFAC has provided exemptions for certain types of transactions, however. For example, until November 2008, OFAC permitted U.S. banks to act as an intermediary bank for U.S. dollar transactions related to

Iran between two non-U.S., non-Iranian banks (the "U-turn exemption"). The U-turn exemption applied only to sanctions regarding Iran, and not to sanctions against other countries or entities, and only applied until November 2008.

New York State Law Regarding False Business Records

10. DANY has alleged, and SG accepts, that its conduct, as described herein, violated New York State Penal Law Sections 175.05 and 175.10, which make it a crime to, "with intent to defraud,…1. [m]ake[] or cause[] a false entry in the business records of an enterprise [(defined as any company or corporation)]…or 4. [p]revent[] the making of a true entry or cause [] the omission thereof in the business records of an enterprise." It is a felony under Section 175.10 of the New York State Penal Law if a violation under Section 175.05 is committed and the person's or entity's "intent to defraud includes an intent to commit another crime or aid or conceal the commission thereof."

Transaction Processing Mechanisms

11. Financial institutions typically transfer funds through a series of electronic messages directing one another to make the debit and credit accounting entries necessary to complete the transaction. Financial institutions regularly employ a messaging system maintained by the Belgium-based Society for Worldwide Interbank Financial Telecommunications, otherwise known as "SWIFT," to effectuate cross-border transfers. Financial institutions in the United States that process U.S. dollar transactions from other countries utilize sophisticated filters designed to identify and block or reject any transactions involving entities that have been sanctioned by OFAC. The filters generally work by screening wire transfer messages, including SWIFT messages, for any reference to (a) countries under U.S. embargo such as Iran and Cuba, (b) all entities and individuals identified by OFAC as SDNs, and (c) any words or numbers in

wire messages that would indicate that the transaction being processed through the United States involved entities that were subject to U.S. sanctions. Transactions that are identified as violating U.S. sanctions are rejected or blocked and the funds involved may be seized.

Overview of the Conspiracy

12. From at least 2004, up through and including 2010, SG conspired with others known and unknown to knowingly and willfully violate United States sanctions against Cuba by structuring, conducting, and concealing U.S. dollar transactions using the U.S. financial system, and in particular financial institutions located in the County of New York, in connection with U.S. dollar credit facilities involving Cuba, including facilities provided to Cuban banks and other entities controlled by Cuba, and to Cuban and foreign corporations for business conducted in Cuba. SG accomplished this in part by making inaccurate or incomplete notations on SWIFT messages related to these transactions. In total, SG engaged in more than 2,500 sanctions-violating transactions through financial institutions located in the County of New York, valued at close to $13 billion, during this period.

13. Separately, SG also engaged in a broader practice of processing U.S. transfers on behalf of sanctioned entities while omitting information about the sanctioned entities from the accompanying payment messages to U.S. financial institutions located in the County of New York, in order to circumvent U.S. sanctions (the "Concealment Practice"). With isolated exceptions, this broader practice was terminated by early 2007, and was outside the statute of limitations for TWEA or IEEPA violations, and for violations of New York State law, before the commencement of the investigation of SG.

SG's Concealment Practice

14. Since at least 2002, SG engaged in the Concealment Practice in order to minimize the risk that sanctions-violating transactions would be detected and/or blocked in the United States. SG employees used cover payments for this purpose, in which SG would send one SWIFT payment message to the relevant U.S. bank, located in the County of New York, omitting the "beneficiary" field that would otherwise disclose the ultimate beneficiary of the payment, and listing only the bank to which the funds should be sent. SG would then send a second SWIFT message to the non-U.S. recipient bank, providing the name of the sanctioned party beneficiary to whom the funds should be remitted. Using this procedure (the "Cover Procedure"), SG would ensure that the sanctioned party beneficiary information was not disclosed to the United States bank that was involved in the transaction.[2]

