

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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ACCESSION OF PANAMA

Memorandum on Foreign Trade Régime

The attached Memorandum on the Foreign Trade Régime has been received from the Government of Panama. In order that the matter may be examined by the Working Party (L/6920), contracting parties are requested to communicate to the Secretariat by 16 July 1993 any questions they may wish to put concerning the matters dealt with in the Memorandum, for transmission to the authorities of Panama.

CONTENTS

	<u>Page</u>
I. <u>ECONOMIC PROFILE</u>	6
1. Trends and current situation of the economy	6
(a) Background	6
(b) Prices	7
(c) Production	7
(d) Employment	8
(e) External debt	8
(f) Balance-of-payments, currency and banking system	9
2. The new economic policy	10
(a) Further development of the market economy	10
(b) Private sector responsibility for production	10
(c) Integration of the Panamanian economy in the world economy	10
(d) Modernization of Government machinery	10
3. Foreign trade structure and trends	10
(a) Goods	11
(1) Recording	11
(2) Trends	11
(3) Trade flows	12
(a) Imports	12
(b) Exports	12
(c) Trade balance	14
(b) Services	14
II. <u>FOREIGN TRADE REGIME</u>	15
1. Trade policy	15
2. Tariff policy and rules governing external trade	15
(a) Tariff nomenclature	16
(b) Customs valuation	18
(1) Allowable discounts	20
(2) Non-allowable discounts	20

	<u>Page</u>
(c) Tariff measures	21
(1) Law No. 3 of 1986	21
(2) National Strategy for Economic Development and Modernization	21
(d) Special tariff treatment	22
(e) Anti-dumping and countervailing measures	23
(f) Non-tariff measures	24
(1) Prohibited imports	24
(2) Products subject to import restrictions	24
(3) Plant and animal health controls	25
(4) Import certificates	25
(5) Other non-tariff restrictions	26
(g) Procedure for importation for consumption (customs clearance for consumption)	27
(1) Legally imported goods	28
(2) Prerequisites for customs clearance for consumption	29
(3) Formalities concerning the customs declaration-assessment document for goods imported for consumption	30
(4) Duties, taxes and charges recorded on the customs declaration form	31
3. Export policy	35
(a) Exports	35
(1) Export formalities	35
(2) Garment exports to the United States of America	36
(3) Export duties	36
(4) Export controls	36
(b) Re-exports	37
(c) Institutional and economic incentives	37
(d) Tax Credit Certificate (CAT)	38
(e) Other incentives	38
(f) Certificates of origin	38
(g) Certificates of quality	39

	<u>Page</u>
4. Commercial and industrial free zones	39
(a) The Colón Free Zone (ZLC)	39
(1) General aspects of the trade policy of the Colón Free Zone (ZLC)	39
(2) General provisions concerning goods leaving the Colón Free Zone	40
(b) Industrial free zones	40
(1) Export Processing Zones	40
(2) Petroleum free zones	41
III. <u>OTHER TRADE-RELATED INSTITUTIONS</u>	41
1. Public enterprises	41
(a) Autoridad Portuaria Nacional (APN) (National Port Authority)	42
(b) Cítricos de Chiriquí, (Chiriquí Citrus Company)	42
(c) Corporación Azucarera La Victoria	42
(d) Empresa Estatal de Cemento Bayano, (Bayano State Cement Enterprise)	42
(e) Instituto de Recursos Hidráulicos y Electrificación (IRHE), (Water Resources and Electricity Institute)	42
(f) Instituto Nacional de Telecomunicaciones (INTEL), (National Telecommunications Insitute)	43
IV. <u>TRADE AGREEMENTS</u>	43
1. Bilateral Agreements with Central America	43
(a) Agreement on Free and Preferential Trade with Costa Rica	44
(b) Agreement on Free and Preferential Trade with Guatemala	44
(c) Agreement on Free and Preferential Trade with El Salvador	44
(d) Agreement on Free and Preferential Trade with Nicaragua	45
(e) Agreement on Free and Preferential Trade with Honduras	45
(f) Agreement on Free and Preferential Trade with the Dominican Republic	45
2. Partial-Scope Agreement with the United Mexican States within the Framework of the Latin American Integration Association (LAIA)	45

	<u>Page</u>
3. Preferential trade schemes under which Panama is a beneficiary	46
(a) Caribbean Basin Initiative	46
(b) Enterprise for the Americas Initiative	46
4. Other trade agreements	47
(a) Trade Agreement between the Government of the Republic of Panama and the Government of the Union of the Soviet Socialist Republics (now the Commonwealth of Independent States, CIS)	47
(b) Trade Agreement between the People's Republic of Bulgaria and the Republic of Panama	47
(c) Trade Agreement between the Republic of Panama and the People's Republic of Hungary	47
(d) Trade Agreement between the Government of the Republic of Panama and the Government of the People's Republic of Poland	48
(e) Trade Agreement between the Government of the Republic of Panama and the Government of Romania	48
V. <u>TABLES</u>	49
Annexes ¹	
1. Laws, Decrees and General Regulations on Foreign Trade of the Republic of Panama	
2. Political Constitution of the Republic of Panama	
3.A Import Tariff	
3.B Modifications to the Import Tariff	
4. Fiscal Code of Panama	
5. National Economic Development and Modernization Strategy	
6. Panama in Figures 1985-1989	
7. Panamanian Statistics 29.1.93	
8.A Treaties on Free and Preferential Trade between Panama and the Central American countries	
8.B Partial-Scope Agreement between Panama and Mexico	
8.C Agreement between Panama and the United States of America	

