



PANAMA

LETTER

SPECIAL REPORT

What's Up In Panama?

The Latest News, Updates, And Must-Know Information For The Potential Expat, Investor, Or Retiree In Panama

We've been making the case for Panama for nearly 20 years now, and we're more bullish on the opportunities and upsides on offer in the Hub of the Americas than ever before.

Panama could arguably be called the world's best offshore haven. There is no doubt that Panama has serious pluses for those looking for a country with a cheaper standard of living than the United States and Europe. Panama is blessed with beautiful islands, ample coastline beaches, mountain retreats, and colonial towns.



The people here are friendly, and, outside of Panama City, the atmosphere is generally quite laid back and easy going.

With a population of only 4 million, the country does not feel overly crowded.

If you are in the market right now for a place to live, retire, invest, or do business overseas, you're doing yourself a big disservice if you aren't looking closely at this little country.

We put out this report every year to update you on everything that has happened in Panama over the last year or so—the changes that will affect you as an expat or investor in Panama...

Panama Pros At-A-Glance:

- A U.S. dollar jurisdiction—that is to say, Panama has been using the U.S. dollar as its currency for about 100 years, meaning stability and simplicity in your financial transactions.
- It's the best place in the world to base your business and an entrepreneur's playground.
- One of the world's true tax havens—as a foreign resident, you can pay zero local tax, and you can operate your business here tax free, too.
- The biggest international banking center in the region, where, yes, it is still possible to open an offshore account, even as an American.
- It's the easiest and most advantaged place in the world to establish residency, thanks to the ground-breaking Friendly Nations visa (that can even provide a work permit). The pensionado program offers retirees special benefits and discounts—it's the current Gold Standard in retiree visas. Retired in this country, you can save as much as 50% on everything from restaurant meals to in-country airfares, from prescription medicines to closing costs on your new beach house.
- The cost of living is affordable. Outside Panama City, it remains downright cheap. A couple could live comfortably in the interior of the country (including in many of the less developed beach towns) on as little as US\$1,000 a month, perhaps less.
- Blessed with two long coasts and myriad sand-fringed islands, plus some of the best deep-sea fishing, surfing, snorkeling, and scuba diving anywhere.
- An established medical tourism destination and home to the Johns Hopkins affiliated Punta Pacifica Hospital in Panama City.
- The infrastructure is of a high standard. This is a place where things generally work—the internet, cable TV, phone service, etc., are all nearly as reliable as anywhere in the States. The roadways and highway systems being constantly expanded and improved.
- Home to more than two dozen international schools.
- Offers some of the smartest beach, river, and mountain property buys anywhere on the planet today.
- One of the few Latin markets where it's possible for you, as a foreigner, to borrow locally to buy real estate.
- One place in the world that's enjoying continued growth and prosperity and that is positioned for a whole lot more of the same over the coming decade.

Panama Cons At-A-Glance:

- A U.S. dollar jurisdiction—meaning investments here are not currency-diversified. You also aren't going to realize any discounts because of a favorable exchange rate (as you can in so many other countries right now).
- The cost of living in Panama City has increased and is now no longer a "cheap" option (but once outside of the city, costs plummet).
- The tropical heat and humidity can be sticky and unappealing to some (of course, Panama also offers cool mountain towns that are temperate and breezy).
- Pollution is a problem here.
- The mañana attitude is pervasive in Latin cultures, including in Panama. Things here don't happen quickly or efficiently, and you have to be prepared for that.
- While the economy is booming and prosperity is on the rise—especially in the city—there's no avoiding the fact that Panama is the Third World and there are high levels of poverty throughout the country.
- General education levels in Panama are poor, even according to regional standards.
- Service standards in Panama City are poor—attentive customer service is hard to come by.
- While traffic in the city has improved significantly in the past year or two, it can still be bad in some parts.

Panama In 2016 And 2017

Residency And Immigration



New Friendlies

In 2016, Paraguay and Mexico were added to the list of countries from which Panama welcomes immigrants under its “Friendly Nations” visa. The list now includes a total of 50 countries.

