
Panama's Competitive Advantage, 2016

"The Panama Papers are a global attack against the (our) financial system".

La Estrella's (Panamanian Newspaper) headline April 4th 2016

On August 5th, 2016, Nobel Laureate Joseph Stiglitz announced his resignation from the Committee of Independent Experts that had been set in place by President Juan Carlos Varela to formulate recommendations to achieve higher transparency standards for Panama. Mark Pieth, a Swiss professor of law and anti-corruption expert, resigned along with Stiglitz. Both argued that the government refused to guarantee that the committee's report would be made public¹.

The remaining five members faced important challenges. Besides having to explain to the media the reasons behind the resignation of these two characters, they needed to define the committee's stance. On the one hand, they could adopt a position similar to that of the Vice-minister of Foreign Relations, who in April had rejected a letter of the Secretary General of the OECD². The Vice-Minister had argued that the OECD's claim related to a "culture of secrecy that prevailed in the country" was based on false allegations, and that it could be easily be proven wrong. Alternatively, the committee could adopt a position closer to that of the Minister of Economy and Finance, who had expressed in April that Panama, would start in 2018 the application of the automatic fiscal information exchange required by the OECD³.

1 The report was eventually made public on November 18th, 2016, and it is unclear why some of the original members of the committee believed this would not happen.

2 America Economia, April, 6th, 2016, "Panamá rechaza declaraciones de la OCDE y envía carta de protesta a su secretario general"

3 El Espectador, April, 28th, 2016 "Panamá y Colombia logran acuerdo de intercambio de información tributaria"

This case study was written by Jose Torres Condor under the supervision of Professor Niels Ketelhöhn as a basis for class discussion rather than to illustrate either correct or incorrect handling of an administrative situation.

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Panama had received negative reviews from the OECD (1998, 2000, and 2001), GAFI (2000, 2001, 2002, 2014 and 2015), and Standards and Poor's (2003) regarding the country's readiness for transparency of international financial flows. The miss-labeled "Panama Papers" scandal of April 2016 had put the country back under scrutiny of international opinion. Furthermore, in May of 2016 the Office of Foreign Assets Control (OFAC) of the Treasury Department of the United States of America had included an important Panamanian business group in the Clinton List for suspicion of money laundering.

Many Panamanian citizens were concerned that these events were a coordinated international plot against the nation. Some Cabinet members worried that the impact on the country's image would affect the flow of foreign direct investment. Many argued that the true source of Panama's competitive advantage was unrelated to tax regimes and that the country should focus on the development of its maritime, logistics, agriculture, tourism, mining and banking clusters.

The Committee of Experts agreed to hold an emergency meeting.

Overview of Panama

In 2016, Panama was a country with an area of 74,177⁴ km² and 4.1 million inhabitants⁵. The country bordered Costa Rica to the West, Colombia to the East, and the Atlantic and the Pacific oceans to the North and the South, respectively (Exhibit 1). The capital city; Panama City, was the largest with more than 1.5⁶ million residents. The official language was Spanish. Although the Balboa was the national currency, in practice only the US dollar circulated. The Balboa only really existed in coin form, and it had the exact shape and size as its US denomination equivalent: dollars, quarters, dimes and nickels.

The country was an isthmus with an average width of 65 km (40 miles), serving as a "biological corridor⁷," connecting both North and South America. Its highest peak was 3,475 meters (11,400 feet), which formed a myriad of microclimates that hosted a significant biodiversity with more than 10,444 different types of plant species as well as 255 species of mammals and 972 indigenous bird species⁸.

After the independence from Spain in 1821, the country had become part of Colombia. In 1903, during Theodore Roosevelt's Administration, the Hay-

4 National Institute of Statistics and Census (Panama)

5 World Bank – Total population

6 "World Population Prospects: The 2017 Revision". ESA.UN.org

7 Article: Panama's tropical paradise a 'hub of biodiversity'-CNN.

8 National Society for the Protection of Nature, Panama.

Bunau-Varilla Treaty had been signed, which had marked the beginning of the construction of the Panama Canal. From 1914 to 1999, the administration of the Panama Canal had remained in the hands of the US government. The Canal Zone (five miles on each side of the Canal) had included 17 townships and eight military bases in the Pacific Coast, and seven townships and the eight number of military bases in the Atlantic Coast. By 1994, more than 10,000 active US military personnel⁹ had been in place. In 2000, in accordance to the Torrijos-Carter Treaty of 1978, the administration of the Panama Canal had been transferred to the Panamanian government and the Canal Zone had been returned to the country.

After the US invasion of Panama of 1989 and the deposition of Manuel Noriega¹⁰, the last military chief of state, the country had become politically stable. Elections had been generally transparent and peaceful. All Presidents elected since had completed their terms uneventfully. Political power had been transferred in an orderly manner. Power had alternated between the three main political parties: Democratic Revolutionary Party (PRD), Panamañista Party and Democratic Change Party (CD). And the different branches of government had remained relatively independent. In 2014, Juan Carlos Valera had been elected President for a five year-term.

By 2016, the country had experience more than a decade of accelerated increased prosperity, but social problems were still acute. Around 7% of the population lived in poverty, but this index reached 27%¹¹ in rural areas. Extreme poverty was 2.2% of the total population. The income inequality index, measured by the Gini coefficient, was 50.4%, one of the highest in Latin America (Exhibit 2).

The Panamanian economy in 2016

In 2016, Panama's GDP was US\$ 57.8 billion with a GDP per capita of US\$ 14,487¹² (Exhibit 3). The service sector represented 71% of the economy, of which 25% stemmed from the Panama Canal and related activities. Other important industries were wholesale and retail trade (US\$ 11.02 billion), construction (US\$ 10.51 billion), real states (US\$ 7.65 billion), transport and telecommunication (US\$ 6.57 billion), and banking (US\$ 3.67 billion). Exports of goods were US\$ 635¹³ million and imports US\$ 11,693¹⁴ million. The leading export product was bananas (14%) followed by shrimp, raw sugar and fishmeal

9 Panama Canal Treaty Transition –Military

10 The Panamanian's president from 1983 to 1989.

11 World Development Indicators

12 World Development Indicators

13 Yearbook of Foreign Trade, Volume II Export 2016 (National Institute of Statistics)

with 6%, 4.8% and 4.1%, respectively. In 2015, 28% of exports were destined to the United States. (Exhibit 4). Re-exports (exported imported goods) represented US\$ 10.4 billion¹⁵, and was an important activity for the Colón Free Zone. Medical drugs and machinery were the leading re-exported goods with 38% and 17% of the total activity, respectively.

In 2016, the country received \$5,225 million in FDI, making Panama the 4th largest FDI recipient in Latin America after Brazil (US\$ 65,432 million), Mexico (US\$ 28,151 million) and Peru (US\$ 6,560) (Exhibit 5 and 6). The United States was the most important origin of FDI into Panama with US\$ 1,740 million.

Wholesale and Retail Trade, Financial and Insurance Activities, and Transport, Storage and Postage were the most important recipients of FDI with US\$ 1,480, US\$ 1,005 and US\$ 973 million, respectively. The country's attractiveness for international investors was partially due to strengths captured in the Global Competitive Index, where it ranked in 2nd place in Latin America and 42nd among a sample of 138 countries. Its most relevant strengths were financial market development (12th of 138) and macroeconomic environment (16th of 138). The most relevant challenges were corruption with an score of 18.0¹⁶ followed by inefficient government bureaucracy (score 17.5) (Exhibit 7)

Panama hosted several internationally competitive clusters.

The Logistics Cluster

The Panama Canal was key to several key world trade routes: it connected the East Coast of U.S.A. with Asia, both coast of the United States of America, and Europe with West Coast and Asia. The Panama Canal operated under a continuous working schedule of 24 hours per day, 365 days per year. In 2016, The Canal registered a total of 13,114 transits, transported 205 million long tons of goods, and generated tolls for US\$ 1,933 million (2016). Transit, cargo and surplus of the Panama Canal had grown since 2010. (Exhibit 8).

Panama hosted a network of private and state-owned seaports that provided a variety of cargo and passenger services. The five main ports were Balboa (2.8M TEU¹⁷ in 2016), Manzanillo (1.83M TEU), Cristobal (794K TEU), Colon (633K TEU) and PSA (158K TEU). In 2016, The Panamanian government planned to build more ports.

14 Yearbook of Foreign Trade, Volume I Import 2016 (National Institute of Statistics)

15 Yearbook of Foreign Trade, Volume III Colon Free Zone 2016 (National Institute of Statistics)

16 From the list of factors, respondents to the World Economic Forum's Executive Opinion Survey were asked to select the five most problematic factors for doing business in their country and to rank them between 1 (most problematic) and 5. The score corresponds to the responses weighted according to their rankings.

The Panama Canal Railway Company was a private joint venture between Kansas City Southern Railroad and Lanigans Holdings, which operated the railroad that linked Panama City (Pacific Ocean) with Colon City (Atlantic Ocean) across a distance of 77 km (48 miles). The company provided railroad transportation for passengers and cargo, with a handling capacity of two million containers per year. The approximate travel time between the two terminals was 1.5 hours.

Panama had a road network composed of more than 16,405¹⁸ kilometers (37% of these was asphalt road and 100 kilometers was highways). In addition to this, in 2014, the government inaugurated Line 1 of the Panama Metro (the first metro rail in Central America) that linked Los Andes County with the city center. The Panama Metro project was composed by four lines and was expected to be completely operational by 2035. The system was expected to transport more than one million of passenger per day (50% of the transport demand in the metropolitan area in 2016¹⁹). Traffic was particularly bad in Panama City in 2016, with 783,629 vehicles and a ratio of 5.2 habitants per vehicle.

In 2016, 9.5 million passengers used Tocumen International Airport, making it one of the most important in Latin America. The international air transport of cargo and mail were 112,414 and 652 metric tons, respectively with increased by 8.8% and 3.8% compared to 2015. The airport had two runways, 35 bridged gates, and a total capacity of more than 360 flights per day. It was an important hub for connecting flights between North and South America. A second terminal, which would increase the capacity of the airport to 62 bridge gates, was under construction and programmed to be finished in 2018. Panama had another five international airports. COPA Airlines was the largest Panamanian Airline, with more than 100 planes and 80 weekly destinations in 32 countries.