¹Available for consultation in the Secretariat (Office of the Special Adviser to the Director-General, Office 2017)

REPUBLIC OF PANAMA

Memorandum on Foreign Trade Régime

I. ECONOMIC PROFILE

1. Trends and current situation of the economy

(a) Background

Panama is situated in Central America and has a population estimated at 2,514,586 in 1992, unevenly distributed over 75,517 square kilometres. Of the population, 53.7 per cent live in urban areas and over half is concentrated in the transisthmian corridor, which is the country's major economic centre.

Services account for over 70 per cent of the gross domestic product. Among these, the most important are related to the operation of the Panama Canal, the movement of petroleum, the banking centre and the Colón Free Zone. With the exception of the oil pipeline which is located in the west of the country, the other services are concentrated in the transisthmian corridor which covers about 10 per cent of the country's area and lies between the Canal's terminal cities of Panama and Colón.

During the period 1980-87, Panama's GDP grew at an average rate of 2.7 per cent annually. This figure is slightly higher than population growth estimated at 2.3 per cent at that time.

The political crisis lasting from 1987 to 1989 led to a contraction of economic activity, investment and saving. Between 1987 and 1989 the flight of private capital from the economy through the banking system was estimated at US\$18,733 million. Construction came to a standstill, unemployment worsened and the public debt fell further into arrears.

In 1988, GDP shrank by an estimated 15.6 per cent, triggering a recession which lasted until early 1990, when economic recovery got under way with a rise in GDP of 4.6 per cent. In 1991 and 1992, the increases were 9.3 per cent and 8.0 per cent, respectively. Despite this, economic growth was not sufficient to replenish depleted production assets let alone absorb the excess labour supply.

Over the period 1988-92, real per capita GDP fell markedly. At 1970 prices, per capita output, estimated at US\$875 in 1992, was below its 1980 level of US\$888.

Panama has continued its economic recovery with notable successes in stimulating production, generating GDP growth in 1992 of 8 per cent over the preceding year. Nevertheless, for a variety of reasons, these advances have been very slow to feed through to employment and the standard of living of the population. Neither is it benefiting all areas and social groups equally. In the interior, which is primarily dependent on

agriculture and cattle farming, the worst social conditions are to be found and the rate of domestic migration to Panama city is very high. Social marginalization has increased and with it the need for investment in social programmes.

(b) Prices

Panama enjoys a high degree of price stability. Average inflation between 1988 and 1992 was estimated at 0.92 per cent per annum. The relatively slight variation in consumer prices can be attributed to the use of the United States dollar as legal tender and as a means of payment and, to a lesser extent, to officially controlled prices of essential products.

Recently, however, the gradual removal of domestic price controls - some prices having remained unchanged for over five years - has pushed up the prices of domestically-produced goods.

Even more recently, the recession in the United States economy and the continuing fluctuations of the main currencies vis-à-vis the United States dollar have caused unstable import prices of capital and consumer goods from industrialized countries.

(c) Production

In 1992, the percentage distribution of GDP by major economic sectors was as follows: 10.8 per cent corresponded to the primary sector (agriculture, forestry, cattle breeding, hunting, fishery, mines and quarries), 18.7 per cent to the secondary sector (manufacturing industry, construction, electricity and water) and 70.5 per cent to the tertiary sector (trade, transport and other financial and social services).

In the primary sector, farm production accounts for 54.9 per cent of GDP. The performance of the agricultural sector is largely determined by banana production, followed by sugar cane. There are single-crop regions that specialize in either of these products.

In livestock production, poultry farming is the most important activity of the sub-sector and contributes some 40 per cent of its GDP. Its growing importance is due to new production technology which has enhanced output and relegated bovine cattle raising to second place.

Almost 74 per cent of industrial output, which in 1992 accounted for 9.2 per cent of total GDP, was accounted for by consumer goods industries, 12 per cent by intermediate goods, and 11 per cent by the construction materials industry.

The GDP contribution of the tertiary sector, which is the most important in the Panamanian economy, is made up as follows: 11.8 per cent from wholesale and retail trade; 25 per cent from transport, warehousing and communications, which includes the operations of the Panama Canal, the Colón Free Zone and the oil pipeline; 14.7 per cent from financial establishments, insurance, real estate and corporate services; 8.6 per cent from community and social services; 11.8 per cent from government

services; 1.2 per cent from domestic services and 1.5 per cent from import duties.