More Work Permits For Foreigners In Panama

Panama’s Ministry of Labor and Workforce Development issued 67% more work permits to foreign nationals in 2015 compared to 2014, indicating an open attitude towards employment of foreigners on the government’s part, as well as a continuing expansion by international companies here.

Colombians were the largest group to receive work permits, accounting for over 28% permits issued, followed by Venezuelans, Spaniards, and Nicaraguans.

The sharp increase is a marked contrast to many countries where the policy is to put up more barriers for foreign workers. Panama’s continuing open-door policy has improved business conditions by bringing in international workers and executives and bettering the labor pool overall.

The Real Estate Market

Rising Values Across The Board

For the first six months of 2015, prices per square meter were about US\$2,850 for high-end homes or high-rise condos. The 2016 average puts those types of units at US\$3,100 per square meter.

Demand is high against the present supply of units, and even though some projects will be completed by the end of the year, selling prices shouldn’t change much. The stability for the time make holding or selling property in Panama a win-win situation.

Casco Antiguo Property Value Skyrockets

Casco Antiguo property is earning record-breaking returns with prices per square meter almost doubling in the last 10 years, thanks to investment and extensive property renovations.

A decade ago, the price per square meter averaged around US\$1,500—it’s now over US\$2,300 to US\$3,200 depending on location and view. Square-meter rent on commercial premises goes for between US\$35 and US\$50 per square meter, or on sale range for US\$3,500 to US\$4,000, according to real estate brokers.

Growing Demand For Beachfront Apartments In Panama

Demand from both domestic and foreign buyers is expected to grow beachfront apartment inventory from some 400 units today to over 1,600 units in the next 3 years.

Properties priced between US\$200,000 and US\$1 million are sought by Panamanians in the high-end and upper-middle-class brackets, as much as by foreign investors and retirees. Important sections of the Pacific Coast from Punta Chame to Playa Blanca, including Santa Clara, San Carlos, and Farallón, were considered.

Finances And Banking



Panama Paper Fallout

Mossack Fonesca is a highly successful firm that made a huge amount of money selling offshore companies. They are now being investigated for criminal intent.

Unfortunately, the whole ordeal has been dubbed the “Panama Papers.”

It could as easily have been called “Scandal Papers”... or “British Virgin Island Papers”...

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Mossack Fonseca's headquarters are in Panama, but the firm has offices in dozens of countries (including the BVI). All the attention from the ongoing scandal, unfortunately, was focused on Panama.

Panama Gets Thumbs Up From Morgan Chase

Economic consequences for Panama due to the Mossack Fonseca Panama Papers fallout won't be as severe as feared, according to an emerging-market analyst for JP Morgan Chase. The bank also improved its recommendation regarding the country's debt.

Don't Call Me A Tax Haven

The Organization for Economic Cooperation and Development's (OECD) 2016 list of tax havens is to be published soon... and Panama does not want to be on it.

To that end, Panama has to meet two out of three standards: receive a rating by the Global Forum on Transparency and Exchange of Information for Tax Purposes of "largely compliant" or better; commit to send bank wire and account information automatically by 2018; and sign the multilateral convention on mutual administrative assistance in tax matters. No small task considering the time frame.

The OECD secretary-general appeared optimistic at a G20 summit earlier this year saying she was "delighted to announce that it received a letter from the vice president of Panama formally requesting an invitation to sign the multilateral convention after its ratification."

If Panama fails to meet OECD criteria it will not be able to change its status until after July 2017.

Economy

Panama Economic Growth Continues Strong

The IMF is projecting Panama's economic growth to surpass 6% this year, once again ranking it among the fastest expanding economies in the world and certainly the fastest in Latin America for 2016. The country's economy has been among the fastest-growing in the Americas every year since 2005.

Panama's economy grew by 5.8% in 2015, outpacing many economic powerhouses around the world. This is a slow showing for the country, the slowest in several years, including many years of double-digit growth. Between 2005 and 2013, the country averaged growth of 8.5% per year, and average annual growth was 7.5% between 2006 and 2015.