Financial Services

Panama was generally as an investment and funding destination of the region. Many citizens of Central America and the Andean region used Panama a safe haven to keep their savings. Conversely, many corporations used Panamanian banks and the country's financial system finance their activities.

In 2016, total assets registered by the National Banking System were US\$ 101,252.4 million. There were 91 banking institutions, of which 48 were domestic, 28 were international and 15 were representative banks. There were

17 Twenty-foot Equivalent Unit (TEU): Standard unit for describing a ship's cargo carrying capacity, or a shipping terminal's cargo handling capacity. A standard forty-foot (40x8x8 feet) container equals two TEUs (each 20x8x8 feet).

18 Panama in numbers 2016 page 166

19 Georgia Tech Panama – Logistic Platform - Metro

582 bank branches, 2,104 ATMs, and other 120 financial facilities. There were also 28 insurance companies with 1,459,033 policies and US\$ 1,396 billion in insurance premium. (Exhibit 10).

Tourism

In 2016, Panama received 2.01 million of tourists (Exhibit 11). The average stay of a visitor in Panama was about 8.5 days and spent on average of US\$ 1,787 per stay. Tourism represented about 11% and about the same ratio of employment. The growth of the sector was caused by the attractiveness of the business environment and the country's privileged geographical location²⁰.

In 2016, there were 831 hotel establishments with more than 32,500 available rooms and an occupation rate of 47.36%. The number of users of hotel rooms was 1,268,035 with an average length of stay of 3.3 nights. The Panamanian's tourism authorities also reported 161 restaurants, 321 travel agencies, 19 airline companies, 2 cruise companies, 32 tourism services companies, and 244 tourism transport companies.

Panamá was endowed with several touristic attractions. Panama Viejo was an archeological site located in the remaining part of the old Panama City. Founded in 1519, the city was the first European Settlement on the Pacific coast of America. The city had been an important logistical hub of the Spanish conquistadors. The conquest of Peru had been launched from Panama. The original city had been destroyed by the English pirate Henry Morgan, and rebuilt in the 1670s. UNSECO had declared the city a World Heritage Site in 1997.

Bocas Del Toro was a province located on the northern Caribbean coast. It contained an archipelago that with nine main islands, 52 cays, thousands of islets, and some of the most extensive rainforests in Central America. Considered Panama's top travel destination, the city was discovered by Christopher Columbus in 1502 during his 4th and final voyage. In 2005, UNESCO declared the Coiba National Park (Panama's first National Marine Park) a World Heritage Site.

The San Blas was a group of islands located in the Northwest of Panama. The archipelago contained approximately 378 islands and cays. The majority of the islands had no inhabitants. The native inhabitants, called Kunas, lived in the larger islands and had the administrative control of the group of islands. The Kunas protected their lands against massive tourism making San Blas a perfect destination of ecological tourism with several places with untouched nature and culture.

Agricultural Cluster

20 The World Economic Forum

[Escriba texto]

Despite Panama's was endowed of land, water, sunlight and efficient logistics, the agricultural sector production was only US\$ 1,441 million of production in 2016. The relevance of the sector in the economy had decreased from more than 25% of the GDP in 1950 to 2.5% of the GDP in 2016. The most important products were bananas, sugar and watermelons, with exports of US\$ 88.9, US\$ 30.3 and US\$ 15.7 million, respectively. Despite the government's efforts, the agricultural sector had dropped at an annual compounded rate of 0.88% between 2006 and 2015 (Exhibit 12)

In 2016, the country had 0.14 hectares of arable land per capita, the second highest index in Central America only surpassed by Nicaragua with 0.25. The agricultural and arable land was 30.3% and 7.6% of the total land area respectively. Additional, Panama had the highest long-term average annual precipitation with 2,928 millimeters per year followed closely by Costa Rica and Nicaragua with 2,926 and 2,280 mm/year.

Mining

In 2016, the Panamanian's mining exports insignificant, but it's potential was large. A large copper deposit had been recently deposited near the town of Punta Rincon in the province of Colon. It was expected that extraction levels could reach more than 320,000 tons of copper per year for 34 years starting in 2018. The mine required an investment of US\$ 6.4 billion and was expected to represent an increase of 5% of the GDP for the coming years. Minera Panama, a subsidiary of Canadian multinational First Quantum Minerals led the project that included an electricity generation plant that will project 300 megawatts (MW). The director of Environment and Community Affairs of Minera Panama, Alberto Casas, claimed: *"The mine was one of the largest copper mines in the world and in the highest phase of construction it will need 7,000 workers most of them Panamanians²¹".*

With the deposit discovered in Punta Rincon, Panama would become the country with the largest cooper deposit per square kilometer and could become in the 11th largest producer in the world after Poland with 2% of the world production. Chile represented more than a third of the World cooper production, with a total production of 5.5 million of tons per year (34% of the total production), followed by Peru with 1.4 million, corresponding to the 8% of the world production. China and USA shared forthird place with 1.1 million of tons per year²².

The Offshore- IBC Business in Panama

21 Agencia EFE, May 20th, 2015 "The Cobre Panama project starts work and estimates to extract 320,000 tons per year"

22 Rankia, July 02nd, 2013 "The largest copper producers in the world"

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In 1927, the government of Panama approved the “Corporation law of Panama” (law 32). The law presented international corporations with several flexibilities and made it favorable for foreigners to execute their overseas commercial and business activities. Some of the particulars of the Law are included in Exhibit 13. Given the attractiveness of the Panamanian regulation, local law firms grew considerably. With more than 22,500²³ lawyers in 2016, Panama had the highest ratio of lawyers per 1,000 inhabitants in Central America (Exhibit 14).

An Offshore Company was a corporation legally organized in a foreign country to that of the principals (officers, directors, shareholders, members, partners, etc.) in order to take advantage of laws that are not available their country of residence.

One of the most common uses was corporate tax savings through methods like corporate profit-shifting²⁴. Individuals could legally avoid paying taxes or capital gains in their country of residence by keeping their assets in a trust in an offshore tax haven. The Trustee was usually a partner in a law firm, appointed by the individual who put their assets into trust. The OECD called this practice BEPS (Base Erosion and Profit Shifting), referring to tax avoidance strategies that exploited gaps and mismatches in tax rules to artificially to low tax location.

In 2016, tax avoidance of US technology companies was estimated to be US\$1.84 trillion²⁵ while personal tax avoidance was valued at US\$ 7.6 trillion (8% of the global wealth)²⁶. The IMF reported that OECD countries lose between 2% and 3% of their total annual tax revenue while lower-income countries lose more²⁷.

Mossack Fonseca and the Panama Papers

Mossack Fonseca was a law firm founded in 1977 by Jürgen Mossack and Ramón Fonseca. In 2016, the firm operated globally and had 14,000 clients across 44 countries. It had used a network of more than 8,400 intermediaries to start more than 300,000 offshore companies, making it the fourth largest provider of offshore services²⁸ (Exhibit 15).

23 National School of Lawyers of Panama CNA

24 A multinational company registers its headquarters in a low-corporation tax jurisdiction and books its profits there, rather than in the country in which it actually makes its sales.

25 Moody's Investors Service

26The Independent, November 6th, 2017 “Offshore tax havens: How do they work? What can be done about them?”

27 Niall McCarthy, (2017), The Global Cost Of Tax Avoidance

On April 3, 2016, the German newspaper Süddeutsche Zeitung (SZ) with the assistance of the International Consortium of Investigative Journalists (ICIJ) released 11.5 million leaked encrypted confidential documents property of Mossack Fonseca exposing a network of more than 214,000 tax havens involving people and entities from 200 different nations. The documents contained personal financial information about the firm's clients between 1977 and 2015. Most leaked information did not refer to illegal activities, but some showed how some clients used shell corporations for illegal purposes, (fraud, tax evasion, evading international sanctions). The documents revealed information about 12 national leaders, 143 politicians and 29 billionaires. The list included 33 individuals or companies that were or were eventually included in the US Treasury Department's OFAC list.²⁹

The intermediaries were entities or professionals who had hired the firm in order to set up shell companies for clients who wanted to remain anonymous. Most intermediaries were European banks and law firms. After April 3rd, the firm tried to contact its intermediaries to reduce the voids in its recordkeeping, but after two months, the firm was still unable to identify about 75% of its clients³⁰. To maintain its business, the firm reduced the fee, offered options to change shell company's names, and transfer its clients to another related companies. However, the firm was forced to request to its clients to comply with due diligence norms (submit certified declarations of sources of funds, identities of beneficiary owners, and proof of identity) and informed many clients of its intention to resign as their registered offshore agent³¹.

The company denied any wrongdoing, Carlos Sousa, Mossack Fonseca's public relations director declared in many interviews and public conferences that they were "*responsible members of the global financial and business community*³²". Despite the firm's efforts the firm's business dwindled. Ramon Fonseca Mora, one of the founders of law firm, served as a Minister Counselor to the President Juan Carlos Valera. In March of 2016, he asked for a leave of absence in order to lead the defense against allegations linking his firm to the corruption scandal of the Brazilian state oil company Petrobras³³.

The Government's reaction

28 The Guardian, April 8th "Mossack Fonseca: inside the firm that helps the super-rich hide their money"

29 ICIJ, April 4th 2016 "Law Firm's Files Include Dozens Of Companies And People Blacklisted By U.S. Authorities"

30 The Express Tribune "Panama Papers: Mossack Fonseca struggled to identify 75% of clients"

31 The company received a list of 69 entities for verification from the Financial Investigation Agency of the British Virgin Islands (BVI)

32 The Guardian "Mossack Fonseca's response to the Panama Papers"

[Escriba texto]

On April 12th, Panamanian police raided the main offices of Mossack Fonseca, searching for evidence that “would establish the possible use of the firm for illicit activities”³⁴. This was the first of many actions of a wider investigation.

Earlier, on April 7th, President Juan Carlos Valera had announced the creation of an independent panel formed by domestic and international experts to help improve transparency in its offshore financial industry. This panel examined working practices and developed measures to strengthen the transparency of the financial and legal systems.