(d) Employment

Unemployment is the nation's most critical problem. Between 1987 and 1989 unemployment grew rapidly, from 11.8 per cent to 16.3 per cent. During this difficult period, the surviving companies reduced their payrolls from original levels which have still not yet been completely reattained.

The vandalism and looting of December 1989 caused considerable losses to business establishments in the capital city, which in turn helped to increase unemployment by 3 per cent over 1988.

However, thanks to an improved political and social climate, increased investment has made economic recovery possible, thus reducing unemployment to 13.6 per cent at the close of 1992.

In 1991 the Social Emergency Fund (FES) was created in order to provide short-term remedies for unemployment. Its aim is to finance labour-intensive community projects in depressed and poverty-stricken areas designed to improve the lot of the communities themselves. At the beginning of 1993, projects worth B 23.2 million had been approved, and it is estimated that these have generated some 11,600 temporary jobs.

(e) External debt

Panama's external debt was US\$5,997.1 million at 31 December 1992. Of this amount, US\$3,824.3 million represented external debt and the remaining US\$2,172.8 million domestic debt.

Of the external debt, 40.2 per cent was contracted with international lending agencies and foreign governments, and the remainder with the private sector.

Panama's public external debt grew sharply over the past two decades. In 1970 it stood at US\$190 million, and rose to US\$3,813.6 million by 1989. Much of these resources went to transforming the rôle of government in the economy. Over those years, the Government's rôle was predominant in generating GDP and providing employment.

Simultaneously, debt service continued to increase. In 1992, it accounted for 33.5 per cent of government expenditure, 52.9 per cent of goods and services exports and 18.5 per cent of GDP at current values.

As a result of the political crisis, Panama incurred arrears of US\$2,439.3 million in the repayment of its foreign debt to 31 December 1989. For the 1992 budget year, the Government paid off its cumulative arrears outstanding to international funding agencies and the Paris Club for the period 1987 to 1990, including allowance for exchange-rate fluctuations.

(f) Balance-of-payments, currency and banking system

Panama has no central bank and no capital or other financial restrictions. The national currency, the Balboa, maintains parity with the United States dollar which circulates freely as paper money. Because of the peculiarities of the Panamanian currency system, the balance-of-payments generally shows a surplus. The capital account is based largely on the operations of the country's international banking centre where free movement of capital is allowed.

On current account, the positive services balance (Panama Canal, transisthmian pipeline, Colón Free Zone, tourism, etc.), more than offsets the chronic deficit in the trade balance, although for the three-year period 1990-1992, the current account showed a downtrend caused by larger negative balances in the investment income account deriving from interest payments on the foreign debt and interest and dividend payments through the banking system.

Under the National Constitution of the Republic, Panama has no paper fiat money¹. The Balboa is the national currency but is only minted in divisional coins. By virtue of a currency agreement with the United States, the Balboa enjoys parity with the United States dollar. Under the 1904 Agreement, both Governments agreed on the use of the same currency system in the Republic of Panama and in the former Canal Zone. It was approved by Decree No. 74 of 6 December 1904 and is still in force.

Panama has no central bank and the State is empowered to issue the currency. It has done so by minting divisional coins in order to maintain a small proportion of the total money supply in the national currency and to replace it when it becomes scarce.

Although the Government has minted coins in multiples of the Balboa, they have served as fiat money, that is, their acceptance as a means of payment is optional. There is no monetary authority that directly influences money supply. The National Banking Commission, on which chiefly commercial banking interests are represented, influences the legal reserve only insofar as it determines the assets making it up and ensures compliance with the provisions of banking legislation.

¹The concept of fiat money is almost co-terminous with that of legal tender. It denotes paper money used as legal tender though not convertible. In other words, fiat money cannot be converted by its issuer into anything else (gold, silver or any other object) and is at the same time used as legal tender for the payment of debts. It therefore embodies two elements: (1) it is legal tender for the relationship between payer and payee and can therefore serve to extinguish money obligations, with legal guarantee, and (2) it is convertible as between its issuer and its holder.

2. The new economic policy

To stimulate economic recovery and lay the groundwork for sustained growth that would substantially improve the standard of living of the Panamanian people, the present Government drew up the National Strategy for Economic Development and Modernization, which was approved by Cabinet Council Resolution No. 17-A of 14 March 1991. It lays down the four major principles of Panama's new economic policy:

(a) Further development of the market economy

Eliminating all State interference in the pricing system, providing incentives to and enhancing the competitiveness of domestic producers and creating a labour force that is more adaptable to domestic and international market conditions.

(b) Private sector responsibility for production

Bolstering private enterprise by supporting innovations that raise the level of technology and promote reconversion and competitiveness in production; diminishing the rôle of the State in production and fostering the conditions conducive to increased private investment.

(c) Integration of the Panamanian economy in the world economy

To that end, steps have already been taken to reduce effective protection, curtail the rôle of the State in the importation of sensitive goods and dismantle restrictions on foreign trade.