15. SG employees of the business lines that dealt with sanctioned entities, including GLFI, Correspondent Banking, Money Markets, Coverage and Investment Banking ("CORI"), and the Foreign Exchange and Treasury Departments, as well as BDDF and certain overseas branches, processed payments in such a way as to ensure that references to sanctioned entities did not appear in U.S. dollar payment transfer messages. For example, in July 2002, a manager in SG's Natural Resources and Energy Financing department ("NAT"),[3] which was responsible for the operation of credit facilities involving Cuba, sent instructions regarding a proposed credit facility involving a joint venture between a French commodities trading company and a Cuban government entity. In those instructions, the manager noted that:

> "We are going to receive transfer orders in USD in favor of certain suppliers in non-Cuban banks. **In this case, the USD transfer must not**

[2] Until November 2009, the applicable SWIFT protocols did not require a reference to the ordering party in Single Customer Transfers processed as MT103/202 cover messages.
[3] NAT was based in Paris and was a component of GLFI.

> **in any case mention the name of the ordering party [the joint venture] or its country of origin, Cuba. The clearing will indeed be carried out in NY. I have explicitly asked [the joint venture] to write on its transfer request the instructions to be included.**" (bold in original).

The Concealment Practice was used to send U.S. dollar payments to Cuban banks and corporate beneficiaries in connection with other credit facilities involving Cuba that NAT operated.

16. SG's Cover Procedure was memorialized in writing in 2003, as part of discussions among various SG departments regarding how to deal with U.S. dollar payments that involved sanctioned country financial institutions. In July 2003, a senior member of CORI proposed that SG define "a procedure and a common SG position that we will have to relay to the banks under embargo (Iran, Libya, etc.) for the issuance and receipt of transfers in USD." This was followed by an August 2003 meeting among CORI, Correspondent Banking, Treasury, and Group Compliance representatives regarding "USD payments to or from OFAC blacklisted financial Institutions" in light of a recommendation by the Financial Action Task Force on Money Laundering ("FATF")[4] that correspondent banks identify the ultimate customer ordering a payment. As a result of that meeting, a senior member of SG's Treasury Department's back office, drafted a document entitled "Scheme for international settlement" which applied where "the customer belongs to a country under OFAC embargo (Iran, Libya, …)" and laid out the mechanics of the Cover Procedure. This document noted that for payments by SG to the customer, "[r]egarding the OFAC rules there is no risk for SOCGEN except if we make a mistake in the MT202," a reference to the omission of information from the SWIFT message

[4] FATF is a policy making body that works to set standards and promote effective implementation of legal, regulatory, and operational measures for combating threats to the integrity of the international financial system, such as money laundering and terrorist financing. In connection with this mission, it issues recommendations designed to address these threats.

accompanying the transaction, that would, if included, result in the possible blocking of a sanctioned transaction.

17. The purpose of the Cover Procedure, and the Concealment Practice generally, was to circumvent U.S. sanctions by omitting or falsifying information on payment instructions sent through financial institutions located in New York County. For example, a senior member of SG's Money Market department back office ("MMBO") wrote to another MMBO employee in 2004 that "[t]he American authorities have now identified the procedure we were using (two MT 202s) to 'circumvent' the OFAC rules." Similarly, IT employees who worked with the systems that automatically filtered payment messages being sent to the United States for references to Sanctioned Entities described these practices as "circumvention circuits," which "circumvent[ed] the OFAC rules, as many other institutions in Europe are also doing." And, during a July 2004 meeting, the minutes of which were sent to SEGL's group compliance unit ("Group Compliance"), concern was expressed that "SG New York is indicating that the [Federal Reserve] could in the future monitor the covering MT 202 by requesting information on the underlying MT 103: this could put SG at risk for these transactions that are under the US embargo."[5]

18. SG compliance personnel were aware of the Concealment Practice, and some actively promoted it early in the Review Period. For example, in 2003, during SG's establishment of internal transaction monitoring (or "filtering") systems designed to assist with identifying and preventing the processing of transactions that would violate U.S. sanctions, a senior member of Group Compliance directed IT employees to use these tools to identify

[5] MT 202s and MT 103 are types of SWIFT messages. In the scenario described in the meeting minutes, the underlying MT 103 would have contained the identity of the ultimate sanctioned party originator or beneficiary, which was being omitted from the covering MT 202.

transactions from which party information would have to be removed, so that they would not be blocked by U.S. financial institutions. Instead of declining to process these transactions, the senior member of Group Compliance instructed SG employees to "repair[]" them so that they did "not have Swift messages including an indication of [a Sanctioned Entity]."

