



Panama

President Martin Torrijos has been courting international support to bolster Panama's expansion.

COUNTRY PROFILE

LOCATION

Central America, bordering both the Caribbean Sea and the North Pacific Ocean, between Colombia and Costa Rica

POPULATION

3,191,319 (July 2006 est.)

GDP (purchasing power parity) \$25.29 billion (2006 est.)

GDP (real growth rate) 6.3% (2006 est.)

GDP (per capita) \$7,900 (2006 est.)

INDUSTRIES

construction, brewing, cement and other construction materials, sugar milling

AGRICULTURE PRODUCTS

bananas, rice, corn, coffee, sugarcane, vegetables, livestock, shrimp

EXPORTS - PARTNERS

U.S. 44.9%, Spain 8.9%, Sweden 5.6%, Netherlands 4.9%, Costa Rica 4% (2005)

EXCHANGE RATE

balboas per U.S. dollar = 1

Source: CIA - The World Factbook



While the concept of the Panama Canal dates back to the 16th century, the first, and failed attempt to build it was in 1880. In 1914 it finally opened.

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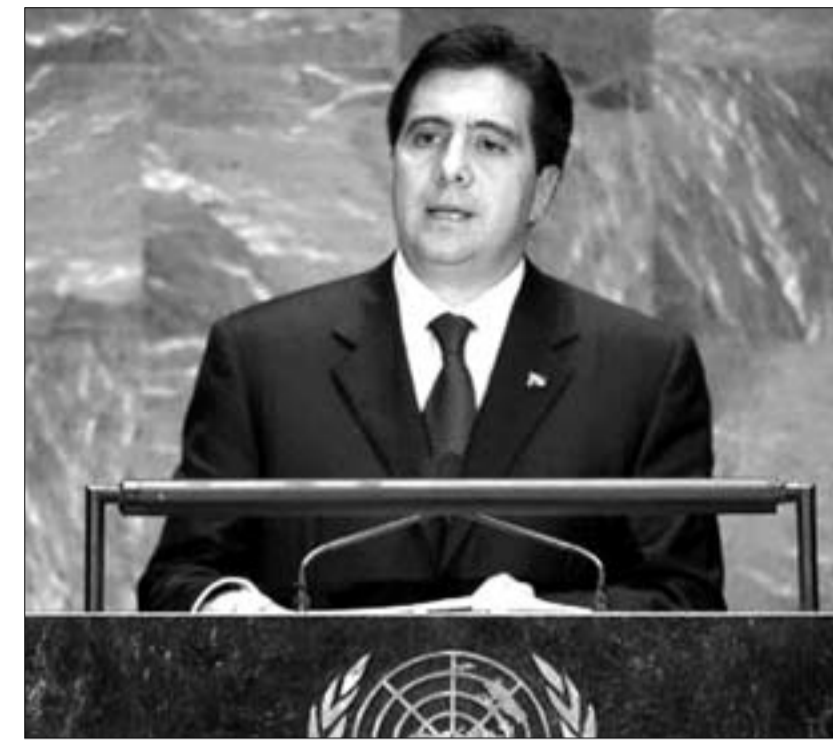
▶▶▶ ADVANTAGEOUSLY LOCATED AS THE DOOR TO WORLD COMMERCE, WITH THE EPONYMOUS CANAL AS ITS HINGE, PANAMA IS EXPANDING FROM ITS ROLE AS A SHIPPING TERMINUS TO EMBRACE COMMERCIAL DEVELOPMENT

Expansion of canal to broaden economic appeal

Ever since its completion in 1914, the Panama Canal has provided the backbone of the nation's economy. Today, seven years after the U.S. officially returned full control of the waterway to the Panamanian people, the canal is about to enter a new epoch thanks to the launch of a major expansion program. "Never in the history of the country have we Panamanians taken a decision of this magnitude," commented President Martin Torrijos as the results were announced. "We have laid the foundation for a better country."

In a nationwide referendum held last October, people voted overwhelmingly by a margin of four to one to approve the ambitious plans to expand its famous canal and double its capacity. "Since colonial times, Panama has been a globalized nation with enormous potential for commercial development," says Torrijos. "We are now making up for lost time in order to develop a country that holds promise for all Panamanians and to take advantage of our location and global circumstances so we can expand our potential." In January, Panama began a two-year term as the newest member of the UN Security Council.