The special committee was formed by seven members. Four were Panamanian: 1) Gisela Álvarez de Porras, lawyer and managing partner of G. Porras & Associates. During the presidential period of Martín Torrijos, she held several political positions in the executive cabinet including vice-minister of Finance and minister of Trade and Industry. Mrs. Alvarez represented Panama at the Interamerican Center for Tax Administration and managed the discussions on international treaties to avoid double taxation³⁵. 2) Alberto Alemán Zubieta, former administrator of the Panama Canal from 1996 to 2012 and CEO at ABCO Global Inc. Under his administration the Panama Canal was recognized as “a cornerstone of the global transportation system and a model of excellence, integrity, and transparency”³⁶ receiving several recognitions from different governments. 3) Domingo Latorraca, Panamanian’s former minister of Economy and Finance (2000-2003) and partner of Deloitte Panama. 4) Nicolás Ardito former President of Panama (1984-1985) and vice-president of the World Bank for Latin America and the Caribbean (1978-1984). In 2012, President Ardito with other nine former heads of state launched the Latin American Presidential Mission during the Global Peace Foundation’s annual convention³⁷.

Three members were foreign: 1) Roberto Artavia (Costa Rica), former rector of INCAE Business School and director-founder of the Latin American Center for Competitiveness and Sustainable Development. 2) Joseph Stiglitz (United States), economist and public policy analyst. He received the Nobel Memorial Prize in Economic Sciences for his contribution to the theory of information asymmetry. 3) Mark Pieth (Switzerland), Professor of Criminal Law and Criminology. He was member of the Financial Action Task Force on Money Laundering (FATF) (1989-1993) and chair of the OECD Working Group on Bribery in International Business Transactions (1993 -2013).

33 La Estrella de Panama, March 11th 2016 “Fonseca Mora: “pedí licencia al Presidente para defender mi honra”

34 ICIJ, April 13th 2016 “Panama Police Raid Mossack Fonseca As Global Fallout Continues”

35 Dentons Muñoz – Guisela Alvarez

36 ABCO Global – Alberto Aleman

37 Global Peace Foundation – Nicolas Ardito Barletta

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The panel met once a month, and was led by Stiglitz and Aleman.

The FATF list

The Financial Action Task Force (FATF, also known as GAFI for its French acronym) was an inter-governmental organization established in 1989 by the G-7 in order to “*set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system*”³⁸. The organization developed recommendations and monitored countries' progress in implementing them.

Panama was identified as non-cooperative country (NCCT³⁹) in June 2000 for three main reasons. First, the country had an inefficient mechanism for transmitting information to authorities. Second, the Panamanian Financial Intelligence Unit was unable to exchange information with its pairs. And finally, the country maintained civil law provisions impeding the identification of the real owners of trusts. In June 2001, Panama was removed from the NCCTs list and was subjected to the monitoring process, based on the country's promise to adopt reforms.

In June 2014, FATF committee identified deficiencies in Panamanian's policies “Against Money Laundering and Financing of Terrorism” (AML/FT). The country provided a written commitment to address these issues. In February 2016, Panama was removed from FATF's on-going global AML/CFT compliance process. (See Exhibit 19 and 20). After Panama papers leaked, The FATF committee did not take immediately actions.

The OECD list

The Organization for Economic Cooperation and Development (OECD) was created in order to stimulate economic progress and world trade. The OECD monitored the economics events; collected and analyzed the data to make projections; discussed the information; and finally implemented recommendations. In 2000, the OECD identified a number of jurisdictions as tax havens and created a blacklist called “List of Uncooperative Tax Havens”. Panama was part of the initial list.

In April, 2002, Norberto Delgado Duran, minister of Economic and Finances made a formal commitment to implement the OECD's standards of transparency and exchange of information. During the financial crisis in October 2008, 17 member states led by France and Germany decided to draw up a new

38 FATF –GAFI Organization (www.fatf-gafi.org)

39 Non-Cooperative Countries and Territories

blacklist of tax havens. At the time, the original blacklist contained only three countries: Monaco, Andorra and Liechtenstein. Germany's tried to include Switzerland, but its attempt was not successful⁴⁰. In May 2009, the organization decided to remove all remaining jurisdictions (Exhibit 16).

That same year, the OECD created the "Global Forum on Transparency and Exchange of Information for Tax Purposes" to continue with its fight against tax evasion. The new Forum with 153 members worked in the implementation of the agreed standards of transparency and exchange of information in the tax area through peer review process. The first Panama Peer Review was in September 2010⁴¹, it focused in the quality of Panama's legal and regulatory framework for the exchange of information. The review's output recommended many actions that the country refused to adopt. In 2014, The OECD Global Forum urged to Panamanian government to adopt the Automatic Exchange of Information finding again the country's refusal. Shortly after the so-called Panama Papers scandal, Angel Gurría, the OECD Secretary-General stated: *"Panama is the last major holdout that continues to allow funds to be hidden offshore from tax and law enforcement authorities."*⁴²

On April 22th 2016, the European Union published a tax haven blacklist⁴³. Previously, plans for a single EU list of "non-cooperative jurisdictions" had been blocked by conflicting interests. The first attempts to unify different list from 28 EU members were complicated (Exhibit 17)⁴⁴. The government of France, host country of the headquarters of OECD, was among the most active countries seeking for consensus.

The Panamanian political authorities declared in several media their rejection of the inclusion in blacklists. The Vice Minister of Foreign Affairs, replied energetically the qualification made by OECD Secretary-General through a letter and declared in many interviews that Panama will refuse to adopt the Automatic Exchange of Information:

"Panama only will share information with the OECD signers but there are certain conditions that Panama is going to require. One of them is the confidentiality of the information. Panama will not give information to anyone"

40 Euronews, October 21th, 2008 "Calls from 17 countries for new tax haven blacklist"

41 The second review was in November 2016 and analyzed the implementation of the Standards in Practice.

42 Statement from OECD Secretary-General Angel Gurría on the "Panama Papers", April 4th, 2016

43 BBC news April 22th, 2016 "EU to draw up tax haven blacklist"

44 In December 2017, decided to put 17 countries into blacklist including Panama, other 47 nations were in a grey list and had one year to deliver on their reform promises

that might not use it correctly... Upon request, the information must be given, but not automatically. And that is not a condition of Panama only”⁴⁵.

In contrast, the Minister of Economy and Finance, indicated that Panama advances in compliance with international standards:

“The government is making sure that Panamanian corporations cannot issue bearer shares; and the country's adherence to the international initiative on BEPS taxation but also to the multilateral agreement on fiscal matters of the OECD”⁴⁶.

OFAC and the Waked Case

The Office of Foreign Assets Control (OFAC) administered the financial sanctions against countries, organizations and individuals involved in activities related to terrorism, money laundry, proliferation of weapons of mass destruction, and human rights violations. OFAC had been originally founded in 1950 during the Korean War to allow the Department of Treasury to block Chinese and North Korean assets under US jurisdiction. By 2013, the office had about 200 employees and a budget of \$31 million. The so-called Clinton List was created in 1995, during the Clinton Administration, to black-list Specially Designated Narcotics Traffickers (SDNT), individuals and companies from the entire world with links to money from drug trafficking. Exhibit 18 is the updated Clinton List for Panama.

On May 6th 2016, the US Department of the Treasury and the Drug Enforcement Agency (DEA) accused several members of the Waked family of being involved in money laundry activities, and included them in the Clinton List of the Office of Foreign Asset Control (OFAC)⁴⁷. In all, nine executives and 68 firms from the Waked Group were incorporated to the list, including Riviera duty free stores (with 104 locations), VIDA Panama Free Zones importers, Soho Mall, Millenium Plaza Mall, Hometeck Stores, Felix Maduro Importers, La Estrella newspaper and Balboa Bank. Abdul Waked, and his nephew Nidal Waked, were the leaders of this business group that employed about 5500 people. Nidal Waked, who had Colombian, Spanish and Panamanian nationalities, was detained in Colombia on May 4th. Balboa Bank, where he served as the Treasurer of the Board of Directors, was put under the administrative control of the Superintendent of Banks on May 5th. Balboa Bank had reported at the end of the fiscal year 2015 US\$ 570 million in assets, 481 million in deposits, and US\$ 50 million in equity⁴⁸.

45 La Estrella de Panama, November 6th, 2016, “We will be reinventing ourselves, the fiscal structure will change”

46 Panama America, January 1st, 2017, “Minister of the MEF: Panama Papers has damaged the reputation of Panama”

47 La Prensa (of Panama), May 6th 2016. “Waked Group linked to money laundering network”,

Financial assets based in the United States belonging to anyone on the Clinton List were immediately ceased or frozen. Any person or entities doing business with anyone or any organization in the list could face up to 30 years in prison and fines of up to US\$ 30 million. Hence, any person or business included in the list immediately became toxic to other businesses, particularly financial institutions. The experience was described by many as a “financial or commercial death”.

OFAC’s designation of the Waked Group to the Clinton List so shortly after the Panama Papers affair, left many Panamanian businesspersons wondering if United States was specifically targeting Panama.

The decision

After the strange resignation of Stiglitz and Pieth in August, the Committee of Experts faced the task of issuing a set of recommendations for the country’s future economic strategy. Adhering to OECD’s standard transparency in international finances would negatively affect law firms, tax managers, and some financial institutions. It would also probably have a negative impact of accounting firms, real-estate and the “Zona Libre”.

On the other hand, continuing to appear in the lists of tax havens could reduce the inflows of foreign direct investment into logistics, mining, and tourism.

Roberto Artavia, one of the members of the committee summarized his view in this manner:

“The Panama of the future should be an extension of the Panama of the past. Panamá is one of the few countries in the world that was conceived at independence as an international logistics and financial hub, very much like Singapore and Hong Kong. It has the best ports and airports of the region, the Canal, and access to international fiber-optics connectivity without par. Therein lies its competitive advantage. Now it needs to prepare for the fourth industrial revolution by adding value to its historical advantages by investing in quality education and social progress, by making its people the source of its productivity and competitiveness for the future.”