19. Starting in May 2004, following an enforcement action by the Federal Reserve against the Swiss Bank UBS for, among other things, engaging in U.S. dollar banknote transactions with countries under U.S. sanctions (the "UBS Action"), SG's various departments gradually discontinued use of the Concealment Practice. After discussions with SGNY's OFAC Compliance Officer prompted by the UBS Action, SG's Money Market and Treasury Departments switched to fully transparent payments in December 2004. Another round of discussions with SGNY's OFAC Compliance Officer was prompted by the December 2005 sanctions enforcement action by OFAC and various bank regulators against Dutch bank ABN AMRO (the "ABN AMRO Action"). Those discussions led SG's Correspondent Banking Department to switch to transparent payments for most of its Iranian bank customers in July 2006. Correspondent Banking continued to utilize the Concealment Practice for a significant Iranian Government bank until September 12, 2006, one day before SG's top management was to meet with the U.S. Department of the Treasury's Under Secretary for Terrorism and Financial Intelligence regarding Iran's use of the global financial system. Components of BDDF, GLFI, and certain overseas SG offices continued to use the Concealment Practice through early 2007.

20. In total, SG processed over 9,000 outgoing transactions that failed to disclose an ultimate sanctioned party sender or beneficiary ("non-transparent transactions"), with a total value of more than $13 billion. The overwhelming majority of these transactions involved an Iranian nexus and would have been eligible for the U-Turn License. There were, however, at

least 887 non-U-turn transactions with a total value of $292.3 million that were both non-transparent and violated U.S. sanctions. 381 of these transactions with a total value of $63.6 million were related to the Cuban credit facility conduct described below, while the remaining 506 transactions with a total value of $228.7 million involved other SG business with a sanctioned nexus.

SG's Operation of U.S. Dollar Credit Facilities to Finance Cuban Business

21. Beginning in at least the early 1990s, SG offered credit financing to various Cuban-related entities and business enterprises. Between 2000 and 2010, SG operated 21 credit facilities (the "Cuban Credit Facilities") that involved substantial U.S.-cleared payments through financial institutions located in the County of New York, in violation of TWEA and the Cuba Regulations. These facilities provided funding to a Cuban government bank ("Cuban Bank 1") that had been designated as an SDN by OFAC, to Cuban government-controlled corporations, and to European corporations in connection with their Cuban business enterprises. The facilities included loans secured by Cuban tax revenues, sugar, oil, and nickel.

22. Of these, the credit facility with the largest volume (60.9%) and value (97.8%) of U.S. dollar-denominated transactions ("Cuban Facility 1") was two separate but linked credit facilities originated in 2000 in order to finance oil transactions between a Dutch commodities trading firm ("Dutch Company 1") and a Cuban corporation with a state monopoly on the production and refining of crude oil in Cuba (Cuban Corporation 1). One facility was a $40 million revolving line of credit, divided between SG and another French bank ("French Bank 1") to finance Dutch Company 1's importation of crude oil into Cuba to be refined there and sold in U.S. dollar-denominated transactions in the local Cuban market (the "Import Facility"). The other facility was a $40 million revolving line of credit to finance Dutch Company 1's purchase

of receivables owed to Cuban Corporation 1 from the sale of oil financed by the Import Facility (the "Receivables Purchase Agreement"), in which SG's initial exposure was $20 million, and which decreased over time. While the Receivables Purchase Agreement was terminated in 2006, the Import Facility continued through October 2010, when it was replaced with a Euro-denominated facility. Between 2003 and 2010 alone, SG engaged in 1,887 U.S. dollar-denominated transactions in connection with Cuban Facility 1, totaling approximately $14,736,500,000, which represented the overwhelming majority of the Cuba Credit Facility transactions.