Elected in May 2004, Torrijos and his administration identified fiscal reform with trans-



parent and coherent public policies, along with the reconstruction of the social security fund, as the spur to a social development program that would benefit everyone. The determination of the government to redefine Panama's status in global markets is evidenced by a proactive attitude that has produced political, social and economic growth and evolution. The Panama Canal handles an estimated 5 percent of world trade, with over 14,000 transits shipping 200 million tons of cargo per year. On average, 40 ships a day pass through the 50-mile (80.5 kilometer) shortcut between the Caribbean Sea and the Pacific Ocean, but its capacity is now stretched, partly because of surging exports from China. Traffic between Asia and

the U.S. East Coast now accounts for more than 40 percent of shipping.

Panamax ships are specifically built to the maximum size that will pass through the canal. However, larger carriers, referred to as post-Panamax, are gaining in popularity. Panama faces the prospect of missing out on business from these more capacious transporters. A new generation of super-ships, which can carry up to twice as much cargo as normal vessels, are forced to look to other routes as the canal is too narrow to support them.

The \$5.5-billion expansion project will widen and deepen the canal. It will also create a new set of giant locks, measuring more than 50 meters (164 feet) wide, to provide a third lane of traffic capable of handling greater

loads, thus avoiding what could potentially become a bottleneck of world commerce.

The United States has long been a close trading partner of Panama, and regards it as a true ally in Latin America. In December last year, the two nations furthered their relationship by reaching a free-trade agreement (FTA), that promises to expand and secure trade and investment flows between the two nations. The FTA aims to put U.S.-Panamanian trade on a reciprocal, mutually beneficial footing. More than 88 percent of U.S. exports of consumer and industrial goods to Panama are to become duty-free immediately, with remaining tariffs phased out over the next 10 years.

"Panama has a very open economy, excellent port services, the Colon Free Zone, one of the largest offshore banking centers in the world, insurance, tourism and also a booming real estate sector. In December 1999, Panama fully regained control of the canal and its benefits. There is still great investment potential in the maritime sector that the country is starting to discover," says Torrijos. "Currently, we have an investment of \$1 billion to enlarge our ports and we are aiming to construct a new port on the Pacific coast. There's investment potential in new shipyards and also in providing essential services to cargo ships as they pass through the canal. Our commercial policy seeks to open new markets."

The government is in partnership with a private company to establish continual training of Panamanian workers to prepare the nation's human resources for the new opportunities that are arising.

People are beginning to rediscover Panama. "I believe Panama is in the right place at the right time," says the president. "It has major potential and its doors are open to new investments."

THE COLON FREE ZONE

The second-largest free zone in the world

Since its inception in 1948, the Colon Free Zone has gone from strength to strength. Today, 2,000 international companies and 23,500 employees are located at the commercial center of Panama

ready vibrant trade and investment relationship. It will provide new economic opportunities for U.S. exporters, including significant openings in the \$5.5 billion expansion plan for the Panama Canal, and the increased need for infrastructure that inevitably accompanies economic development.

"The recent expansion of the airport has made Panama the hub of the Americas, providing services to South America, the Caribbean, Central and North America, and 34 other destinations in 20 countries that only transport their goods on Panama's national carrier, Copa Airlines," says Minister of Commerce and Industry Alejandro Ferrer. "We want to turn Panama into a multimodal, worldwide logistics center. We have a network of land, maritime port and air communications and we are striving to get a railroad that will be able to handle refrigerated containers and transport merchandise from the Pacific to the Atlantic in less than an hour."

Telecommunications gives the country another edge, with five fiber-optic cables linking

it to the rest of the world. "In the Americas, this advantage can only be found in cities like New York," adds Ferrer. Energy transportation is another sector with unfulfilled potential.

A crucial element connecting Panama with global trade is located around 75 minutes by car from Panama City: the Colon Free Zone (CFZ). It is the largest free-trade zone in the Western Hemisphere, exceeded globally only by Hong Kong. Around 2,000

companies operate within its 400 hectares (988 feet) and the free-zone laws create a climate for businesses to trade with a minimum of restrictive legislation. No tax is paid on income derived from export activities within the zone, no tariffs or quotas exist on imports and exports, while costs are highly competitive. Additionally, executives and foreigners receive several immigration benefits.

Location is one of the main keys to the CFZ's enormous success. It is served by five major ports only a few miles away, and its proximity to the tiger economies of Southeast Asia and North America, as well as its relatively easy connections to Europe, makes it an ideal intercontinental hub. The free zone is constantly reconstructing and modernizing warehousing, shipping and transit systems for all types of merchandise, keeping one step ahead with the use of modern technology and by offering the best multimodal services.