(d) Modernization of Government machinery

Modernizing and downscaling the State apparatus by privatizing public enterprises. At the same time, the Government has invited tenders for erstwhile public sector projects. A tax reform has also been initiated to create the conditions for more efficient tax administration, stimulate saving and to improve social welfare benefits for lower income earners. Finally, a plan has been designed to shift human resources from the public to the private sector through the Voluntary Retirement Programme.

3. Foreign trade structure and trends

Panama's foreign trade is generated by the domestic activities connected with trade in goods and services in the form of importation, exportation, re-exportation, transit, warehousing and free-zone operations.

Services comprise trade - including wholesale and retail trade - restaurants and hotels, transport, warehousing and communications; financial and insurance companies, real estate and corporate services; community, social and personal services; government and domestic services.

Table 1 shows the two major branches of foreign trade, namely goods and services. Table 2 gives a breakdown by sector of percentage contributions to Gross Domestic Product.

(a) Goods

(1) Recording

Data on foreign trade in goods are recorded on the basis of trade flows of goods that are subject to customs declaration, for which purpose the customs offices determine the statistical boundaries. To facilitate comparison with data from other countries, the system excludes the following categories of goods:

- personal purchases made by travellers;
- unused samples of no commercial value;
- fuel and supplies for aircraft and ships;
- goods in direct transit;
- registered vessels;
- goods imported and exported temporarily, which are not for sale and are to be re-exported or re-imported within a specific time frame;
- vehicles transporting goods or in transit between countries;
- returned goods;
- securities (paper money in circulation and negotiable instruments).

Nevertheless, in keeping with International Monetary Fund criteria, balance-of-payments statements include imports and re-exports from the Colón Free Zone, estimates of expenditure by persons in transit and purchase and sale transactions between residents in Panama and residents of the Panama Canal Zone.

(2) Trends

The major suppliers of Panama's imports are the United States, the United Kingdom, Germany, other countries of Europe such as Switzerland and Italy, and Asian countries and territories such as the Chinese Taipei and Japan. Goods arriving at Panamanian ports include machinery and equipment, motor vehicles, manufactures and goods of animal and vegetable origin, and minerals in general.

Exports include raw materials or natural products such as bananas, coffee, cocoa, wood and medicinal herbs; metal products such as copper and iron scrap and goods with some degree of industrial processing such as hides and skins and meat. The principal destination of these products is the United States, although the United Kingdom, Germany, France, Italy, Costa Rica and Nicaragua have been major importers of our products.

Panama has managed to increase its exports of traditional and non-traditional products under some 25 tariff headings, covering products of vegetable and animal origin, marine products and manufactures. Table 3 gives a breakdown of the 36 main exports for the years 1986-1991.

(3) Trade flows

(a) Imports

Panama is basically an importing country, as is evident in our chronic trade deficit. Between 1986 and 1991 imports averaged US\$1,311 million annually, not including petroleum and its derivatives worth an average of US\$190 million per year for that same period.

Two per cent of goods imports are agricultural inputs, 2 per cent medicaments for oral use, 4 per cent production machinery and equipment, including goods vehicles and passenger vehicles, and 14 per cent petroleum; while 82 per cent consist of other items, including other manufactured goods such as finished or semi-finished foodstuffs, passenger transport vehicles, electrical appliances, clothing and other dry goods.

The United States is Panama's largest supplier. Purchases from that country average B 441 million per year based on the records covering the last six years. Next in importance are the Asian manufactures - exporting countries and territories such as Japan, Chinese Taipei and Korea. Other important suppliers are Costa Rica and Germany. Tables 4 and 5 present a breakdown by principal countries and products.

Recent changes in the structure of Japan's foreign trade have removed millions of dollars in annual purchases from that country. For instance, Panama imports motor-vehicles of Japanese makes manufactured in the United States and in Mexico.

The Latin American countries are not major suppliers for Panama, except of petroleum and some metallic and non-metallic ores such as aluminium, coal, steel and copper.

(b) Exports

As a result of the economic impact of the oil crisis and the subsequent effect of the external debt on investment, the Government intervened to create balance-of-payments support mechanisms and to encourage non-traditional exports. Law No. 108 of 1974 was therefore enacted to provide incentives for non-traditional exports.

Panamanian exports fall into two categories: traditional exports, which represent 61 per cent of the total value, and the remainder, including non-traditional goods, amounting to 39 per cent. The traditional exports, as defined in Law No. 108 of 1974, are the following:

- Sugar cane;
- Bananas and banana purée;

- Cane syrups and molasses;
- Cocoa beans;
- Coffee beans;
- Shrimp, fresh, chilled or frozen;
- Meat of bovine animals, fresh, chilled or frozen;
- Leather of bovine animals, not tanned;
- Logs;
- Live bovine animals, swine and horses, excepting thoroughbreds;
- Fish-meal;
- Oils of fish and other marine animals;
- Scrap metal;
- Unworked tortoise shell;
- Citrus fruit extracts;
- Petroleum and its derivatives; and
- Minerals, metals and derivatives.