23. Between 2000 and 2010, SG maintained 20 other credit facilities for which it conducted U.S. dollar transactions passing through New York financial institutions that violated the Cuba Regulations. Six of these facilities were comprised of loans that SG extended to a Cuban government bank that was designated as an SDN ("Cuban Bank 1"), three through a Jersey-incorporated entity for subsequent transfer to Cuban Bank 1 and secured by Cuban commodities ("Cuban Facilities 4-6") and three directly to Cuban Bank 1 with repayments made by a different Cuban bank from Cuban tax revenues ("Cuban Facilities 7-9"). Another of these facilities ("Cuban Facility 2") was comprised of loans that were extended directly to a Cuban state-owned corporation which operates Cuba's airlines ("Cuban Corporation 2"). Thirteen of these facilities ("Cuban Facilities 3, 13-18, 26-29, and 24-25") involved loans to European corporations in order to finance the purchase, production, and/or export of Cuban commodities.

24. The Cuban Credit Facilities were managed from SG's home office in Paris by the NAT group within GLFI. In addition, in 2002, SG established a Cuba task force including both the RISQ Country Risk department ("RISQ/EMG") and NAT with authority over all of the Cuban Credit Facilities except for Cuban Facility 1 and a handful of other facilities.

25. Between 2003 and 2010, in connection with the Cuban Credit Facilities, SG engaged in 3,100 unlawful U.S. dollar transactions that were processed through United States financial institutions located in the County of New York, worth approximately $15.1 billion, as illustrated below:

Facilities	USD Transactions	$ Value (Million)
Cuban Facility 1	1,887	14,736.5[6]
Cuban Facility 2	185	39.7
Cuban Facility 3	53	52.1
Cuban Facilities 4-6	168	13.7
Cuban Facilities 7-9	443	91.4
Cuban Facilities 13-18, 26-29	302	134.9
Cuban Facilities 24-25	62	18.0
TOTALS	3,100	15,086.4

SG's Use of the Concealment Practice in Connection with the Cuban Credit Facilities

26. Consistent with SG's broader use of the Concealment Practice, NAT engaged in a deliberate practice of concealing the Cuban nexus of U.S. dollar payments that were made in connection with the Cuban Credit Facilities. This included a large volume of payments (including those relating to Cuban Facility 1) that did not involve a direct Cuban customer of SG, in which SG concealed the Cuban nexus of payments processed through SGNY. It also included approximately 500 U.S. dollar-denominated payments that SG routed through a particular

[6] The terms of the Import Facility required separate weekly drawdowns and repayments, rather than a single netted debit or credit a particular week. If the payments had been netted the total amount of U.S. dollar payments made in connection with Cuban Facility 1 during this period would have been $2,047,600,000.

Spanish bank ("Spanish Bank 1") before the payments were processed in the United States in order to further disguise the fact that the transactions violated U.S. sanctions. For example, in a July 2002 memo regarding a proposal for one of the Cuban Credit Facilities, one of NAT's managers advised:

> IMPORTANT
> . . .
> 3) FOR ANY TRANSFER OF FUNDS IN USD FOR WHICH THE BENEFICIARY OR THE BANK HOUSING THE PAYMENTS IS CUBAN, A SPECIFIC PROCEDURE IS IN PLACE: prepare a SWIFT MT 100 reiterating the payment instructions validly signed by [the joint venture receiving the loan] and send it to [Spanish Bank 1's France office]. Arrange a cash transfer in the amount SG requests to [Spanish Bank 1's France office] without reference of the end Cuban beneficiary.

The use of Cover Payments in processing transactions relating to the Cuban Credit Facilities was ongoing when this manager joined SCF in 2002.