"Panama's future looks bright," comments Nilda Quijano, General Manager of the Colon Free Zone. "Following our growth and looking ahead, we are concentrating



A map showing the location of Panama within the region and the prominence of its commercial artery, the Panama Canal, which provides the only link from the Caribbean Sea to the Pacific Ocean.



ALEJANDRO FERRER
Minister of Commerce and Industry



NILDA QUIJANO
General Manager of the Colon Free Zone

on improving employment - training and preparing people for the upcoming surge in development to ensure a skilled work force, able to generate sustainable growth, wealth and social welfare, and who are ready for the business people of the free zone." She adds: "We prepared a strate-

gic plan to turn the zone into an efficient, global logistics center with greater security and an automated trade system. Also, I believe strongly in social responsibility. We adapted our mission to be more oriented toward social issues and put more back into the community."

The Colon Free Zone The Logistics Hub of The Americas

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Panama

PANAMA CITY

A capital boom in glamour

Long, hot nights, the world's second-largest Carnaval celebrations, *joie de vivre* and a construction boom are singling out Panama as a recreation destination of choice

ALWAYS a detour, never a destination. "Canal" rather than "Carnaval" is more often associated with Panama internationally, as travelers throughout history have passed through it en route to somewhere else. Yet the southernmost Central American nation is home to one of the world's largest Carnaval celebrations and is so much more than a convenient cross-continental shortcut for global commerce.

Music and culture are just as entrenched in Panama as the manufactured waterway that supplies its economic sustenance. The acclaimed salsa singer and songwriter Ruben Blades is Panama's most celebrated pop-culture figure and is also the country's minister of tourism. By largely giving up his recording and acting careers to serve the nation with the same creative spirit and sense of social purpose, he sent out a signal to the international community that there is more to Panama than many may have thought.

Visitors to the capital of the world's most famous isthmus with a ditch will be instantly struck by the multimillion-dollar building boom that is transforming the city with new office towers, hotels, condominiums and casinos.

The skyline of Panama City now conceals modern shopping malls, elegant Italian restaurants, stylish French diners, and a variety of bars and nightclubs. The capital city encapsulates a wide range of architectural experiences, from the high-rise waterfront and the fortress-like historic center to the crumbling colonial buildings and the busy streets with traditional craft shops.

Shopping districts, such as the Via España and Central Avenue, hold an array



As well as being a great place to own a second home, Panama City has been identified by several media as one of the best places in the world to retire, spurring a construction boom for real estate developers such as Group Corcione.

of boutiques, bazaars, gift shops, jewelers and many local handicraft stores. The Colon Free Zone, located only 75 minutes from Panama City by car, is the world's largest free zone and duty-free shopping area.

The Bridge of Life Museum of Biodiversity that is under construction in the capital was caught in the paparazzi's glare last December as the high-profile celebrity couple Brad Pitt and Angelina Jolie were photographed in the neighborhood, rumored to be considering investing in the project and buying land in Panama.

The country also hit the headlines in November 2006 when the United Nations elected Panama as the newest member of its Security Council.

Panama has been highlighted in several media as one of the best places in the world to retire. Along with stunning coastlines and highland havens, the country offers no threat of natural disasters and has a low crime rate. Cranes, building sites, slick sales offices and realty package tours aimed at foreigners are everywhere, with bay-front apartments, mountain villas and luxurious residential

and office properties being snapped up by potential residents and intercontinental speculators from California to Dubai. Donald Trump is participating, developing Trump Ocean Club – a 68-story mixed-use hotel and apartment tower in the Punta Pacifica district, which meets with his four key criteria: great views, prestige, convenience and growth potential.

The real estate frenzy is further fueled by easy credit from Panamanian banks, government incentives and a saturated U.S. market for retirees. Construction moguls and estate agents firmly believe Panama City is a sure bet for investors, offering low-priced high quality of life, health care rivaling U.S. standards, international banks, the U.S. dollar as legal tender, major economies within a three-hour flight, tax breaks, and sustainable economic development.

Panama holds more bird species than in the whole of Europe, hanging out in more tree types than in the whole of North America. They share space with beautiful old colonial towns and a modern actual. As for the eponymous hats, they're actually from Ecuador, and nowadays they're strictly optional.