Exhibit 1

Political Map of Panama



Source: Nations Online (<http://www.nationsonline.org>)

[Escriba texto]

Exhibit 2

Social Development indicator for Central America countries in 2016

Country	Poverty (% of population)	Access to electricity (% of population)	Access to Water (% of population)	GINI index	Current education expenditure (% of GDP)	Current health expenditure (% of GDP)	Literacy rate (% of people ages 15 and above)	Unemployment (% of total labor force)	Life expectancy at birth (years)	Rural population (% of total population)	Inflation (annual %)
Argentina	2.4%	100.0%	99.6%	42.4%	5.3%	6.8%	98.1%	7.3%	76.6	8.1%	10.6%
Bolivia	12.6%	93.0%	92.9%	44.6%	7.3%	6.4%	92.5%	3.1%	69.1	31.1%	3.6%
Brazil	8.0%	100.0%	97.5%	51.3%	6.0%	8.9%	91.7%	11.6%	75.5	14.1%	8.7%
Chile	3.1%	100.0%	100.0%	47.7%	4.9%	8.1%	96.7%	6.7%	79.5	10.3%	3.8%
Colombia	11.8%	99.0%	96.5%	50.8%	4.5%	6.2%	94.2%	8.7%	74.4	23.3%	7.5%
Ecuador	9.4%	99.9%	92.6%	45.0%	5.0%	8.5%	94.4%	4.6%	76.3	36.0%	1.7%
Mexico	11.2%	100.0%	98.3%	43.4%	5.3%	5.9%	94.5%	3.9%	77.1	20.5%	2.8%
Paraguay	7.0%	98.4%	98.9%	47.9%	5.0%	7.8%	95.1%	7.8%	73.1	40.1%	4.1%
Peru	10.0%	94.9%	89.9%	43.8%	4.0%	5.3%	94.2%	6.6%	75.0	21.1%	3.6%
Uruguay	0.5%	100.0%	99.2%	39.7%	4.4%	9.2%	98.5%	7.8%	77.5	4.5%	9.6%
Costa Rica	3.8%	100.0%	99.7%	48.7%	7.2%	8.1%	97.4%	8.6%	79.8	22.3%	0.0%
El Salvador	10.3%	98.6%	93.0%	40.0%	3.5%	6.9%	88.0%	4.4%	73.5	32.8%	0.6%
Guatemala	24.2%	91.8%	93.6%	48.3%	3.0%	5.7%	81.3%	2.8%	73.4	48.0%	4.4%
Honduras	30.0%	87.6%	92.2%	50.0%	5.9%	7.6%	89.0%	4.7%	73.6	44.7%	2.7%
Nicaragua	12.8%	81.8%	82.3%	46.2%	4.5%	7.8%	78.0%	4.5%	75.4	40.9%	3.5%
Panama	7.0%	93.4%	95.0%	50.4%	3.2%	7.0%	94.1%	4.4%	78.0	33.1%	0.7%

Source: World Bank Data

[Escriba texto]

Exhibit 3

Total and per capita GDP of selected countries in Latin America by object of expenditure at constant prices in dollars (2016)

Item	Argentina	Bolivia	Brazil	Chile	Colombia	Costa Rica	Ecuador	El Salvador	Guatemala	Honduras	Mexico	Nicaragua	Panama	Paraguay	Peru	Uruguay
Agriculture, hunting, forestry and fishing	698	237	489	511	459	554	534	201	357	276	310	265	278	581	374	980
Mining and quarrying	329	316	329	1,959	613	32	534	8	71	13	546	51	193	49	735	41
Manufacturing	1,488	270	1,136	1,473	959	1,182	633	532	577	355	1,528	293	641	1,023	813	1,727
Electricity, gas and water supply	137	56	247	519	216	240	95	125	83	44	180	52	338	499	114	397
Construction	407	76	635	878	469	441	553	176	118	109	736	99	1,807	321	357	955
Wholesale and retail trade, repair of goods, and hotels and restaurants	1,459	223	1,071	1,644	852	1,229	605	527	621	349	1,891	284	2,557	654	884	1,813
Transport, storage and communications	679	220	720	1,395	586	792	425	262	244	159	947	115	1,384	389	568	1,312
Financial intermediation, real estate, renting and business activities	1,354	231	1,413	3,069	1,016	2,432	779	682	636	411	2,186	205	2,343	657	615	2,818
Public administration, defense, compulsory social security, education, health and social work, and other community, social and personal service activities	2,083	410	3,053	2,209	1,205	1,825	828	839	384	423	1,226	380	1,213	585	1,115	2,341
Financial intermediation services indirectly measured (FISIM)	...	111	...	...	..	...	...	...	120	146	...	...	268	...	...	533
Total value added	8,633	1,927	9,091	13,658	6,375	8,728	4,988	3,352	3,213	1,992	9,551	1,745	10,486	4,757	5,575	11,852
Taxes on products less subsidies on products	1,715	586	1,589	1,225	682	821	152	...	206	175	436	194	562	371	520	,879
Gross domestic product (GDP)	10,307	2,454	10,771	14,804	7,542	9,559	5,191	3,414	3,168	2,185	9,969	1,943	11,295	5,136	6,094	14,048
GDP per capita 2010	10,369	1,983	11,143	12,770	6,231	8,181	4,657	2,989	2,884	1,954	9,093	1,526	7,987	4,386	5,022	11,942
GDP per capita 2000	8,256	1,626	8,793	9,764	4,765	6,219	3,679	2,571	2,638	1,621	9,067	1,310	5,445	3,587	3,310	8,672
GDP per capita 1990	6,241	1,371	7,919	6,074	4,296	4,918	3,721	1,825	2,225	1,544	7,652	1,138	4,073	3,594	2,661	6,877

Source: CEPALSTAT (2016)

[Escriba texto]

Exhibit 4

Panama Exports in millions of dollars between 2000 and 2016

Item	2000	2010	2011	2012	2013	2014	2015	2016
Live animals and products of animal origin	261,892	201,107	120,245	112,137	174,259	186,845	162,005	183,351
Vegetable products	207,448	180,490	181,079	180,477	175,313	187,721	173,107	156,586
Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	-	-	15,163	24,328	29,056	26,568	9,919	18,073
Mineral products								628
Products of the chemical and allied industries.	27,088	20,977	15,871	20,450	19,308	18,946	16,347	15,208
Plastics and articles thereof; rubber and articles thereof	-	7,934	8,059	-	-	-	9,747	3,679
Raw hides, skins, leather and articles thereof	-	7,568	12,790	16,703	20,127	21,426	15,914	9,649
Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw	-	-	16,749	21,157	29,915	38,511	29,528	34,474
Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard	-	-	-	10,443	14,140	14,772	10,125	22,179
Textiles and textiles articles	-	-	-	-	-	-	-	4,882
Footwear, headgear, umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding-crops and parts thereof	-	-	-	-	-	-	-	1
Articles of stone, of plaster, of cement, of asbestos, of mica and of similar materials	-	-	-	-	-	-	-	457
Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal	-	-	-	-	-	-	-	6,644
Base metals and articles of base metal	39,640	139,259	210,541	215,464	158,964	85,615	54,662	76,686
Others	243,008	170,309	204,473	220,466	222,587	236,822	213,765	102,333
Total	779,075	727,644	784,971	821,626	843,668	817,226	695,119	634,830

Source: National Institute of Statistics and Census of Panama

[Escriba texto]

Exhibit 5

Foreign Direct Investment (FDI) by Segment, Country of origin and Activity in Panama (US\$ '000)

Segment	Stock	Annual Inflow	Annual Income
Banks with general banking license	6,785,791	371,292	-619,766
International-License Banks	2,862,827	409,200	-287,103
Companies in Colon Free Zone	6,174,129	329,667	-390,560
Other Companies	29,032,741	4,115,346	-3,366,374
Total	44,855,489	5,225,505	-4,663,804

Country of origin	Stock	Annual Inflow	Annual Income
1. United States	10,141,058	1,739,574	-1,375,031
2. Colombia	7,792,219	977,575	-885,823
3. Canada	3,136,846	268,110	-53,823
4. Ecuador	2,676,203	232,852	-228,897
5. China (Taiwan)	2,306,778	228,264	-220,435
6. Netherlands	1,700,113	200,644	-151,657
7. Venezuela	1,581,489	155,818	-125,688
8. Switzerland	1,361,401	153,806	-178,163
9. United Kingdom	1,307,265	129,903	-137,110
10. Republic of China	1,234,788	122,352	-35,207
Other Countries	11,617,327	1,016,606	-1,271,970
Principal 10 countries	33,238,161	4,208,898	-3,391,833
Total	44,855,489	5,225,505	-4,663,804

Economic Activity	Stock	Annual Inflow	Annual Income
1. Wholesale and Retail Trade.	12,664,365	1,479,507	-1,296,348
2. Financial and Insurance Activities	10,795,408	1,005,416	-1,078,199
3. Transport, Storage and Postage.	6,326,085	972,798	-1,034,243
4. Information and Communication	3,545,756	470,608	-453,693
5. Manufacturing industries	2,384,420	269,453	-350,226
6. Mining and Quarrying activities	2,160,996	248,689	-157,994
7. Construction	1,734,529	225,399	-63,299
8. Electricity, gas and water	1,660,005	187,176	-62,115
9. Hotels and Restaurants	1,328,038	158,834	-57,240
10. Real estate	926,542	62,507	-53,360
11. Administrative and support activities	445,311	40,893	-24,391
12. Professional, Scientific and Technical Activities	303,948	27,233	-19,851
13. Arts, entertainment and Creativity	183,307	23,137	-17,563
14. Agriculture, Livestock, Hunting, Forestry and Fishing	145,602	21,174	-10,409
15. Education	97,713	17,778	-7,698
16. Other Service Activities	83,082	12,534	-2,198
17. Social Services	70,382	2,366	25,024
Total	44,855,489	5,225,505	-4,663,804

Source: National Institute of Statistics and Census of Panama

[Escriba texto]