Traditional exports out perform non-traditional exports. Table 6 shows these fluctuations over the 1986-1991 period, with maximum f.o.b. values of B 210 million for traditional and B 131 million for non-traditional exports. Nevertheless, the volume of exports in both categories has grown thanks to new items, which gives some indication of the trend in this sphere. The country's exportable supply falls under more than 25 tariff headings, including primarily fresh fish and lobsters, fresh tropical fruit, bananas and melons in particular, unmanufactured tobacco, leather, flour, fish oils and fats, garments, pharmaceutical products, paper and paper-board products, milk and its derivatives, cosmetics, paints and varnishes, spices, brooms and flowers.

Export performance over the 1986-1991 period recorded a modest uptrend, except for the year 1988 when exports were 13 per cent down on the preceding year as a result of the country's political crisis of 1987-1989. Over the six-year period under review, average annual exports lagged average annual GDP by B 1,628 million.

Panama's export mix is not highly diversified. There have been recent significant changes whereby exports of new products such as melons, which are classified as non-traditional products, have moved into second place, after garments, within that category.

Panama's agricultural exports are destined primarily for the United States, Germany and Italy, while the principal markets for its manufactures are in Central America, more specifically Costa Rica, and the Caribbean. The United States is also a major market, but for a limited range of products, such as clothing and sugar, and with import restrictions. Tables 7 and 8 show the main countries of destination for Panama's exports.

(c) Trade balance

Tables 9 and 10 offer a breakdown of Panama's trade balance over the period 1986-1991. External trade showed a chronic deficit during this period. With exports worth B 341.8 million for 1991, the deficit stood at B 1,645.1 million. Thirty-eight per cent of these exports, comprised non-traditional products. At B 1,986.9 million, represented 97.3 per cent of that year's GDP. The trade deficit however, is financed by the surplus on the balance of services and bank deposits which, although constituting short term liabilities, do not undermine the Government's financial management.

(b) Services

The tertiary sector accounts for almost three quarters of total GDP. Owing to our country's geographical location, it has developed a highly service-oriented economy.

During the time of conquest and colonization, Panama was virtually an obligatory transit route for precious metals destined for Europe, while Portobelo with its Fairs, Chagres and Nombre de Dios formed a centre for overseas trade.

Subsequently, with industrial development and the expansion of world trade it became necessary to modernize the transisthmian route by constructing first the transisthmian railway and then the Panama Canal.

In the light of the advantages accruing from this transport infrastructure, the Colón Free Zone was created in 1948, as a centre for the development of trade, warehousing, trans-shipment and processing of all kinds of internationally traded goods.

The development of the International Banking Centre began in the 1970s. More recently, the stock market was established pursuant to Decree No. 44 of 31 May 1988 regulating the development of stock trading. Foreign trade is also supported by activities such as port and airport services, insurance and reinsurance, tourism and professional legal and accounting services. Together they have come to represent a sophisticated services sector which has shaped national economic development.

The major branches providing direct services to the external sector are tourism, the Colón Free Zone, the Canal and the Transisthmian Oil Pipeline account for over 20 per cent of total GDP at constant prices.

There are other services, such as banking, air transport, insurance and retail purchases by tourists, which cannot be measured in disaggregated

form in GDP, but are largely related to the external sector. Based on the foregoing it is estimated that the total of all these services surpasses 30 per cent of GDP, representing enormous growth since 1970, when their share was approximately 18 per cent.

The balance of services has traditionally been positive, at around US\$1,000 million over the last three years.

This period has been marked by an upturn in tourism and in Colón Free Zone activities, as well as by increased revenues from port services in the form of transport. A contrasting trend was observed in cargo handling, which has shown a growing deficit due to increased freight charges and import insurance and to declining income from the oil pipeline.

II. FOREIGN TRADE REGIME

1. Trade Policy

The Ministry of Trade and Industry (MICI) is the central administrative body for developing and implementing government policy on industry, trade and the exploitation of mineral and fishery resources. Under the policy laid down by the Executive, the MICI is responsible for planning, organizing, co-ordinating, directing and controlling these activities.

Panama's trade policy is regulated by the various laws governing the sector and the executive programmes of the government institutions which execute that policy and form part of the Institutional Structure for Foreign Trade (Table 12).

The bodies participating in drafting, approving and carrying out domestic and foreign trade, import and export policies, are the Legislature, the Executive, the Economic Council, the Ministry of Finance and the Treasury and the Ministry of Trade and Industry.

The legal framework of these institutions is provided by the National Strategy for Development and Modernization of the Economy, Book III of the Fiscal Code, Industrial Law No. 3 of 20 March 1986, Law No. 25 of 30 November 1992 on the development of export processing zones and the laws creating these institutions and stipulating their functions and objectives in the development of a sector.

The bodies responsible for export and import formalities are, depending on the type of good, the Ministry of Finance and the Treasury through the Customs Department, the Ministry of Trade and Industry, the Panamanian Foreign Trade Institute, the Ministry of Health, the Ministry of Agricultural Development and the Institute for Renewable Natural Resources. The Controller-General of the Republic is responsible for keeping statistical records.