Panama's GDP is more than US\$45 billion. Its per-capita GDP is US\$11,000, way ahead of every other country in Central America.



Panama's continued economic expansion is credited to investments in energy, infrastructure and logistics, and the expansion of the Panama Canal. An increase of 6% to 7% is nonetheless a sharp contrast to the global economy, which is predicted to grow only 3.4% in 2016 and 3.6% in 2017.

IMF division chief for Latin America and the Caribbean Valerie Cerra told reporters that Panama's strong economic fundamentals, low inflation rate, and stable financial system should protect the country from the adverse factors impacting the rest of the world. "While uncertainty in the external environment entails risks, Panama has strong defenses to counter any negative external shocks that may arise," Cerra said.

The Panamanian economy is, simply, in a different league than that of any other country in this part of the world.

Tourism On The Rise

Tourist arrivals to Panama are up 7% in 2016 over 2015. Between January and September, 5.5 million passengers landed in Panama, causing a commensurate spike in spending, which increased almost 6% in the same period.

Banana Panama



Del Monte, the multinational food conglomerate, is in advanced negotiations with the Panamanian government to restore banana production in Barú, Chiriquí.

With 99.5% of the agreements in place, both parties have found a way to work around the Panamanian law prohibiting the sale of land to a foreign business. The plan is for the Panamanian government to set up a 20-year contract to rent the land to the laborers previously involved in banana production at a rate of US\$7,500. The laborers can then sublet the land to Del Monte.

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Del Monte's part of the bargain is the investment of hundreds of millions of U.S. dollars over the first seven years of operations... this is in addition to the creation of an estimated 18,000 jobs.

Legislation to finalize this deal will go before the national assembly Jan. 3, 2017.

Path Of Progress

Canal Expansion Opens To International Fanfare



The 984-foot Chinese container ship Cosco Shipping Panama cleared the new massive locks of the Panama Canal on Sunday, June 27, 2016, becoming the first vessel to officially pass through the expanded canal and marking a new day in Panama and global shipping.

The expansion took nearly 10 years and some 40,000 workers to complete at an estimated cost of over US\$5 billion. The new set of locks now allows neo-Panamax ships, carrying up to 14,000 containers, to utilize this vital link between the Atlantic and Pacific oceans, nearly 3 times the capacity of the older Panamax vessels.

Brass bands played as thousands of onlookers waved flags and celebrated. Panamanian President Juan Carlos Varela was on hand with some 70 heads of state, members of the U.S. Congress and Jill Biden, wife of Vice President Biden.

John Feeley, the U.S. ambassador to Panama, praised Panama for the engineering feat. "This is a grand accomplishment for the people of Panama," he said. "This expansion will reconfigure, permanently, the map of the global shipping industry."

At a U.S. embassy event Saturday night, President Varela said, "Panamanians were witness to the inter-ocean canal constructed by the United States. Now, you'll be witness to the canal expanded by Panama."

A crowd of over 20,000, including visiting dignitaries, members of the international media, canal clients, and spectators, celebrated at the Pacific end of the canal as the container ship completed her 11-hour crossing of the canal.

Making Airport Transfers Easier

Aug. 18 was the official opening of a new access road connecting Tocumen International Airport and the Corredor Sur, a popular Panamanian toll road.

The route is just over 1.5 miles (2.6 kms) long and has two lanes for traffic headed in either direction. It is expected to make driving to Panama's International Airport a convenient alternative to the Pan-American Highway currently in use.

Opening more access roads along this area come at a crucial time. Avenida Domingo Díaz, as this section of the Pan-American Highway is called, is under construction due to the metro's line two expansion. During commuter hours delays related to this construction, which will eventually connect Panama's subway system to the airport, can increase wait time nearly threefold.

Highway Cameras To Corredors

Traffic cameras have been installed along both the Corredors Norte and Sur, targeting motorists traveling on the shoulders of the busy motorways, as well as bus drivers who drop off or pick up passengers on the sides of the highways.