Exhibit 6

Evolution of Foreign Direct Investment (FDI) by country in Latin America

Country	1980	1990	2000	2010	2011	2012	2013	2014	2015	2016
Argentina	788	1,836	9,517	10,368	9,352	14,269	8,932	3,145	10,884	1,474
Bolivia	91	26	734	672	859	1,060	1,750	690	556	246
Brazil	1,544	324	30,498	61,689	85,091	81,399	54,744	71,135	61,200	65,432
Chile	213	654	873	6,559	3,898	9,736	10,937	10,936	5,026	4,909
Colombia	51	484	2,111	947	6,227	15,646	8,557	12,268	7,518	9,332
Costa Rica	48	160	616	1,589	2,328	1,803	2,401	2,818	2,541	2,440
Ecuador	70	126	-23	166	644	567	727	772	1,322	755
El Salvador	6	2	178	-226	218	466	179	306	396	348
Guatemala	111	48	230	782	1,009	1,205	1,262	1,282	1,104	1,068
Honduras	6	44	375	971	1,012	851	992	1,315	952	900
Mexico	2,090	2,549	18,382	12,947	11,949	-1,167	33,762	23,269	24,190	28,151
Nicaragua	0	0	267	475	929	704	665	790	905	860
Panama	...	...	624	2,363	2,956	3,254	3,612	4,130	4,494	5,225
Paraguay	32	77	98	462	581	697	245	412	306	320
Peru	27	41	810	8,189	7,194	11,710	9,663	3,640	8,144	6,560
Uruguay	290	0	274	2,349	2,511	2,175	2,789	2,512	830	-828
Venezuela	55	76	4,180	-918	6,110	1,679	1,928	-704	2,609	...
Latin America	5,526	6,587	70,710	111,592	145,258	149,355	145,297	141,023	135,380	129,519

Source: CEPALSTAT (1980-2016)

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Exhibit 7

The Global Competitiveness Index 2016-2017 edition

 Panama **42nd** / 138

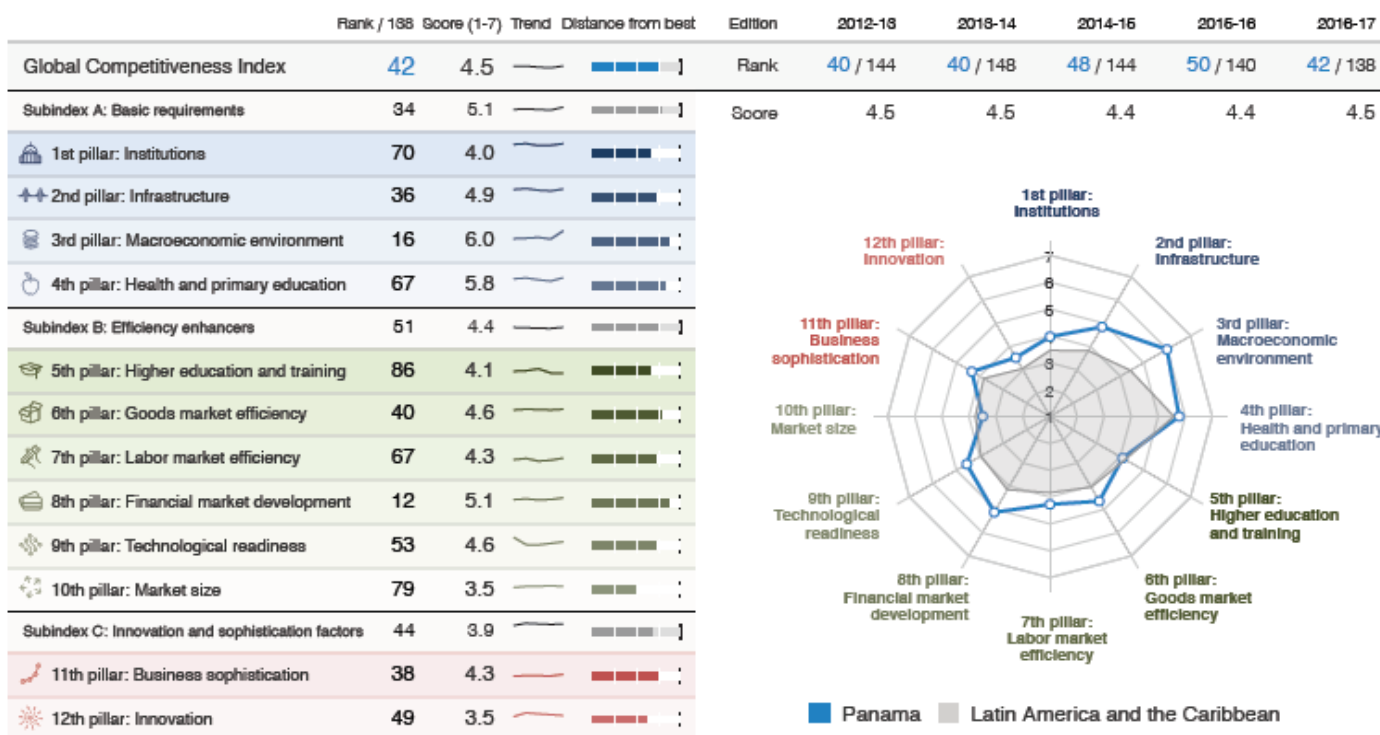
Global Competitiveness Index
2016-2017 edition

Key Indicators, 2015

Source: International Monetary Fund; World Economic Outlook Database (April 2016)

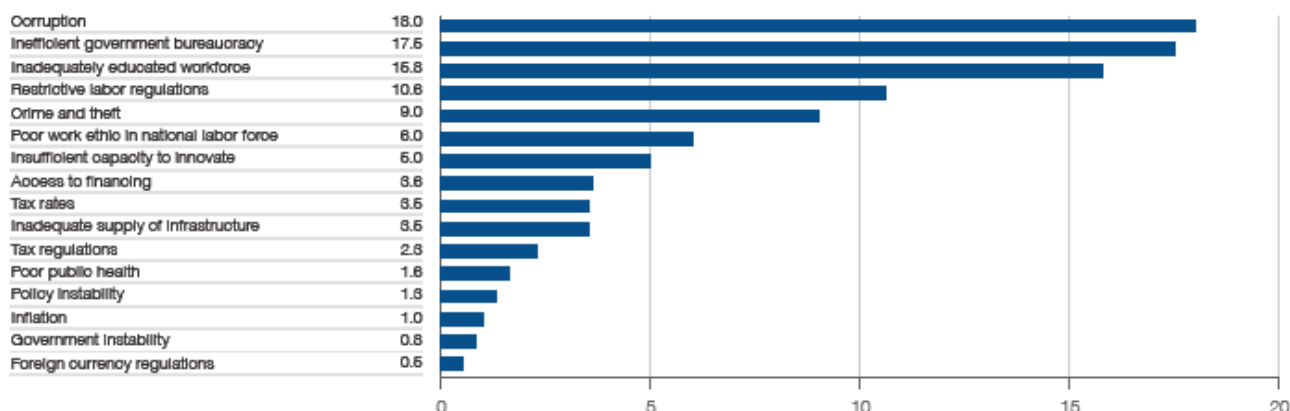
Population (millions)	4.0	GDP per capita (US\$)	13012.6
GDP (US\$ billions)	52.1	GDP (PPP) % world GDP	0.08

Performance overview



Most problematic factors for doing business

Source: World Economic Forum, Executive Opinion Survey 2016



Note: From the list of factors, respondents to the World Economic Forum's Executive Opinion Survey were asked to select the five most problematic factors for doing business in their country and to rank them between 1 (most problematic) and 5. The score corresponds to the responses weighted according to their rankings.

Source: World Economic Forum

[Escriba texto]

Exhibit 7 (continuation)