2. Tariff policy and rules governing external trade

Under the policy of dismantling export and import restrictions and barriers and reducing protection for activities oriented towards the

domestic market, higher technological standards are being encouraged in domestic industry to enhance its profitability and competitiveness.

(a) Tariff nomenclature

By means of Decree No. 54 of 12 June 1985, the Republic of Panama adopted the Spanish version of the Customs Co-operation Council Nomenclature (CCCN) and its Explanatory Notes as the basis and the official interpretative guide to the National Import Tariff.

The Directorate-General of Customs is, however, currently drafting the Harmonized System version of the National Import Tariff, in keeping with the aim of simplifying external trade by adopting a common international language that facilitates trade, guarantees the efficient handling of trade statistics and allows for suitable customs identification.

The National Import Tariff uses the CCCN numerical coding system to the first four digits, which provide an international heading, thereafter creating new subdivisions of a further four digits, each pair of digits being separated by a point, to produce the dutiable national tariff heading.

All goods to be cleared for consumption must be identified by an eight-digit numerical code. In cases where it was not necessary to create new subdivisions, zeros were added to the CCCN code to complete the requisite eight-digit numerical code.

Of the 1,011 CCCN tariff positions, 431 were not subdivided. The remaining 580 headings were sub-divided into 1,697 national sub-headings which in turn were further divided into 1,671 items, yielding a total of 3,280 dutiable tariff headings of eight digits, which cover all goods.

The Customs Tariff comprises:

- 21 sections;
- 99 chapters (first two digits);
- 1,011 CCCN headings (first four digits);
- 1,697 sub-headings (first six digits);
- 1,671 sub-items (last two digits);
- 3,280 tariff headings (eight digits).

Example:

01	two digits, corresponding to the CCCN chapter;
01.01	four digits, corresponding to the CCCN heading;
01.01.01	six digits corresponding to the national sub-heading;
01.01.01.01	eight digits, corresponding to the tariff heading.
	The final pair of digits corresponds to the sub-item.

The remaining sub-headings, designated with description Other, are identified by the number 80 as the third pair of digits, covering products neither assigned nor included in the preceding sub-headings under the same CCCN heading. Similarly the number 90 is reserved for identifying spare parts at the level of sub-headings and 99 for the sub-item corresponding to

the remaining tariff heading under the same sub-heading. No comparison should be made between sub-headings of different CCCN headings, nor between sub-items of different national sub-headings.

The levels of tariff applicable to goods as of February 1993 can be summed up as follows:

Tariff headings "Free of duties"	136
Tariff headings with "Ad valorem duties"	1,953
Tariff headings with "Specific duties"	102
Tariff headings with "Mixed duties"	1,078
Tariff headings with duties on restricted imports	9
Tariff heading covering prohibited imports	2
Total dutiable headings	<hr/> 3,280 <hr/>

Tariff headings covering banned imports include saps and extracts of opium or marijuana for non-medicinal purposes (13.03.01.02) and pyrotechnic rockets (36.05.80.01). These measures were adopted to protect human life and health.

Tariff headings relating to restricted imports cover products that require special licensing by the competent government body and they include: foreign lottery tickets (49.07.01.02), armoured fighting vehicles (87.08.00.00), warships (89.01.01.00), warships for breaking up (89.01.00.00), side-arms other than those used for sport (93.01.00.00), military firearms (93.03.00.90) parts identified as pertaining to military firearms (93.06.01.00) ammunition for military firearms (93.07.90.99), table and funfair games distributing money prizes (97.04.03.01). The above measures were adopted for reasons of national security and in pursuance of the Constitution.

In the category of sub-headings that entail ad valorem duties (as distinct from the duty-free category) the floor is 0.6 per cent of dutiable value.

There are in all 48 tariff headings with ad valorem or mixed duties that are equivalent, equal to or higher than 90 per cent. This category includes a small range of agricultural and agro-industrial products sensitive for our economy, classified in general terms as: strawberries and their preparations, potatoes and their preparations, sausages in airtight containers, some preserves of meat, tomatoes and their preparations, fresh or chilled tropical fruit, cornflour and cigarettes.¹

¹In conformity with the National Strategy for Economic Development and Modernization and the Cabinet Council, through Decree 16 of 15 April 1993, ordered the reduction of ad valorem duty on 230 tariff items to 40 and 50 per cent, and eliminated the corresponding specific duties on them as of 1 July 1993.

As of March 1993, the remaining fruit and vegetable products, fresh or chilled, are subject to a 30 per cent tariff on their dutiable value, and all specific duties on them are eliminated.

Products not produced or no longer produced locally are subject to import duties of 27.5 per cent or less.

All goods entering the country for home use will be subject to only one import duty. That duty may be an ad valorem duty or a specific duty. The specific duties indicated in the Tariff are calculated per kilogramme gross, except in cases where another basis of calculation is specified. Ad valorem duties are calculated on the c.i.f. value of the goods.