Drivers caught on camera will face a hefty fine; citations will be sent to the address motorists provided by when signing up for the Panapass program.

New Airport For New Airline

Panamá Pacífico International Airport has grown in popularity and will be expanded to meet increasing demands. The increased traffic is due largely to Copa's new low-cost airline, Wingo, flying in and out of the small airport.

US\$9.1 million will go to ticket counters, a baggage carousel, passenger waiting areas, and customs. A security-fence upgrade and runway expansion are also in the works.

Carriers from Ecuador and El Salvador are looking to expand service to Panamá Pacífico as it grows in the coming year.

Money For A Rainy Day

Panamanian President Juan Carlos Varela unveiled a US\$6-billion plan to improve water and sewage treatment across Panama. US\$16.7 million has been set aside for improvements to the drainage systems set up in the Paitilla and Pacifica districts in Panama City.

It will take 15 months to finish the Panama City drainage project, but the infrastructure upgrades promise much-needed relief to drivers and

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pedestrians during the rainy season.

At present, heavy rains that occur eight months out of the year cause flooding in many streets on the southern and eastern ends of Panama City, adding to traffic woes.

Vast Expansion Plans For Metro System



Plans for the expansion of Panama's metro system are underway, with a proposed network of an additional 8 lines and 90 stations, as recently unveiled by Metro Director Roberto Roy.

The new lines will be completed by 2040 and will be able to carry 260,000 passengers every two hours. The single line currently in operation transports that amount of passengers in a whole day.

The plans are as follows:

Line 1: Albrook-Villa Zaita

Line 2: San Miguelito-New Tocumen Airport

Line 3: Albrook-Ciudad del Futuro-La Chorrera

Line 4: Pedregal-Punta Pacifica

Line 5: Costa del Este-Obarrio

Line 6: Tranvía Albrook-Ciudad de La Salud (with a connection to line 3)

Line 7: Tranvía del Casco Antiguo (with a connection to line 1)

Line 8: Tranvía Don Bosco-Villa Zaita (with a connection to line 2)

70 New Wagons For Metro Line 1

Seventy wagons will be added to Panama's Metro Line 1 to cope with increasing passenger demand. According to Panama Metro, this purchase will increase the capacity of the existing system by 600,000 passengers per trip. The fleet will grow 25 trains. Production of the first cars began in March 2016 at a facility in Barcelona, Spain, and the first train is scheduled to be in service by June 2017.

Metro Line 2 Promises To Outpace Tranque Before 2019

Pope Francis is visiting Panama in conjunction with the 2019 Catholic Youth World Assembly. In response to this news, Metro Chairman Roberto Roy said, "Metro line two has to be fully ready by Dec. 31, 2018," changing the original deadline from April 2019.

Gridlock in the city is expected to become more severe as an estimated 150,000 new cars and trucks hit the streets by 2019. The surge of the 400,000 that may attend the Assembly would swamp the current public transit system on top of that.

Metro line two will be an alternative means of travel from downtown Panama City to Tocumen International Airport, currently only accessible by motor vehicles.

Making Progress On Metro Line 3

President Varela announced May 2017 as the tender launch date for the construction of Metro Line 3.

The financing agreement with Japan has also been signed, as the project will utilize Japanese technology. Details of the agreement were finalized during Varela's visit to Japan. The memorandum originally specified the use of "high-quality Japanese technology" to build a 26.7 km monorail line with 14 stations.

The first phase will connect Albrook with Nuevo Chorrillo via Arraiján, a 17.5-km stretch that is expected to carry up to 20,000 passengers per direction per peak hour. The second phase will extend the line from Nuevo Chorrillo to Ciudad del Futuro.

This project will use the monorail system and will cater up to 20,000 passengers in one direction during peak hours (in phase 1). Each train will have six carriages, and operation of the line will be divided into two circuits: East Circuit—Albrook-Nuevo Chorrillo and Complete Circuit—Albrook-Ciudad del Futuro.

