



# PanaManagement Corporation

445 Park Avenue, 9th Floor  
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Panamá City, Panamá Republic

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***Trust experience and knowledge™.***

## **Focus on Investors - Doing business in Panama with your eyes open!**

**By Juliette Passer**



Panama is a great place to live and work. In recent years Panama has been growing in popularity among investors, expatriates and retirees alike. Recently popular online publication “International Living” rated it as the No. 1 place to retire in the world, and for good reasons. Panama’s prospects for economic growth are strong amidst global economic meltdown, showing positive growth of 2.3% in 2009 and this economic expansion is expected to continue in 2010 and beyond. This is mainly due to substantial growth in the financial and construction sectors, tourism and the commercial expectations placed on the ongoing expansion of the Canal, which connects the Pacific and Atlantic Oceans creating a natural hub for business between North and South America as well as between Asia and Europe with direct maritime access to over 80 countries and 3.5 billion people.

Panama's dollar-based economy offers low inflation and zero foreign exchange risk. Its legal and regulatory regimes are business friendly. Its government is stable, democratic, and reform minded and actively seeks foreign investment in all sectors, especially services, tourism and retirement properties. Panama’s current and planned public investment in productive infrastructure is one of the highest in the region and is on par with East Asian economies, including the planned construction of a subway in Panama City. These factors are expected to contribute to lowering unemployment rates to 4.8% and 4.6% in 2011 and 2012 respectively.

Its banking sector currently comprises of more than 80 foreign banks, providing full banking services through ATM cards, Visa credit cards, check books, Internet banking and Visa debit cards. The first two banks opened its doors in 1904, one was called the International Bank Corporation is today’s Citibank, part of Citigroup, the biggest financial conglomerate in the world and the second one was the *Banco Nacional de Panama*. The banks of Panama are strictly supervised and licensed by the Superintendency of Banks (*Superintendencia de Bancos de Panamá*), Panama’s regulatory authority. At present, Panama is reported to have the most upgraded banking system in the world.

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Panama offers a higher quality of living at a lower cost and with less crime than typical Central American destinations, although Panama City is rapidly getting to world pricing. Panama has a wealth of variety to offer whether it is beaches, lakes, mountains or the countryside and prices for real estate purchases with a range of choices for practically any budget.

The Colon Free Zone, the second largest in the world after Hong Kong, is a vital trading and transshipment center serving the region and the world. 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.

According to Panama's constitution, nationals and foreigners are treated equally 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. Panama has one of the most modern and flexible corporate law frameworks in Latin America. Panama is an interesting and potentially profitable jurisdiction for licensing agreements and joint ventures as well as routine commercial operations for international companies.

Having listed all the good reasons to invest in Panama, the caveat is - you must be careful, so to paraphrase the famous line from the Wizard of Oz: "This ain't exactly Delaware, Dorothy!"

Foreign investors, especially from the US and Canada, Juliette Passer warns routinely drop their guard in a deceptively familiar legal environment of Panama, which is based on the Delaware Corporations Law and similar to the Wyoming Limited Liability Company Law, but allows bearer shares and untitled real estate sales.

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; however, the system can be inefficient and prone to abuse. Though the system is improving, many in the business community, both Panamanian and foreign, 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. In a few cases the appearance of corruption has been so widely accepted as to constitute conventional wisdom. Arbitration is always a better choice at the Center for Mediation and Arbitration established by the Panamanian Chamber of Commerce or at various European or American arbitration centers and courts.

Since Spanish is the official language in Panama, always make sure the request your transactional documents in English, Juliette Passer advises, as translations of the Spanish documents and never sign any agreements in Spanish if you do not speak and read the

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language! Legal documents are not interesting reading, but it is a must for a successful investment.

The Public Register of Panama provides much transparency to the company registrations, recordings of mortgages and liens and for transfer of title to properties, however, it also prone to misuse by unscrupulous parties.

Lastly, but just as importantly, Panama has many experienced attorneys and established laws firms; however, the conflicts of interest rules and ethical standards followed by the Panama Bar are not as stringent as those in the US. Hence again, caution must be exercised. At the very least, ask the partner of the firm to warrant to you that other members of the firm are not involved in representing parties adverse to your interests and transactions and do not use affiliated entities as trustees, if the firm is representing the seller in your purchase transaction. A good local bank can be easily hired as a trustee.

Use your common sense to build a team of advisors you can trust and you will do very well in beautiful *Republica de Panamá!*

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## **About the Author**

Juliette M. Passer is a U.S. attorney, with over 20 years of broad international transactional experience, specializing in corporate and project finance, as well as new media transactions and e-commerce. Juliette Passer holds a JD (*cum laude*) from Cardozo School of Law and studied Soviet Law at the Columbia University School of Law. She practiced law with the international law firms of Debevoise & Plimpton and Patterson, Belknap, Webb & Tyler in New York, specializing in corporate and project finance. Juliette Passer is a member of the Council on Foreign Relations and serves on boards of several companies. She is listed in *Who's Who in American Law* and *Who's Who in American Women*. As a *pro bono* undertaking, she represents Russian and Ukrainian artists, dancers and musicians. Juliette Passer is a frequent guest lecturer and an adjunct graduate faculty at the Russian Juridical Academy, Kaplan University, Moravian College and others. Since 2007 she has been also working in Panama City, Panama.

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