When, for any article, the Tariff provides for an ad valorem duty and a specific duty, that which incurs the higher rate shall be levied, that is, the one that represents more revenue for the Treasury; both duties shall, in no case, be levied at the same time.

The Directorate-General of Customs has initial responsibility for customs valuations, and in case of dispute shall receive complaints concerning assessment, before the goods are released from customs custody.

The Chief Customs Officer may confirm valuations or adjust them where they have not been applied in conformity with the law. Appeals may be made against his decisions before the Tariff Commission, as the second resort, whose decisions will be final.

The Tariff Commission is composed of representatives of the public and private sectors. Its principal functions are to examine and decide on appeals against valuations as well as to determine their proper classification; and to recommend to the Executive reforms of the Import Tariff needed to correct any shortcoming arising in its implementation, for which it studies all proposals to ensure that modifications are in keeping with established regulations.

It should be pointed out that in stating that such Tariff Commission decisions are final or unappealable, we mean that government channels have been exhausted. An individual may therefore challenge such decisions before a judicial body in accordance with the Constitution and the Law, i.e. through the administrative litigation division of the Supreme Court of Justice. The Supreme Court may not only annul those decisions found to be unlawful but may also establish and institute new provisions to replace the ones challenged.

The same general rules of interpretation of the CCCN are applied nationally in order to clear up discrepancies of tariff classification.

(b) Customs valuation

Goods are valued as presented at the time of valuation. Should there be doubts as to the value declared in the commercial invoice, the Customs, through its competent technical officials, set the definitive value, using the Brussels valuation rules.

The value thus set may be challenged by the party concerned within three working days following notification of the assessment and, in such a case, the corresponding customs official shall respond in the first

instance. If necessary and as a last resort, the Director of Customs will make a final decision, which will signify that government channels have been exhausted.

Nevertheless, individuals still have available to them the recourses provided under the law and the Constitution, whereby they may challenge an administrative decision in the administrative litigation division of the Supreme Court of Justice.

The value for customs purposes of imported goods is their normal price, which means the price paid or payable when the duties are due and in a sale carried out under conditions of free competition.

The normal price is determined subject to the following conditions:

- The goods are delivered to the purchaser at the port or point of entry into national territory.
- The seller is fully responsible for all aspects of the sale and delivery of the goods at the port or point of entry into national territory, and these costs are therefore included in the normal price.
- The buyer bears all duties and charges payable in the country of importation, and such duties and charges are therefore not included in the normal price.

The elements determining normal price are:

- Price: The price paid or payable shall be taken as the basis for determining the normal price of goods, provided that the time lapse between the date of the invoice or of the contract of sale does not exceed ninety days and said prices are in line with free-competition market prices.
- Time: Customs duties, levies and charges become payable when the customs declaration-assessment is numbered and registered by the Customs Office.
- Place: This means the port, airport or point of entry of the goods into national territory.
- Quantity: Normal price is determined on the assumption that the sale is limited to the quantity of goods to be valued, and in the light of the commercial circumstances of the transaction.

When the contract of sale contains a declaration of discounts based on quantity, they shall be accepted provided the basic quantity subject to the discount is imported in full over the period of one year, as from the date of the first invoice accepted by customs.

Discounts will be classified as follows:

(1) Allowable discounts

- (a) Discounts or rebates based on quantity, excluding retroactive discounts or those applied to goods not destined in their totality for home consumption.
- (b) Discounts for cash or prompt payment.
- (c) Discounts for guarantees relating to factory faults or damage in transit.
- (d) Discounts granted in general to any purchases which have actually been made.

(2) Non-allowable discounts

- (a) Special discounts or rebates granted only to representatives or agents.
- (b) Circumstantial discounts.
- (c) Discounts on samples.
- (d) Discounts for pre payment.
- (e) Quantity discounts when they are made retroactive or granted to goods not destined in their entirety for consumption in the country.
- (f) Discounts to offset shortfalls in previous consignments.
- (g) Discounts by reason of delayed delivery of goods.
- (h) Any special or exceptional discount.

When the price paid or payable is denominated in a currency other than the national currency, the rate of exchange applicable shall be the official rate prevailing at the time when customs duties are due.

Dutiable value shall be construed as the cost of the good free on board the maritime, air or land carrier transporting the good to the Republic of Panama, including other expenses for the preparation of documents and those incurred at the ports of shipment, the cost of freight, insurance contracted outside of the Republic of Panama, commissions and brokerage up to the first port of call in the national territory.

Nevertheless, in the case of air-freight whose transport cost surpasses the value of the goods, the dutiable value shall be established by adding 15 per cent of the freight paid to the value of the goods.

(c) Tariff measures

In order to implement the guidelines deriving from the National Strategy for Economic Development and Modernization and to comply with the tariff rollback programme established under Law No. 3 of 20 March 1986 aimed at fostering and developing industry and exports, the Government is reviewing the import tariff and making changes to eliminate tariff distortions undermining our international competitiveness.

Based on Article 195(7) of the Political Constitution, the functions of the Cabinet Council are to establish and modify tariff rates and other aspects of the customs régime, in keeping with the laws referred to under Article 153(11) of the Political Constitution.