GROUP CORCIONE

Building a vision of Panama City and beyond

Group Corcione is the driving force behind some of Panama's most innovative and striking architectural developments

SINCE 2005, Panama has been experiencing a real estate boom. Tourists and investors worldwide are discovering the key ingredients that make Panama a top choice for living, investing and retiring. It offers the U.S. dollar as its currency, the expanding Panama Canal, modern infrastructure, a top international banking system, a lower cost of living, an ideal climate, and the most important of its assets: Panamanian hospitality.

Group Corcione is one of the top real

estate builders and developers in Panama, specializing in residential high-rise and second-home market developments.

Starting out as a small engineering firm in 1992, it had begun building its own residential developments by 1996, beginning with apartment buildings in the middle to low-income housing market. Since then, the firm has begun to target the mid-range and high-end local and international markets with projects like Ocean Park Towers in Punta Pacifica and Ocean Sky, SF67, Park One, and Green Bay at Costa del Este.

The mastermind entrepreneur behind the firm is Nicolás Corcione, who, at 25, began working as a project manager with a large local developer and real estate broker. In order to expand, Corcione invited

Agustín González, a structural and civil engineer with a solid design and construction background, to join the team.

The group's synergy and its integration of services resulted in one of the most respectable groups of builders and developers in Panama, now with over 3 million square feet (278,709 square meters) of successful construction under their belt.

Today, Group Corcione markets and builds its own developments and carries out construction and project management services for third parties. Now the group is working on five major residential city developments as well as second-home and retirement projects in Panama's countryside to fulfill the demand from American, Canadian, South American and European buyers.

CB RICHARD ELLIS

A one-stop partner for foreign investment

CB Richard Ellis provide first-time investors and buyers with local knowledge and global experience

PANAMA's fastest growing sector is real estate. A long-established shipping hub and offshore banking center for the Americas, Panama is now in the midst of a building boom on a scale unmatched since the construction of the canal began in 1914. Only two hours by plane from the U.S. mainland, it is luring retirees, baby boomers and investors worldwide with its dollar economy, democratic government, and recently confirmed plans to double the capacity of its economic lifeline – the Panama Canal.

Panama has been rated by International Living Magazine, the New York Times and Modern Maturity – the magazine of the American Association of Retired Persons, which has a readership of some 30 million – as one of the world's top retirement destinations. In the United States alone, some 80 million baby boomers will retire over the next decade, with around 5 percent relocating to areas such as Panama.

Guiding overseas investors entering the market are leading global property experts CB Richard Ellis. "Foreign interest is growing day by day," says Director General Ramón Roux, who established the Panama office six years ago. "Panama's real estate industry now has an international market, which began to discover the country five years ago but has really taken off in the past two years. Currently, the primary market is the United States, but Spain and Venezuela, among others, are beginning to participate at a significant level."

CB Richard Ellis offers extensive financial and transactional services. "We become strategic partners, which is totally different from developing our own projects, and represent clients in the commercialization of their projects or the buying and selling of real estate," explains Roux. "In residential projects, we provide market studies and advice on sales and rental prices, as well as han-



RAMÓN ROUX
Director General of CB Richard Ellis

dling all the marketing and sales. Commercially, we support the client all the way from portfolio analysis to disposal of assets, and can evaluate an individual real estate strategy for each client according to each need."

GLOBAL BANK

A global slant on national banking

After only 13 years of operation, Global Bank has established itself as one of the leading financial institutions in Panama

A DOLLAR goes a long way in Panama. A low-tax jurisdiction, it offers a high standard of living well below U.S. or European price levels, as well as attractive immigration incentives from the government. The economy is predominantly services-based, accounting for about 80 percent of economic activity. The canal provides the focal point, with much of the country's fiscal flux attached to the canal's infrastructure and to the logistics and financing of international shipping. However, the banking sector is also one of the fundamental pillars bolstering the country's booming economy.

Panama City is Latin America's most modern financial center and one of the largest international offshore banking concentrations in the world, after Switzerland. The nation has more than 150 banks from 35 different countries. The U.S. dollar is the legal currency, which almost eliminates any currency exchange risks to foreign companies relocating to the isthmus. Free movement of capital, low inflation rates, a qualified work force, reliable telecommunications infrastructure and modern banking legislation all add to its commercial viability.