The Global Competitiveness Index 2016-2017 edition

Panama

The Global Competitiveness Index in detail

Index Component	Rank/137	Value	Trend	Index Component	Rank/137	Value	Trend
1st pillar: Institutions	74	3.8		6th pillar: Goods market efficiency	41	4.6	
1.01 Property rights	41	4.8		6.01 Intensity of local competition	48	5.3	
1.02 Intellectual property protection	38	4.7		6.02 Extent of market dominance	43	4.1	
1.03 Diversion of public funds	104	2.8		6.03 Effectiveness of anti-monopoly policy	52	3.9	
1.04 Public trust in politicians	108	2.1		6.04 Effect of taxation on incentives to invest	15	4.9	
1.05 Irregular payments and bribes	74	3.8		6.05 Total tax rate % profits	69	37.2	
1.06 Judicial independence	120	2.8		6.06 No. of procedures to start a business	36	5	
1.07 Favoritism in decisions of government officials	101	2.6		6.07 Time to start a business days	29	6.0	
1.08 Efficiency of government spending	93	2.7		6.08 Agricultural policy costs	118	3.1	
1.09 Burden of government regulation	50	3.7		6.09 Prevalence of non-tariff barriers	31	4.9	
1.10 Efficiency of legal framework in settling disputes	101	3.0		6.10 Trade tariffs % duty	65	4.7	
1.11 Efficiency of legal framework in challenging regulations	92	2.9		6.11 Prevalence of foreign ownership	11	5.6	
1.12 Transparency of government policymaking	60	4.1		6.12 Business impact of rules on FDI	13	5.6	
1.13 Business costs of terrorism	22	5.8		6.13 Burden of customs procedures	52	4.5	
1.14 Business costs of crime and violence	90	4.2		6.14 Imports % GDP	74	41.8	
1.15 Organized crime	68	4.9		6.15 Degree of customer orientation	83	4.5	
1.16 Reliability of police services	66	4.4		6.16 Buyer sophistication	55	3.6	
1.17 Ethical behavior of firms	87	3.6		7th pillar: Labor market efficiency	76	4.1	
1.18 Strength of auditing and reporting standards	39	5.2		7.01 Cooperation in labor-employer relations	55	4.5	
1.19 Efficacy of corporate boards	45	5.1		7.02 Flexibility of wage determination	92	4.6	
1.20 Protection of minority shareholders' interests	45	4.4		7.03 Hiring and firing practices	100	3.4	
1.21 Strength of investor protection 0-10 (best)	66	5.7		7.04 Redundancy costs weeks of salary	78	18.1	
2nd pillar: Infrastructure	37	4.9		7.05 Effect of taxation on incentives to work	39	4.3	
2.01 Quality of overall infrastructure	38	4.7		7.06 Pay and productivity	83	3.7	
2.02 Quality of roads	49	4.4		7.07 Reliance on professional management	63	4.4	
2.03 Quality of railroad infrastructure	24	4.5		7.08 Country capacity to retain talent	29	4.5	
2.04 Quality of port infrastructure	6	6.2		7.09 Country capacity to attract talent	16	4.8	
2.05 Quality of air transport infrastructure	11	6.0		7.10 Female participation in the labor force ratio to men	100	0.65	
2.06 Available airline seat kilometers millions/week	50	462.2		8th pillar: Financial market development	14	5.0	
2.07 Quality of electricity supply	56	5.2		8.01 Availability of financial services	11	5.4	
2.08 Mobile-cellular telephone subscriptions /100 pop.	6	172.3		8.02 Affordability of financial services	9	5.2	
2.09 Fixed-telephone lines /100 pop.	65	15.8		8.03 Financing through local equity market	40	4.3	
3rd pillar: Macroeconomic environment	11	6.1		8.04 Ease of access to loans	14	5.1	
3.01 Government budget balance % GDP	52	-2.2		8.05 Venture capital availability	26	3.7	
3.02 Gross national savings % GDP	5	41.8		8.06 Soundness of banks	14	5.9	
3.03 Inflation annual % change	1	0.7		8.07 Regulation of securities exchanges	29	5.3	
3.04 Government debt % GDP	47	39.2		8.08 Legal rights index 0-10 (best)	30	7	
3.05 Country credit rating 0-100 (best)	52	58.0		9th pillar: Technological readiness	63	4.4	
4th pillar: Health and primary education	79	5.6		9.01 Availability of latest technologies	37	5.4	
4.01 Malaria incidence cases/100,000 pop.	29	16.6		9.02 Firm-level technology absorption	35	5.1	
4.02 Business impact of malaria	10	5.6		9.03 FDI and technology transfer	8	5.5	
4.03 Tuberculosis incidence cases/100,000 pop.	72	50.0		9.04 Internet users % pop.	76	54.0	
4.04 Business impact of tuberculosis	68	5.4		9.05 Fixed-broadband Internet subscriptions /100 pop.	74	9.5	
4.05 HIV prevalence % adult pop.	100	0.8		9.06 Internet bandwidth kb/s/user	70	55.1	
4.06 Business impact of HIV/AIDS	98	4.8		9.07 Mobile-broadband subscriptions /100 pop.	105	29.7	
4.07 Infant mortality deaths/1,000 live births	79	14.6		10th pillar: Market size	79	3.6	
4.08 Life expectancy years	40	77.8		10.01 Domestic market size index	79	3.3	
4.09 Quality of primary education	102	3.2		10.02 Foreign market size index	75	4.3	
4.10 Primary education enrollment rate net %	86	93.4		10.03 GDP (PPP) PPP \$ billions	76	92.9	
5th pillar: Higher education and training	88	4.0		10.04 Exports % GDP	55	40.4	
5.01 Secondary education enrollment rate gross %	95	75.6		11th pillar: Business sophistication	44	4.4	
5.02 Tertiary education enrollment rate gross %	72	38.7		11.01 Local supplier quantity	69	4.6	
5.03 Quality of the education system	96	3.2		11.02 Local supplier quality	44	4.7	
5.04 Quality of math and science education	112	3.1		11.03 State of cluster development	46	4.1	
5.05 Quality of management schools	89	4.0		11.04 Nature of competitive advantage	34	4.3	
5.06 Internet access in schools	60	4.4		11.05 Value chain breadth	44	4.2	
5.07 Local availability of specialized training services	85	4.1		11.06 Control of international distribution	43	4.1	
5.08 Extent of staff training	68	4.0		11.07 Production process sophistication	56	4.0	
				11.08 Extent of marketing	37	4.8	
				11.09 Willingness to delegate authority	46	4.5	
				12th pillar: Innovation	55	3.4	
				12.01 Capacity for innovation	53	4.3	
				12.02 Quality of scientific research institutions	72	3.7	
				12.03 Company spending on R&D	59	3.4	
				12.04 University-industry collaboration in R&D	79	3.3	
				12.05 Gov't procurement of advanced technology products	51	3.5	
				12.06 Availability of scientists and engineers	64	4.0	
				12.07 PCT patents applications/million pop.	67	1.4	

Note: Values are on a 1-to-7 scale unless indicated otherwise. Trend lines depict evolution in values since the 2012-2013 edition (or earliest edition available). For detailed definitions, sources, and periods, consult the interactive Economy Profiles and Rankings at <http://gcr.weforum.org/>

Source: World Economic Forum

[Escriba texto]

Exhibit 8

Panama Canal's transit statistics

Fiscal Year	Number of transits	Tolls (US\$ million)	Long of cargos (Thousands of tons)
2016	13,114	1,933	204,706
2015	13,874	1,991	229,148
2014	13,481	1,910	227,518
2013	13,660	1,850	212,109
2012	14,544	1,852	218,055
2011	14,684	1,730	222,357
2010	14,230	1,482	204,854

Source: Georgia Tech Panama (www.logistics.gatech.pa)

Exhibit 9

TOP Latin America Airports by country

Airport	Country	Terminals	Tracks	Total Passengers	Total Flights	Cargo (MT)	passenger boardings	Airlines	International Destinations	Local Destinations
Benito Juarez Airport. (MEX)	México	2	2	41,710,254	408,972	483,433	56	71	110	51
San Pablo Guarulhos Airport (GRU)	Brazil	4	2	39,213,865	295,030	339,828	45	40	48	35
El Dorado Airport (BOG)	Colombia	2	2	31,041,841	337,137	670,222	17	24	42	42
Cancun Airport (CUN)	México	3	2	21,415,795	107,870		24	90	114	20
Jorge Chávez Airport (LIM)	Peru	1	1	20,575,919	176,864	287,826	19	57	45	22
Brasilia Airport (BSB)	Brazil	2	2	19,821,796	186,377	39,467	29	11	7	35
San Pablo Congonhas Airport (CGH)	Brazil	1	2	19,279,644	213,833	54,507	12	4	0	22
Santiago Airport (SCL)	Chile	2	2	19,189,845	116,406		18	38	37	18
Rio de Janeiro Airport (GIG)	Brazil	2	2	17,109,987	132,792		24	34	26	26
Maiquetia Caracas Airport (CCS)	Venezuela	2	2	12,000,000	128,528			36	22	17
Guadalajara Airport (GDL)	Mexico	2	2	11,395,800	133,323		10	19	29	31
Jorge Newbery Airport (AEP)	Argentina	2	1	10,825,986	120,492	2,244	9	13	10	41
Belo Horizonte Airport (CNF)	Brazil	2	1	10,398,296	120,149	26,920	9	6	5	42
Viracopos/Campinas Airport (VCP)	Brazil	1	1	10,300,000	110,872	267,000		5	7	39
Rio de Janeiro Santos Dumont Airport (SDU)	Brazil	1	2	9,618,197	110,000			4	0	24
Panama Airport (PTY)	Panama	1	2	9,542,585	141,642	110,789	35	25	79	1
Monterrey Airport (MTY)	Mexico	3	2	9,178,533	76,070		15	20	14	33
Buenos Aires Ezeiza Airport (EZE)	Argentina	3	2	9,127,908	66,834	183,954	20	46	43	11
Salvador Airport (SSA)	Brazil	1	2	9,047,403	97,139	23,136		10	6	27
San Juan Airport (SJU)	Puerto Rico	3	2	8,562,124	157,231		42	21	4	39
Porto Alegre Airport (POA)	Brazil	2	1	8,447,307	88,279	20,886	16	11	7	33
José María Córdova - Medellín Airport (MDE)	Colombia	1	1	7,567,624	126,97	81,845	12	31	17	9

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					6						
Quito Airport (UIO)	Ecuador	1	1	6,500,000		500,000		10	17	29	12
Punta Cana Airport (PUJ)	Dominic Republic	3	2	6,366,552	37,304	21,531		14	50	96	4
Cusco Airport (CUZ)	Peru	1	1	3,255,520		2,217		0	5	2	4
Alfonso Bonilla Aragón - Cali Airport (CLO)	Colombia	2	1	5,590,518	44,362	8,142		14	17	9	15
La Habana Cuba Airport (HAV)	Cuba	5	1	5,300,000					53	44	16
San José de Costa Rica Airport (SJO)	Costa Rica	1	1	4,316,270	82,835			16	24	38	14
Guayaquil Airport (GYE)	Ecuador	2	1	4,015,347		53,190			19	12	6
Las Americas Airport (SDQ)	Dominic Republic	2	1	3,686,988	29,073			13	38	35	1
El Salvador Airport (SAL)	El Salvador	1	2	2,984,746	100,111						
Guatemala - La Aurora Airport (GUA)	Guatemala	1	1	2,579,123	1	92,777		14	13	34	0
Santa Cruz Viru Viru Airport (VVI)	Bolivia	2	1	2,500,000	7,282			7	35	25	5
Montevideo Airport (MVD)	Uruguay	1	2	1,671,234	16,014	27,395		4	22	23	0
Managua Airport (MGA)	Nicaragua	1	1	1,499,766	32,173	29,034		7	15	14	12
Asunción Airport (ASU)	Paraguay	1	1	1,001,841		16,198		6	25	14	2
Tegucigalpa Airport (TGU)	Honduras	1	1	603,486	22,714			3	14	10	4

Source: Airports-worldwide and aeronautical statistics of each country.

