

The retailer of Panama

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Augustus, Rome's first Emperor, named the eighth month of the year after himself as it was the month of his greatest triumphs. In 1914 one of Panama's greatest triumphs also took place in August when its canal was opened. In similar fashion Nicaragua is planning its own triumphant undertaking: the creation of an inter-oceanic canal to compete with Panama. Whether or not Nicaragua's plans for a shipping canal (more in next month's column) are eventually derailed, Panama's metro system (the very first in Central America) is well and truly on track and could, in fact, be operational this month. The line (at an approximate cost of USD1.8 billion) is expected to move 15,000 people an hour through a combination of tunnels, trenches and viaducts in carriages built in Spain. There will be 19 trains initially, running along a track just over eight miles long, with 12 stations, all equipped with air conditioning, video surveillance and an electronic ticketing system. Three further lines are planned if all goes well.

The metro is just one of the government's infrastructure projects designed to boost Panama's image as an important Latin American trade hub, serving as a stepping stone between Central and South America. The Panama Canal expansion could triple annual revenues to over USD4 billion a year within ten years; presently, the canal carries 5% of world shipping destined for over 160 countries with the principal user being the United States of America, followed by China and then Chile. Additionally, half of all European exports into Central America arrive through Panama's Caribbean coastal ports.

It is true that the recent global slowdown reduced activity through the canal, but as many economies turn the corner, the Ministry of the Economy expects growth of about 8.5% for 2013. Transport and communications account for a quarter of the economy and despite trade disputes with two of the country's trading partners, Colombia and Venezuela, Panama thrives because it is not dependent on one prime economic source, having more than one string to its bow.

The country has grand tourism opportunities thanks to its varied topography, with beaches on two oceans, mountains and jungle; all this despite a surface area of just 75 thousand square kilometres (it is roughly the size of Maine in the US). In 2012 (the latest annual data on hand) 2 million tourists (just over 50% of the population) arrived and earned USD3.7 billion in foreign exchange for Panama. Mining has now come to the fore and although the Cerro Colorado mine (containing one of the largest untapped copper reserves in the world) has an uncertain future because it is located in indigenous lands where the communities actively oppose its development, the Cobre Panama mine is expected by 2016 to be producing copper, gold, silver and molybdenum. In the meantime, the government has approved legislation to promote oil and gas exploration. A geological study has revealed reserves of perhaps 900 million barrels of oil in the Darién Province which borders on Colombia; concessions are being awarded for which the government could receive very handsome royalties.

Next month *Offshore Investment* will hold its third conference in Panama, focusing on one of the country's other staples: financial services, banking being a primary element and which is featured in this month's journal. The banking system, both from a regulatory and operational standpoint, is respected by international agencies and bodies. Such regard may raise some surprised eyebrows, but as history teaches us, things change. And remember that Panama remained scandal-free during the international banking crisis as regulators went after the scalps of bankers. Banking enhances, to a lesser or greater extent, all the related services on offer and as such it is one of Panama's strengths.

The former British Prime Minister, John Major, once spoke of offering Americans a "taste of the United Kingdom". But I argue that for a majority of Americans there is only an idealised vision of the UK, as there is, very often, a distorted one of Panama. And for those wondering

why the US is frequently drawn into my column, the answer is a very simple one: Albania's capital, Tirana, (with apologies), as an example, shares neither the prominence nor pull of Washington in both regional and international affairs and politics.

If, as we are told, all politics are local, so are perceptions of places, encouraging groupthink and which, for me, is suggestive of sheep and blinkered horses. Spy magazine (now defunct) once dressed up an elderly actor in the supposed regalia of a Scottish lord and watched as he was fawned over in the saloons of New York. For many Americans (and, for that matter, Albanians) the UK evokes, as one writer described, a misty idyll of good manners, red double-decker buses (identical, incidentally, to the ones which now frequently pass by my office along Panama's seafront), Big Ben, the lawns of Oxbridge colleges and country houses. Travel to the UK can quickly dispel such perceptions. To my mind, those Americans who are Anglophiles should concentrate their thoughts on America's virtues and achievements, ignoring the view of former British Prime Minister, Harold Macmillan, who once suggested that Britain represented Ancient Greece and America, Rome.

Similarly, Panama's positive side should be highlighted, with the country being neither idealised nor demonised. First-time visitors to Panama for next month's Offshore Investment Conference should bear this in mind, as should those Panamanians who harbour resentment towards the US because of its historical involvement in Central America (see next month's column on Nicaragua). Incidentally, the latest Latinobarómetro poll found that 69% of respondents across the region have a favourable opinion of the US.

In broader terms, Lord Tristan Garel-Jones, a former British Minister for Latin America, whom I spoke with when he visited Panama last November, believes that Panama would be the ideal location for the regional headquarters of the Pacific Alliance (Alianza del Pacifico), the trade and economic bloc formed by Chile, Colombia, Mexico and Peru which is seen as one of the region's most promising political and economic developments. It could go a long way towards cementing co-operation among its members (particularly by dropping barriers on labour, finance and trade) and would prove invaluable in developing

corresponding relations with the Asia-Pacific region; forging such links are of paramount importance because Latin America is a rapidly growing market with a USD4.8 trillion economy and 600 million citizens, an increasing number of whom are swelling the ranks of the middle class.

As with air travel, Panama's location is seen as a plus. Air India, for instance, is looking seriously at a direct flight from New Delhi to Panama from which travellers can board connecting flights to cities within the region. It is understood that other countries, including Ecuador, Argentina, Mexico and Colombia, recognise the value of such a hub-and-spoke approach and are supporting the proposed New Delhi link. Daily, an estimated 16,000 passengers are using Panama's modern and ever-expanding Tocumen International Airport and every outlet there is flourishing, keeping a lot of retailers very happy.

Whether or not Panama becomes the regional headquarters for the Pacific Alliance, the country is moving towards full membership status. It has already signed a free trade agreement with Colombia (which has removed Panama from its list of tax havens, subject to future review) and if it is successful in similar negotiations with Mexico (two rounds of talks have already been concluded) then Panama will be eligible to join; Panama's President Martinelli has made membership a priority before presidential elections in May. At the time of writing a date has not been set, but members of the Pacific Alliance will meet during the first half of this year in Bogotá to advance the agenda, with emphasis on transparency and good governance; Panama will participate in the discussions.

The country's number one priority, however, is to prepare for the presidential elections in May. This month celebrates World Sword-Swallowers' day and, quite frankly, many of the claims and counter-claims of the various parties seem harder to swallow. Importantly, however, all three of the main contenders are expected to maintain the business-friendly policies of the current incumbent. With or without swords, however, we all know what a cut-throat business politics is, so expect Panama's carnival next month to include the usual fireworks augmented by those of a political nature.

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