27. In a December 2004 memorandum to NAT management describing payment flows in connection with the Cuba–related Facilities, NAT employees stated that "SG has always been sensitive to avoiding the use of USD in its Cuban operations" and that it no longer had any "direct flows in USD from/to Cuba in any of its transactions." Instead, USD flows were made via intermediaries – either banks or non-Cuban corporate entities. The memorandum further explained the Concealment Practice, describing how the transactions processed through intermediary banks were transmitted "without any reference to a Cuban party/transaction." With respect to the Receivables Purchase Agreement portion of the Cuban Facility 1 specifically, the memorandum noted that "SG Paris transfers the USD amount to [Dutch Company 1's] account at [a bank in New York] (no reference is made to the Cuban import) and receives the invoice from [Dutch Company 1]."

SG's Cuban Sanctions Violations Continued Despite Concerns Expressed by Compliance to Top Management.

28. Between May and December 2004, SG reconsidered its Cuba business in light of the UBS Action, and began to shift away from U.S. dollar transactions involving Cuba to avoid U.S. scrutiny and possible sanctions enforcement action.

29. In late November 2004, a senior leader of NAT travelled to Cuba to meet with Cuban banks and government ministries, and communicated to his Cuban counterparties that "given the increased constraints on SG in the context of the reinforcement of the United States' position towards companies working with countries under embargo, SG is considering taking measures to avoid potential difficulties with the U.S. authorities" including "elimination of any transfer in USD between Cuba and SG."

30. By about this time, SG's Group Compliance had expressed significant concerns about continuing to conduct U.S. dollar transactions with Cuban counterparties in light of U.S. sanctions. As reported in a December 1, 2004 email from a senior leader of Group Compliance to a top executive in SEGL, these included that (1) "any discovery of breach" regarding Cuba "attracts the most stringent punishment," and (2) U.S. authorities, including "criminal authorities," were focusing on U.S. dollar payments that had been sent through U.S. banks.

31. Several days later, the same senior leader of Group Compliance, after being alerted to a U.S. dollar transaction between SG Canada and an exporter of goods to Cuba in connection with which "[n]o reference to Cuba is made to [the Canadian bank]," contacted the top executive in SEGL and other members of Group Compliance regarding SG's Cuban business. In that email, the senior leader of Group Compliance noted that "we have lived with the OFAC list for some time and have developed various methods of avoiding it," and asked

whether "given the new regulatory scrutiny in the US on USD payments do we remain satisfied with those methods?"

32. In mid to late December 2004, as a result of these concerns, SG's top management determined that U.S. dollar transactions in connection with the Cuban Credit Facilities should be eliminated as quickly as possible, but permitted NAT to continue U.S. dollar transactions in the interim. This decision was first communicated to an SG customer in emails from an NAT employee to Cuban Bank 1 on December 13 and 21, 2004, which stated that "SG top management wishes not to receive/transfer payments in USD any longer as per a scheme to be implemented within the shortest time possible…" and that "SG - and most likely other European lenders alike - has no choice but to eliminate any reference to USD or business involving American entities in its business with Cuba. As you may know, the Spanish bank SCH [Santander] was recently fined by US Authorities for having used USD in 2001 (so remotely !) for its operations with Cuba indirectly. We have no information about any potential threat to their operations in the US but our Compliance Dpt [sic] fears that SG faces such difficulties."

33. Despite the decisions in 2004 to wind down U.S. dollar transactions for the Cuban Credit Facilities, as well as the Bank's overall Cuban exposure, SG continued to engage in such transactions for almost six years, until October 2010. SG gradually negotiated repayments of existing facilities in Euros, including through simultaneous foreign exchange transactions, and renewed facilities in Euros or did not renew them at the end of their term.

34. In the interim, SG continued to engage in U.S. dollar transactions in violation of TWEA and the Cuba Regulations, conducting a total of 1,921 violative transactions with a total value of approximately $10.3 billion from 2005 to 2010. Many of those transactions were processed through New York County.