President of the Panama Banking Association, Jorge Vallarino, says, "For the last three years, Panama has experienced sustained GDP growth due to several factors, including the economic expansion of the U.S. – our main business partner and principal destination for our exports. Additionally, the growth of Latin American economies due to the demand for raw materials and oil has stimulated areas such as the Colon Free Zone. The transfer of goods through the canal, port movement and the banking sector have all seen increased activity."

The outlook is highly optimistic. "Nowadays, there are real opportunities. Panama is one of the Latin American countries with the greatest number of simultaneous projects," adds Vallarino. At the same time as the canal enlargement, there is the enhancement of the mega-port on the Pacific coast, tourism projects, large-scale real estate development, and also the expansion of agriculture and fishing for export, all of which require professional financial services.

"Our banking sector has brought large profits, representing around 9 percent of

the Panamanian gross domestic product," says Vallarino. "For example, there are more than 14,500 well-paid bank employees here and year after year that number increases. Furthermore, long-term loans with very favorable terms enable people to purchase homes, goods and improve their standard of living."

A point of reference in Panamanian banking is Global Bank. "I founded Global Bank together with a group of associates in 1994, and we have since become the third-largest bank in terms of assets among Panamanian banks, with the third-largest network of branches in the country," explains Vallarino, who is also Global Bank's president.



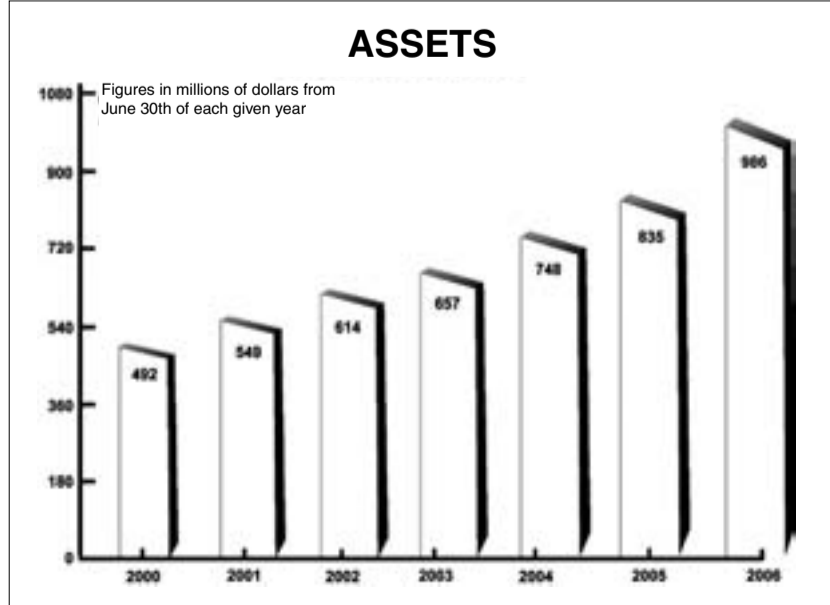
JORGE VALLARINO
President of Global Bank

"Originally we were a wholly corporate bank operating in Panama City and the Colon Free Zone," comments Vallarino. "However, since Panama is a small economy where there is a lot of competition, we realized that in order to grow, we needed to buy or merge with another bank. So, in 1999, we bought 100 percent of a bank with a larger network of branches and which dealt with retail banking – an area that Global did not handle at the time."

Today, the company is 50 percent retail bank and 50 percent corporate bank, and has shown a high degree of specialization and attention to certain niche areas, such as factoring. It has already started a preparation and planning process in order to serve business and companies linked to the expansion of the canal.

"With such a well balanced portfolio as ours, and considering the expanding areas of the economy, we believe the time has come to strengthen our corporate banking," says Vallarino. "This means promoting more growth in large and medium-sized companies in the Colon Free Zone. Additionally, we are organizing complementary services, such as investment banking and fiduciary services, which will enable us to evolve from a niche market strategy to a universal bank strategy."

"What distinguishes us is the personalized care we offer our clients," the president points out. "Even though Global Bank has reached a billion dollars in assets, we still maintain our mentality of service and personalized attention, where each client is treated according to their own needs."



Global Bank's year-on-year rise in capital shows its growing strength among Panamanian financiers.

GLOBAL BANK
www.globalbank.com.pa

Global Bank is the fastest growing financial institution in Panama, having achieved a place within the top three Panamanian banks in as little as twelve years. Focusing on the development of specialized niche markets in tandem with strategic international expansion, Global Bank is building for the future.

Putting people first