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Exhibit 10

Finance System in Latin America at 2016 (in Millions)

Country	Assets	Loans	Deposits	Equity	Earnings	Default Rate (%)	ROE (%)	Solvency Index (%)
Argentina	181,095	89,219	129,852	20,894	4,053	1.64%	23.40%	14.20%
Bolivia	29,409	19,906	22,102	2,096	294	1.67%	14.50%	11.89%
Brazil	2,414,391	903,265	673,865	199,675	14,824	4.90%	13.90%	18.14%
Chile	358,246	254,342	206,658	30,243	3,636	1.93%	12.39%	13.76%
Colombia	194,859	140,283	119,667	25,488	2,585	4.26%	10.14%	15.98%
Costa Rica	39,753	24,971	27,080	3,837	217	2.26%	5.65%	13.49%
Ecuador	38,975	24,601	30,689	4,218	396	2.96%	10.36%	8.88%
El Salvador	17,072	11,873	11,715	2,223	152	1.97%	7.43%	16.51%
Guatemala	41,648	22,783	30,443	3,894	574	2.32%	17.77%	14.73%
Honduras	21,196	11,399	12,658	1,900	204	2.34%	12.47%	13.67%
Mexico	454,416	241,365	268,202	47,535	7,005	2.15%	15.21%	15.57%
Nicaragua	7,744	5,138	5,515	921	166	1.03%	20.16%	13.74%
Panama	101,252	65,345	73,049	11,610	1,505	1.62%	13.52%	n.d.
Paraguay	20,848	13,127	15,092	2,384	431	2.67%	24.25%	10.66%
Peru	114,564	75,764	70,768	13,467	2,296	3.04%	17.05%	15.17%
Dominican Republic	29,557	17,625	15,904	3,056	482	1.69%	19.92%	16.40%
Uruguay	36,309	21,590	28,333	3,063	356	3.60%	11.62%	13.24%

Source: Economic Studies Management - ASBANC.

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Exhibit 11

International tourism, number of arrivals in Latin American between 2000 and 2016 (Millions of people)

Country Name	2000	2010	2011	2012	2013	2014	2015	2016
Argentina	2.91	5.33	5.71	5.59	5.25	5.93	5.74	5.56
Bolivia	0.32	0.68	0.71	0.80	0.80	0.87	0.88	0.96
Brazil	5.31	5.16	5.43	5.68	5.81	6.43	6.31	6.58
Chile	1.74	2.80	3.14	3.55	3.58	3.67	4.48	5.64
Colombia	0.56	1.41	2.04	2.18	2.29	2.55	2.98	3.32
Costa Rica	1.09	2.10	2.19	2.34	2.43	2.53	2.66	2.93
Ecuador	0.63	1.05	1.14	1.27	1.36	1.56	1.54	1.42
Guatemala	0.83	1.38	1.43	1.49	1.52	1.74	1.87	1.91
Honduras	0.47	0.86	0.87	0.90	0.86	0.87	0.88	0.87
Mexico	20.64	23.29	23.40	23.40	24.15	29.35	32.09	35.08
Nicaragua	0.49	1.01	1.06	1.18	1.23	1.33	1.39	1.50
Panama	0.48	1.32	1.47	1.61	1.66	1.75	2.11	2.01
Peru	0.80	2.30	2.60	2.85	3.16	3.22	3.46	3.74
Paraguay	0.29	0.47	0.52	0.58	0.61	0.65	1.22	1.31
El Salvador	0.80	1.15	1.18	1.26	1.28	1.35	1.40	1.43
Uruguay	1.97	2.35	2.86	2.70	2.68	2.68	2.77	3.04
Venezuela,	0.47	0.53	0.60	0.99	0.99	0.86	0.79	0.60

Source: World Bank Data

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Exhibit 12

Some agricultural indicators for Central America Region

Country	Arable land (% of land area)	Agricultural land (% of land area)	Arable land (hectares per person)	Long-term average annual precipitation in depth (mm/year)
Costa Rica	4.5%	35.5%	0.05	2,926
El Salvador	36.2%	77.3%	0.12	1,784
Guatemala	8.7%	35.4%	0.06	1,996
Honduras	9.1%	28.9%	0.11	1,976
Nicaragua	12.5%	42.1%	0.25	2,280
Panama	7.6%	30.4%	0.14	2,928

Source: World Bank and Aquastat FAO (2016)

Exhibit 13

Corporation Law of Panama- Law 32 of February 26, 1927

Selected Articles

Article 1: Two or more persons of lawful age, of any nationality even though not domiciled in the Republic of Panama, may, in accordance with the formalities hereinafter provided, form a corporation for any lawful purpose or purposes.

Article 3: The articles of incorporation may be executed in any place, within or outside the Republic, and in any language

Article 7: Any corporation formed under this law may from time to time amend its articles of incorporation in any respect; provided such articles of incorporation, when so amended, shall conform to the provisions of this law.

Article 90: A foreign corporation may maintain offices or agencies and carry on business in the Republic provided it files in the Mercantile Registry the following documents for registration:

1. Deed of protocolization of its Articles of Incorporation;
2. Copy of its last balance sheet accompanied by a declaration of the amount of its capital utilized or to be utilized in business in the Republic;
3. A certificate setting forth that it is incorporated and organized under the laws of the country of its domicile certified by a Consular representative of the Republic in said country, or if there be no such representative then by that of a friendly nation.

Article 91: A foreign corporation (maintaining an office or carrying on business in the Republic) which has not complied with the requirements of this law may not bring judicial or any other proceedings before any court or authority in the Republic, but may be sued in any action before judicial or administrative authorities, and shall furthermore be liable to a fine not exceeding five thousand balboas to be imposed by the Secretary of the Treasury.

Article 92: A foreign corporation carrying on business in this Republic and which has registered its articles of incorporation in the Mercantile Registry as aforesaid, shall be required to register in such Registry all amendments of such articles of incorporation and the instruments of consolidation or dissolution.

Source: Legalinfo – Panama.

Exhibit 14

Lawyers in Central America

Country	Lawyers	Population	Ratio per 1000 inhabitants
Panamá	22,500	4,034,119	5.58
Costa Rica	23,849	4,857,274	4.91
Nicaragua	23,650	6,149,928	3.85
El Salvador	26,262	6,344,722	4.14
Honduras	20,000	9,112,867	2.19
Guatemala	Nd	16,582,469	nd

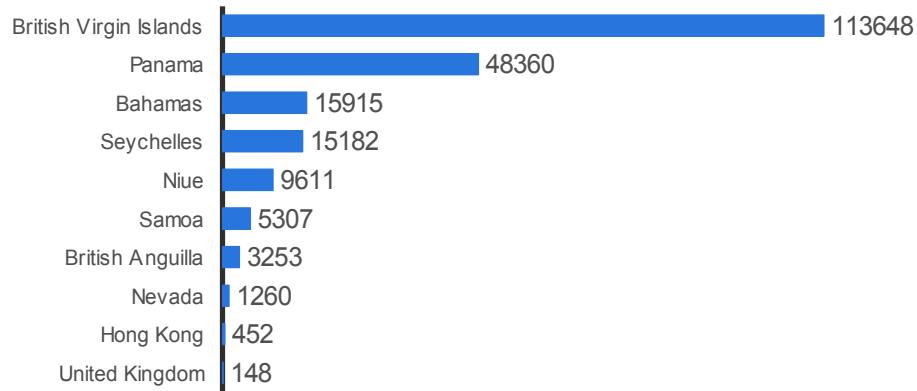
Source: National School of Lawyers of selected countries

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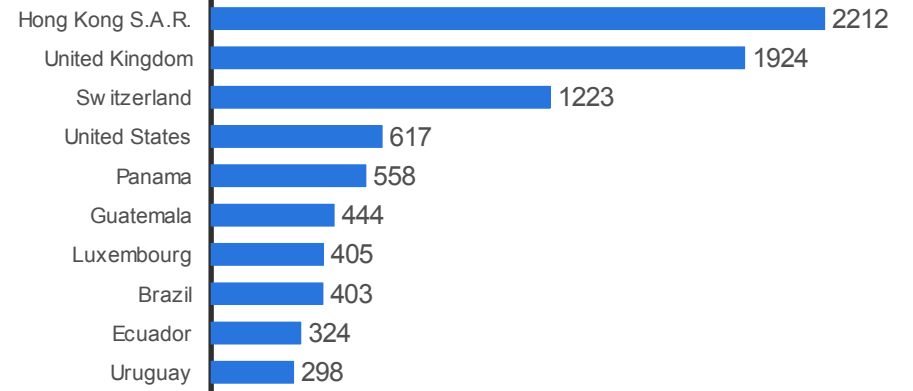
Exhibit 15

Some statistics of Mossack Fonseca

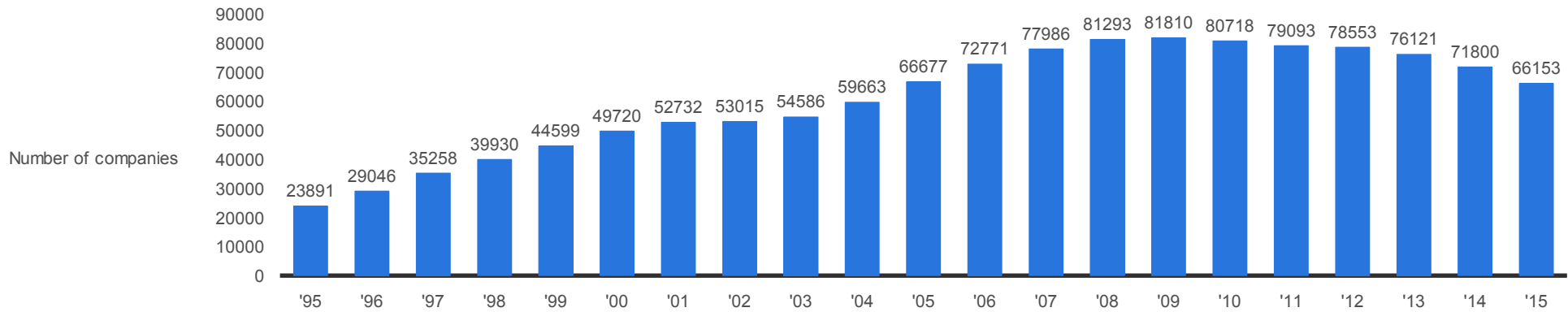
Number of companies located in an offshore center



Number of intermediaries cooperating with Mossack Fonseca, by country



Number of active offshore companies of Mossack Fonseca from 1995 to 2015



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Source: Statista NY (www.statista.com)

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Exhibit 19

Panama Report for assessment conducted against the FATF Recommendations

February 2014

Technical Compliance⁴⁹

R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10
PC	LC	PC	PC	PC	PC	PC	PC	NC	PC

R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
NC	NC	PC	LC	PC	NC	NC	PC	C	NC

R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
NC	PC	PC	NC	NC	PC	PC	PC	PC	NC

R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
PC	NC	NC	NC	PC	PC	PC	PC	LC	NC

C	Compliant
LC	Largely compliant - There are only minor shortcomings.
PC	Partially compliant - There are moderate shortcomings.
NC	Non-compliant - There are major shortcomings.