Access

Several new direct routes to Panama were begun this past year, including:

- Direct Lufthansa service between Panama and Frankfurt began in March 2016. The flight is offered five times a week, year-round.
- Turkish Airlines launched a thrice-weekly service connecting Istanbul, Bogotá, and Panama, with direct flights from Bogotá to Panama and direct flights from Panama to Istanbul.



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- Wingo, Copa's recently acquired budget carrier, began operating out of Panamá Pacífico, offering direct flights to Cali, Bogotá, and Medellín, Colombia, as well as to San José, Costa Rica, and Caracas, Venezuela.
- Copa began nonstop service to Chiclayo, Peru, operating twice weekly from Panama City.
- Air Panama launched two new routes connecting San José, Costa Rica, with Panama City and Bocas del Toro (with a layover in David, Chiriquí).
- Emirates was slated to begin operating the world's longest nonstop regular flight path on February 2016, offering daily direct service from Dubai and Panama City. The inaugural service was postponed to early 2017.

The Sky's The Limit For Copa



Panama's Copa Airlines, owned in part by Continental Airlines, launched new low-cost airline, Wingo, in 2016. Wingo is based in Colombia, and allows Copa to offer simple, no-frills flights to an expanded range of destinations.

Wingo began service Dec. 1 with flights to 16 cities in 10 countries in South and Central America and the Caribbean, operating a fleet of four Boeing 737-700 aircraft, each single class with capacity for 142 passengers.

Lufthansa-Copa Codeshare Agreement



Thanks to a codeshare agreement signed in 2016, Lufthansa passengers can fly on with Star Alliance partner Copa Airlines from Panama City to

any of 73 destinations in Ecuador, Venezuela, Peru and Costa Rica, many of them bookable under Lufthansa flight numbers. In return, Copa Airlines flyers gain access to the global network of the Lufthansa Group, currently connecting to 261 destinations in 101 countries.

Miscellany

New Lyrics For An Old Tune

A recent change in Panama's political divisions carried with it an unexpected consequence affecting the lyrics of a 30-year old jingle, originally created to help Panamanian children learn the names of the country's provinces.

Written and composed by Tony Fergo, a well-known publicist, author, and poet, the song "Panamá tiene 9 provincias" (Panama has 9 provinces) was released in 1979 by the defunct grocery store chain Gago as part of an educational publicity campaign.

With the creation in 2014 of Panamá Oeste (West Panama), a 10th province comprising the districts of Arraiján, Capiña, Chame, La Chorrera, and San Carlos, Panama's maps had to be updated, as well as the country's coat of arms... changes that soon became reflected in official logos used by public entities on letterheads, school textbooks, and beyond.

For this year's month-long Fiestas Patrias celebrations, Fergo decided it was high time to update the lyrics to his famous song, too, enlisting Banco General to fund the project, which included a new arrangement and the creation of an animated music video.

The new song, "Panamá tiene 10 provincias" (Panama has 10 provinces), offers younger generations a chance to connect with an authentic piece of popular culture that impressed the hearts and minds of many older Panamanians who enjoyed it when it was first released.

[The video to the song features the children's choir of Colegio Brader](#), to date, it has amassed tens of thousands of views.

Saving Portobelo's History... Before It's History

Colón province, as its name implies, is home to many reminders of the Spanish-colonial history that makes up part of Panama's identity. Sadly, these sites along the coast at Portobelo and San Lorenzo are in danger of being lost to neglect... but efforts are being made to halt the onslaught of time, the elements, and apathy.

Back in 2012, what remains of the fort was placed on UNESCO's list of endangered historical sites, a terrible first for Panama. After four years of little progress, UNESCO has laid out a new plan that officials hope can turn things around for this area by 2019.

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A positive step toward preserving these sites has been made by the National Cultural Institute. One practical measure was to add supports to sagging areas of the ruins and to modernize the Portobelo museum. The cost of this work was US\$468 million.

