



Investing in Panama:

A Comprehensive Report



INTRODUCTION

Panama, one of the fastest-growing economies in Latin America, is a global hub for trade, logistics, and finance. With a population of approximately 4.5 million (2023 estimate) and a GDP of over \$70 billion, Panama offers investors a stable, business-friendly environment with access to both regional and global markets.

Strategically located at the crossroads of North and South America, Panama is renowned for the Panama Canal, which facilitates nearly 6% of global trade. The country's dollarized economy, robust banking sector, and commitment to infrastructure development make it an attractive destination for foreign direct investment (FDI). In addition, Panama's numerous free trade agreements (FTAs) and investor-friendly tax policies create a competitive edge for businesses seeking growth and profitability.

BACKGROUND

Panama is located in Central America, bordered by Costa Rica to the west, Colombia to the east, and the Caribbean Sea and Pacific Ocean to the north and south, respectively. Its capital, Panama City, serves as the nation's economic and cultural hub.

Panama's economy is highly diversified, with key sectors including logistics, banking, tourism, real estate, and agriculture. The Panama Canal, a vital link in global maritime trade, generates significant revenue and attracts investment in transportation and logistics industries. The country is also a global financial center, with over 80 international banks operating in Panama City.

Under its Vision 2030 plan, Panama is focused on sustainable development, digital transformation, and infrastructure expansion. With its stable political environment, dollarized economy, and skilled workforce, Panama is a regional leader in attracting foreign investment.

BENEFITS OF INVESTING IN PANAMA

Strategic Geographic Location

Situated at the heart of the Americas, Panama serves as a vital trade and logistics hub, connecting businesses to global markets through the Panama Canal and its world-class ports.

Dollarized Economy

Panama uses the U.S. dollar as its official currency, eliminating exchange rate risks and ensuring a stable economic environment for investors.

World-Class Infrastructure

Panama boasts modern highways, international airports, and state-of-the-art logistics facilities, including the expanded Panama Canal and key ports such as Balboa and Colón.

Business-Friendly Tax Policies

Panama offers territorial taxation, meaning income earned outside the country is not subject to tax. Additionally, businesses in free trade zones benefit from tax exemptions.

Robust Banking and Financial Sector

With one of the most sophisticated banking systems in the region, Panama is a global financial hub, offering access to international capital and banking services.

Free Trade Agreements (FTAs)

Panama has signed FTAs with the United States, the European Union, and several Latin American and Asian countries, providing preferential access to key markets.

Skilled and Multilingual Workforce

A young, educated, and bilingual workforce (Spanish and English) supports businesses in sectors like logistics, technology, and customer service.

Government Support for FDI

The Panamanian government actively promotes FDI through incentives, streamlined regulations, and the development of Special Economic Zones (SEZs).

Growing Tourism Industry

Panama's rich biodiversity, cultural heritage, and modern infrastructure attract millions of tourists annually, creating opportunities in hospitality and eco-tourism.

Political and Economic Stability

Panama enjoys a stable democratic system and consistent economic growth, making it one of the most secure investment destinations in the region.

RELEVANT AGENCIES

Several government institutions and organizations facilitate investment and business development in Panama:

ProPanama (National Investment and Export Promotion Agency):

The official investment promotion agency, providing support and guidance to foreign investors.

Ministry of Commerce and Industries (MICI):

Oversees trade, industry, and investment policies, including free trade agreements and industrial development.

Panama Pacifico Special Economic Area Agency:

Manages the Panama Pacifico SEZ, offering tax and business incentives for companies in logistics, technology, and manufacturing.

Colon Free Trade Zone Authority:

Oversees the Colón Free Trade Zone, the largest in the Americas, offering duty-free imports and exports.

National Bank of Panama (Banco Nacional de Panamá):

Provides financial services and support for business development.

Tourism Authority of Panama (ATP):

Promotes tourism development and supports investments in hospitality and eco-tourism.

Panama Maritime Authority:

Regulates maritime trade and promotes investment in shipping, ports, and logistics.

Public Registry of Panama:

Facilitates business registration and ensures transparency in corporate governance.

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ITC Website: www.tradecouncil.org

Supply Chain News: www.supplychainreport.org

Business Confidence Survey: www.businessconfidence.org

ADAMftd Global Trade Data: www.adamftd.com

info@tradecouncil.org ✉

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INCENTIVES FOR INVESTORS

Panama offers a variety of incentives to attract foreign and domestic investment:

Tax Benefits

Territorial Taxation: Only income earned within Panama is taxed, with no taxes on foreign-sourced income.

Tax Holidays: Companies in Special Economic Zones (SEZs) benefit from tax exemptions on income, dividends, and import duties.

Special Economic Zones (SEZs):

Zones like Panama Pacifico and the Colón Free Trade Zone offer 100% foreign ownership, tax exemptions, and modern infrastructure.

Customs and Duty Exemptions

Duty-free import of raw materials, machinery, and equipment for businesses in SEZs and export-oriented industries.

Investment Protection

Legal guarantees under the Investment Stability Law, ensuring tax and regulatory stability for 10 years.

Tourism Development Incentives

Tax credits, duty exemptions, and reduced property taxes for investments in hotels, resorts, and eco-tourism projects.

Renewable Energy Incentives

Grants, tax exemptions, and concessional loans for solar, wind, and hydropower projects under Panama's renewable energy policies.

Public-Private Partnerships (PPPs):

Opportunities to collaborate with the government in infrastructure, transportation, and energy projects.

Workforce Training Support

Funding and support for employee training programs in key industries like logistics, technology, and tourism.

OPPORTUNITIES FOR INVESTORS

Logistics and Transportation

Panama's role as a global trade hub creates opportunities in warehousing, freight forwarding, port operations, and supply chain management.

Tourism and Hospitality

With its rich biodiversity, historical sites, and growing demand for luxury accommodations, Panama offers opportunities in hotels, resorts, and eco-tourism.

Renewable Energy

Panama's abundant solar, wind, and hydropower resources create lucrative opportunities in green energy generation and sustainability projects.

Real Estate and Urban Development

Growing urbanization and tourism create demand for residential, commercial, and mixed-use developments.

Financial Services

As a global financial hub, Panama offers opportunities in banking, insurance, fintech, and asset management.

Agriculture and Agribusiness

Fertile land and favorable climate provide opportunities in organic farming, food processing, and export-oriented agribusiness.

Technology and Innovation

Panama's focus on digital transformation creates opportunities in IT services, e-commerce, startups, and smart city solutions.

Healthcare and Pharmaceuticals

Growing demand for healthcare services and medical tourism creates opportunities in private hospitals, pharmaceutical manufacturing, and biotechnology.

CONCLUSION

Panama is a thriving investment destination, offering unmatched opportunities in logistics, tourism, finance, and renewable energy. With its strategic location, dollarized economy, and commitment to sustainable development, Panama provides a secure and profitable environment for global investors.

The government's proactive approach to economic diversification, infrastructure development, and investor-friendly policies ensures a stable and growth-oriented business climate. From its world-class logistics hub to its booming tourism and real estate sectors, Panama is poised to remain a leader in Latin America's investment landscape.

Investing in Panama is not just a financial decision—it is a gateway to tapping into one of the most dynamic and interconnected economies in the world.

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