35. The conduct continued despite the ongoing awareness of Group Compliance, and despite awareness by the participants of ongoing U.S. sanctions enforcement actions, most notably the December 2005 ABN AMRO Action. For example, on February 7, 2006, an employee in the RISQ Financial Institutions department ("RISQ/CMC") sent an email to members of NAT, as well as RISQ and Group Compliance employees regarding a meeting held that day with the SGNY Compliance Department regarding transactions with Iranian banks in light of the ABN AMRO Action. In that email, the RISQ/CMC employee raised concerns that a U.S. investigation of SG's Iran transactions could reveal SG's conduct with respect to Cuba:

> In this manner, by means of an investigation centered on a country such as Iran, the U.S. authorities can put their finger on the movements of funds in USD relating to other countries – so Cuba – . At least, it is what we have understood. Of course, we have not brought up the case of Cuba with the SGNY Compliance Department. Nevertheless, but we have understood that Iran was – to a certain extent – the "lesser evil" by which the "worst" could happen.

The email noted that "[s]ince end 2005[sic]/beginning 2005, it was decided to avoid to the maximum any transactions executed in USD with Cuba" and described some of the methods used including the foreign exchange procedure that had been implemented for some of the Cuban Credit Facilities. The employee further wrote that "[w]e can also wonder how the type of USD/EUR foreign exchange transaction mentioned earlier . . . could be perceived by the U.S. authorities and whether it complies with the procedures provided for in the USA for this type of transaction."

36. During this time, SG continued to utilize the Concealment Practice to disguise the nature of the U.S. dollar transactions it effected in connection with Cuban Credit Facilities. For example, a January 2006 agreement with respect to Cuban Facility 3 expressly stated that the U.S. dollar payments between SG and a Russian bank that was a sub-participant in the facility should be made through SGNY "<u>without including any mention or reference to Cuba, any Cuban</u>

entity or to the Caribbean, either in the correspondence (electronic, paper or fax), the SWIFT messages or the fund transfer SWIFTS" (underline in original).

Termination of Cuban Facility 1 and the Final U.S. Dollar Payment.

37. By early 2010, all Cuban Credit Facilities had ended or been converted to Euro payments except for Cuban Facility 1. On March 30, 2010, as part of a NAT effort to refinance this facility, Cuban Facility 1 came to the attention of the recently created Group Sanctions Compliance function, when NAT sought approval to open an SG account in Euros with a Cuban bank acting as collection agent for Cuban Corporation 1 in connection with extending a new U.S. dollar facility to Dutch Company 1 to replace Cuban Facility 1.

38. A senior leader of Group Sanctions Compliance responded on April 1, 2010, based on information provided by phone, that "we have understood that this transaction is tied to a financing in USD (from SG to [Dutch Company 1] and from [Dutch Company 1] to [Cuban Corporation 1]). This type of structure is sanctioned by the U.S. Authorities." As a result, Compliance was "unfavorable to this transaction."

39. Following this objection, a new Euro facility was extended to Dutch Company 1 to replace Cuban Facility 1 in October 2010. In connection with this new facility, Dutch Company 1 paid SG Paris a final $600,000 arrangement fee (the "Arrangement Fee") through SGNY, despite the clear confirmation from Group Sanctions Compliance that U.S. dollar payments in connection with the facility violated U.S. sanctions. The payment instructions sent to Dutch Company 1 stated that: "The Arrangement Fees [sic], payable in USD should be paid to the following account. Please pay attention not to mention any reference to [Cuban Corporation 1] within the references of this settlement." NAT employees, including supervisors, responsible for the facility and Cuban Facility 1 received both the instruction from Group Sanctions

Compliance that such an arrangement would be a violation of U.S. sanctions and a copy of the payment instruction, but nonetheless raised no objection.

SG's Failure to Disclose Its Wrongdoing in a Timely Manner

40. Despite the awareness of both Group Compliance and senior SG management that SG had engaged in both the Concealment Practice and the unlawful U.S. dollar payments under the Cuban Credit Facilities, SG did not disclose its conduct to OFAC or any other U.S. regulator or law enforcement agency prior to the commencement of the present investigation.