Source: Financial Action Task Force on Money Laundering -Rating

⁴⁹Ratings which reflect the extent to which a country has implemented the technical requirements of the FATF Recommendations.

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Exhibit 19 (continuation)

Explanatory Notes of FATF Recommendations

<i>AML/CFT Policies and Coordination</i>		<i>Preventive Measures</i>	
R.1	Assessing Risks and Applying a Risk-Based Approach	R.21	Tipping-off and confidentiality
R.2	National cooperation and coordination	R.22	DNFBPs: Customer due diligence
	<i>Money Laundering and Confiscation</i>	R.23	DNFBPs: Other measures
R.3	Money laundering offence		<i>Transparency and Beneficial Ownership of Legal Persons and Arrangements</i>
R.4	Confiscation and provisional measures	R.24	Transparency and beneficial ownership of legal persons
<i>Terrorist Financing and Financing of Proliferation</i>		R.25	Transparency and beneficial ownership of legal arrangements
R.5	Terrorist financing offence	<i>Powers and Responsibilities of Competent Authorities and Other Institutional Measures</i>	
R.6	Targeted financial sanctions related to terrorism & terrorist financing	R.26	Regulation and supervision of financial institutions
R.7	Targeted financial sanctions related to proliferation	R.27	Powers of supervisors
R.8	Non-profit organizations	R.28	Regulation and supervision of DNFBPs
<i>Preventive Measures</i>		R.29	Financial intelligence units
R.9	Financial institution secrecy laws	R.30	Responsibilities of law enforcement and investigative authorities
R.10	Customer due diligence	R.31	Powers of law enforcement and investigative authorities
R.11	Record keeping	R.32	Cash couriers
R.12	Politically exposed persons	R.33	Statistics
R.13	Correspondent banking	R.34	Guidance and feedback
R.14	Money or value transfer services	R.35	Sanctions
R.15	New technologies	<i>International Cooperation</i>	
R.16	Wire transfers	R.36	International instruments
R.17	Reliance on third parties	R.37	Mutual legal assistance
R.18	Internal controls and foreign branches and subsidiaries	R.38	Mutual legal assistance: freezing and confiscation
R.19	Higher-risk countries	R.39	Extradition
R.20	Reporting of suspicious transactions	R.40	Other forms of international cooperation

Source: Financial Action Task Force on Money Laundering -Rating

Exhibit 16

Progress Report on the jurisdictions surveyed by the OECD global forum in implementing the internationally agreed tax standard at 2nd April 2009

Jurisdictions that have substantially implemented the internationally agreed tax standard			
Argentina	Germany	Korea	Seychelles
Australia	Greece	Malta	Slovak Republic
Barbados	Guernsey	Mauritius	South Africa
C	H	Mexico	Spa
Canada	Hungary	Netherlands	in Sweden
China ²	Iceland	New Zealand	Turkey
Cyprus	Ireland	Norway	United Arab Emirates
Czech Republic	Isle of Man	Poland	United Kingdom
Denmark	Italy	Portugal	United States
Finland	Japan	Russian Federation	US Virgin Islands
France	Jersey		

Jurisdictions that have committed to the internationally agreed tax standard, but have not yet substantially implemented					
Jurisdiction	Year of Commitment	Number of Agreements	Jurisdiction	Year of Commitment	Number of Agreements
Tax Havens³					
Andorra	2009	2	Marshall Islands	2007	(1)
Anguilla	2002	2	Monaco	2009	(1)
Antigua and Barbuda	2002	2	Montserrat	2002	(0)
Aruba	2002	2	Nauru	2003	(0)
Bahamas	2002	2	Netherlands Antilles	2000	(7)
Bahrain	2001	2	Niue	2002	(0)
Belize	2002	2	Panama	2002	(0)
Bermuda	2000	2	St Kitts and Nevis	2002	(0)
British Virgin Islands	2002	2	St Lucia	2002	(0)
Cayman	2	(

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Islands ⁴	000	8	St Vincent & the Grenadines)
Cook Islands	002	(0)			(0)
Dominica	002	(1)	Samoa	2002	(0)
Gibraltar	002	(1)	San Marino	2000	(0)
Grenada	002	(1)	Turks and Caicos Islands	2002	(0)
Liberia	007	(0))
Liechtenstein	009	(1)	Vanuatu	2003	(0)
Other Financial Centres					
Austria ⁵	2009	(0)	Guatemala	2009	(0)
Belgium ⁵	2009	(1)	Luxembourg ⁵	2009	(0)
Bahrain ⁵	2009	(5)	Singapore	2009	(0)
Chile	2009	(0)	Switzerland ⁵	2009	(0)

Jurisdictions that have not committed to the internationally agreed tax standard			
Jurisdiction	Number of Agreements	Jurisdiction	Number of Agreements
Costa Rica Malaysia (Labuan)	(0)	Philippines Uruguay	(0)
	(0)		(0)

Source: OECD

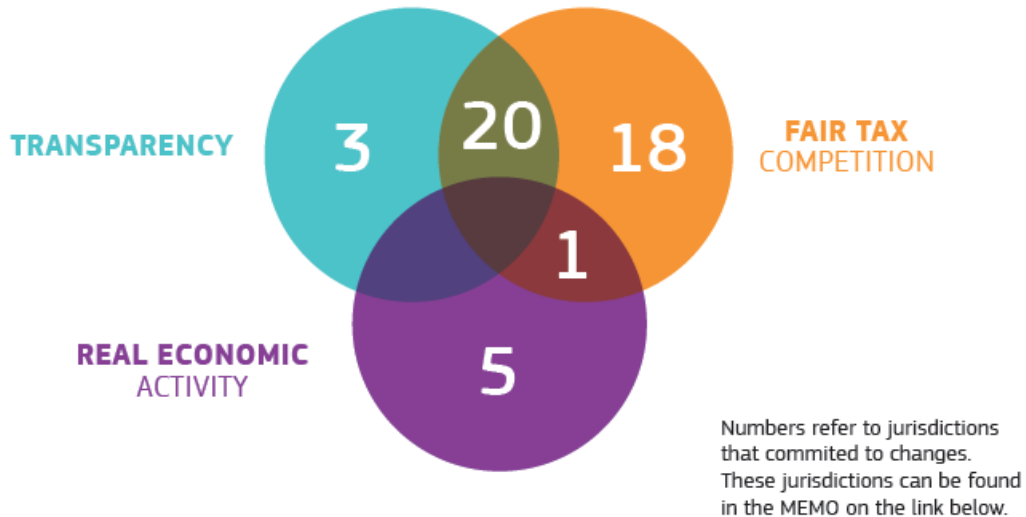
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Exhibit 17

The EU List of non-cooperative tax jurisdictions

IMPROVEMENTS

Many jurisdictions committed
to address problems in their tax systems



EU LIST OF NON-COOPERATIVE TAX JURISDICTIONS

American Samoa	Macao SAR	Saint Lucia
Bahrain	Marshall Islands	Samoa
Barbados	Mongolia	Trinidad and Tobago
Grenada	Namibia	Tunisia
Guam	Palau	United Arab Emirates
Korea (Republic of)	Panama	

For more information:
https://ec.europa.eu/taxation_customs/tax-common-eu-list_en

Source: European Commission (www.ec.europa.eu)

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Exhibit 18

OFAC List for Panama

Program	Type	Quantity
CUBA	Entity	11
	Individual	2
DPRK	Entity	1
DPRK4	Entity	1
	Vessel	2
IRAQ2	Entity	1
SDNT	Entity	11
	Individual	2
SDNTK	Entity	128
	Individual	25
SYRIA	Entity	1
	Vessel	3
UKRAINE-EO13661	Entity	1
Total		189

Description of selected OFAC programs

Program	Definition	Electronic Code of Federal Regulations and Executive orders
CUBA	Cuban Assets Control Regulations	31 C.F.R. part 515
DPRK	North Korea Sanctions Regulations	31 C.F.R. part 510; Executive Order 13551
DPRK4	Imposing Additional Sanctions With Respect to North Korea	Executive Order 13810
IRAQ2	Blocking Property of the Former Iraqi Regime, Its Senior Officials and Their Family Members, and Taking Certain Other Actions	Executive Order 13315
SDNT	Narcotics Trafficking Sanctions Regulations	31 C.F.R. part 536
SDNTK	Foreign Narcotics Kingpin Sanctions Regulations	31 C.F.R. part 598
SYRIA	Syrian Sanctions Regulations	31 C.F.R. part 542;
UKRAINE-EO13661	Blocking Property of Additional Persons Contributing to the Situation in Ukraine	Executive Order 13661

Waked Group leaders on OFAC list

Code	Item	Type	Program	Country
18940	WAKED HATUM, Nidal Ahmed	individual	SDNTK	Panama
18941	WAKED FARES, Abdul Mohamed	individual	SDNTK	Panama
18942	WAKED HATUM, Gazy	individual	SDNTK	Panama
18943	WAKED HATUM, Jalal Ahmed	individual	SDNTK	Panama
18944	WAKED HATUM, Ali	individual	SDNTK	Panama
19130	WAKED DARWICH, Mohamed Abdo	individual	SDNTK	Panama
18939	WAKED MONEY LAUNDERING ORGANIZATION	Entity	SDNTK	Panama
19152	HERMANOS WAKED, S.A.	Entity	SDNTK	Panama
19181	WAKED INTERNACIONAL PANAMA, S.A.	Entity	SDNTK	Panama
19191	A.M. WAKED E HIJOS, S.A.	Entity	SDNTK	Panama

Source: U.S. Department of the Treasury - OFAC's Sanctions Lists

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