Related to retrofitting the damaged structures and adding prominence to the museum is the role education can play in connecting modern residents and visitors to the role this site played in Panama's history.

Road Rage Quantified



The 2016 driver satisfaction index is up, and Panama is ranked 4th from the bottom.

This study ranked 186 countries on their traffic jams, safety, availability of gas stations and parking, road quality, as well as car and gas and prices. Panama City came in at 175...

Panama In Accord With The Paris Accords

Panama just became the 28th nation to sign the Paris Accords, a document being ratified by various nations to reduce greenhouse gases and combat climate change. At the signing, Minister of the Environment Mirei Endara also announced plans for a reforestation project that will span 20 years.

Instead of setting a particular year for countries to act, this agreement goes into effect when 55 countries sign on. The remaining 27 nations are expected to ratify the agreement within the close of the year.

Gracias, Google



For anyone who has looked at a marquee on the Metrobus and still wasn't sure where they would end up... have no fear. Thanks to updates on Google Maps, you can check bus routes before hopping on. The best part is, if you have a phone or tablet, you likely have this app ready to go.

This update is promising and a great tool for those new to Panama City's public transit system or even a seasoned commuter striking out into another area for the first time.

Here's how it works: Plug in your start location and your destination and select the bus icon to do a search for the nearest route—and you're on your way. In some cases, you might get alternative routes to make your trip smoother. Another helpful feature on the app is the estimated travel time. Be forewarned, the estimates are only estimates and do not give updates in real time for things like tranque.

A Safer Panama

Panamanian Minister of Security, Alexis Betancourt, presented evidence of a decline in murder rates since 2014. Over the same period of time, there has been an increase in drug seizures.

In 2014 the number of homicides was 631, while in 2015 that number fell to 493. To date the number of reported cases for 2016 is 263. This is a positive trend considering 2009 ended with an official total of 818 reported homicides.

Officials attribute this decline to social programs such as rehabilitation and amnesty for gang members as well as job training.

Uber Versus Taxis... The Race Is On

On Aug. 17 a complaint was filed with the ATTT (Panamanian Transit Authority) by a group representing the taxi industry against Uber, the popular (and global) ride-hailing service. Uber reps have since countered the move by appearing before the National Assembly's Transportation Committee.

Taxi companies in Panama claim the fares Uber collects through credit card or by cash payment are illegal. Uber Manager Juan Pablo Restrepo insists that the service should be regulated by laws that apply to private transport.

Rubén Chávez, deputy director of the ATTT, states the agency will review Uber's response to the claims being made by taxi-driver groups. At this point the way Uber will continue to be run as a service in Panama is in the hands of the ATTT.

Casco Viejo Named "Most Stylish Destination In Latin America"

Condé Nast Traveler named Panama City's Casco Viejo "the most stylish destination in Latin America." The article attributes the reinvention of this neighborhood to the American Trade Hotel, a prominent establishment located along the way leading to the main square of this part of Colonial Panama.

Another factor key to the neighborhood's recent popularity, the article continued, is that it has been able to move away from its violent past. The article praised the atmosphere created in the neighborhood and made references to children being able to start pickup soccer games in San Bolívar square. The popular night life and restaurant scene also draws both tourists and locals by the hundreds every weekend.



Here's A Tip...

Early in August 2016 restaurants in Panama had to make an adjustment to billing equipment in order to comply with the "no tips included" regulation signed into law Aug. 3, 2016.

The bottom line? Gratuity for service is voluntary, so it will not (cannot) be included as an additional charge on receipts. Just as important, all costs, including taxes or fees, must be visible on the bill to pay. Receipts with a suggested tip also need to show the total bill without the tip in a separate area to give customers options at payment.

Representatives from the restaurant and hotel industry participated in the decision-making process at the first debate in the National Assembly. A government spokesman commented, "in principle this should not be a surprise to anyone." Businesses that do not comply are subject to penalties, and it has been pointed out that card transactions will be monitored, and any subsequent customer complaints will be reviewed as a means to enforce this new measure.



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