41. This investigation was triggered by the blocking by other U.S. financial institutions, in March 2012, of two transactions that SG processed on behalf of a Sudanese sanctioned entity, and a subsequent February 2013 voluntary disclosure by SG regarding $22.8 million in transactions with the Sudanese entity and a small amount of transactions with other Sanctioned Entities that violated U.S. sanctions. The Bank did not disclose the existence of the Concealment Practice and the Cuban Credit Facilities at that time. SG thereafter engaged in discussions with the various criminal and regulatory agencies investigating its conduct (the "Investigating Agencies") regarding the scope of the voluntary lookback the Bank had agreed to conduct into its compliance with U.S. sanctions laws. SG did not disclose the Concealment Practice or the Cuban Credit Facilities during these discussions, and its proposals for the scope of that lookback did not include the time period, business lines, or geographic regions that would have revealed that unlawful conduct. It was only after SG performed a detailed forensic analysis based on the broader scope of investigation required by the Investigating Agencies that it disclosed, in October 2014, the Concealment Practice and the Cuban Credit Facilities to the Investigating Agencies.

42. As a result of this untimely disclosure, the statute of limitations for TWEA or IEEPA violations relating to the Concealment Practice, and to much of the individual conduct involving the Cuban Credit Facilities, had already run by the time the Investigating Agencies learned of them.

SG's Subsequent Provision of Information to the Government and Remediation Efforts

43. After the belated disclosure of its misconduct, SG cooperated substantially with the investigation. SG conducted an extensive and thorough transactional and conduct review and signed tolling agreements and extensions of those tolling agreements with the Government. Consistent with SG's understanding of its obligations under French law, SG produced voluminous documentary materials to the Investigating Agencies. SG was also responsive and helpful in presenting the results of its investigation, answering questions for the Investigating Agencies, and facilitating potential interviews of its employees, also pursuant to an MLAT request.

44. SG has also engaged in significant remediation. SG terminated its unlawful conduct in 2010 prior to the commencement of any investigation. Beginning in 2009, SG also made major improvements in its sanctions compliance program. In 2009, SG created a central Group Sanctions Compliance function, which has increased from a single employee when initiated to 31 employees by 2017. More generally, SG increased its Group Compliance personnel between 2009 and 2017 from 169 employees to 785 employees, and its Group Financial Crime personnel from 16 to 106. SG has also made various enhancements to its compliance IT, and the overall Compliance budget has increased from €53.8 million in 2010 to €186 million in 2016. In July 2010, SG issued a Group Sanctions Policy making clear the scope of U.S. sanctions, and reorganized its policies for escalation and review of potential sanctions

issues. It implemented a formal recusal policy for U.S. persons working at SG with respect to sanctioned party business in 2014. SG has also instituted biannual training of employees regarding sanctions issues.

DECLARATION OF SUSAN BAILEY – EXHIBIT E

BIBLIOGRAPHIC DATA
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To make known the activities of the *empresa* in the area of commercialization of fuels, lubricants, accessories, parts and spare parts of vehicles, as well as sale of foodstuff.
(https://www.wipo.int/classifications/nice/nclpub/en/fr/?basic_numbers=show&class_number=0&explanatory_notes=show&lang=en&pagination=no&mode=flat&version=20170101)

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CORPORACIÓN CIMEX S.A.: Edificio Sierra Maestra, between First and O, Miramar, Ciudad de La Habana, CUBA

(740) Name of representative

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CERTIFICATE OF TRANSLATION

I, Nahum Hahn, am competent to translate from Spanish into English, and certify that the translation of the attached document, "Exhibit E to the Declaration of Susan Bailey", is true and accurate to the best of my abilities.

June 11, 2020

Nahum Hahn
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DATOS BIBLIOGRÁFICOS

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Para dar a conocer la actividad de la empresa en la esfera de la comercialización de combustibles, lubricantes, accesorios, partes y piezas de vehículos, así como el expendio de alimentos.
(https://www.wipo.int/classifications/nice/nclpub/en/fr/?basic_numbers=show&class_number=0&explanatory_notes=show&lang=en&pagination=no&mode=flat&version=20170101)

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