Furthermore, there is an Industrial Policy Commission created by Law No. 3 of 1986 and composed of private and public sector representatives charged with advising the Executive in matters concerned with the policy of encouragement and protection of national industry, based on studies conducted by the Ministry of Trade and Industry.

This Commission is responsible for following up the changes in unit production costs resulting from reductions in the costs of the different elements affecting production. These include public services such as energy and water, transportation, port services, and fuels, and the aim is to recommend the lowering of the tariffs concerned so that the effects of such reductions may reach the consumer.

For imports of products that are also produced domestically, the tariff policy operates under the terms of Law No. 3 of 1986, and of the National Strategy for Economic Development and Modernization, as follows:

(1) Law No. 3 of 1986

- Reduction of tariffs which provide levels of protection that are demonstrably excessive.
- Protection tariffs in force at the time of enactment of the Law may not be increased (with the exception of those indicated in Cabinet Decree No. 92 of 12 December 1990).
- Establishing ad valorem ceilings of 60 per cent on the c.i.f. price for industrial products and 90 per cent for industrial and agro-industrial products, where the nature of local industry and its relative importance in the national economy so warrant.
- Setting maximum ad valorem tariffs of 20 per cent and 30 per cent on c.i.f. prices for industrial and agro-industrial products, respectively, the production of which started subsequent to the entry into force of Law No. 3 of 1986.

(2) National Strategy for Economic Development and Modernization

This Strategy provides for the creation of a modern valuation system under the Directorate-General of Customs, geared towards preventing unfair international trading practices.

It further provides for a process of liberalization of the agricultural sector, which is now at the stage of dismantling tariffs on certain agricultural items. However, given the sensitiveness of the agricultural sector in the national economy and the Government's responsibility to ensure availability of food staples to households, the Government has created a Technical Sub-Commission, under the National Economic Commission, to review and study tariff rollback in respect of new agricultural items such as: potatoes, onions, salad, tomatoes, coffee, pink spotted beans (porotos) rice, maize, sorghum and poultry.

The Sub-Commission is to make recommendations on products for which tariff cuts should be studied. To that end, it is engaged in direct talks with each private sector representative with a view to collecting the technical information required for the study, which should be concluded shortly.

(d) Special tariff treatment

The primary purpose of special tariff treatment is to stimulate domestic production of goods of national interest and to encourage the liberalization of regional trade by means of bilateral trade agreements with the countries in Central America.

The commitments assumed are set out in government contracts, special laws to encourage and foster national industry, exports and tourism development projects, as well as trading agreements concluded by the Republic of Panama. A summary of the imports granted special tariff treatment is given below:

- Imports under the terms of Cabinet Decree 102 of June 1972 governing special tourist areas and establishing a system of incentives for tourism development by waiving the payment of taxes and other fiscal charges when the products concerned are either not produced in the country or not produced in sufficient quantity.
- Imports under the Law No. 9 of 25 February 1975 concerning medical materials and equipment for hospital use.
- Imports under Article 535 of the Fiscal Code and under Law No. 1 of 28 February 1985 regulating foodstuffs, sporting equipment, hospital, laboratory and similar equipment and teaching material for use in schools, as well as gifts received by the State, municipalities and community councils.
- Imports under Law No. 3 of 20 March 1986 providing for a régime and for incentives to encourage and develop national industry.
- Imports under the terms of Law No. 9 of 19 January 1989, by which micro and small-scale manufacturing enterprises enjoy a total exemption from import duties on equipment for production and maintenance, parts and raw materials, so long as they are not produced domestically under competitive conditions of quantity, quality and price.

- Imports under Law No. 25 of 30 November 1992, adopting a special system of incentives for the creation of export processing zones. Such imports will be accorded total exemption from import duty as well as other fiscal benefits.
- Exemptions envisaged in Cabinet Decree 29 of 14 July 1992 liberalizing the petroleum market and creating petroleum free zones, as amended by Cabinet Decree 38 of 9 September 1992 and supplemented by Cabinet Decree 45 of 1 October 1992.
- Imports made under bilateral treaties with the countries of Central America (Costa Rica, Nicaragua, Honduras, El Salvador and Guatemala).
- Imports under the Panama Canal Treaty and related agreements.
- Imports by the diplomatic corps, international organizations and their foreign officials.
- Importation of personal objects by bona fide travellers up to a value of B 500, and of household effects.
- Temporary imports or the reimportation of goods exported temporarily.
- Imports by natural or legal persons enjoying tax holidays under government contracts or special laws.
- Duty-free imports as set out in Articles 535, 536 and 537 of the Fiscal Code of Panama.

(e) Anti-dumping and countervailing measures

Through Cabinet Decree 15 of 13 May 1987, the Republic of Panama created the legal instrument for adopting customs measures to combat unfair practices in international trade.

To that end the Special Commission to Safeguard Domestic Industry was set up in order to advise the Cabinet Council.

The Commission is empowered to examine complaints and investigate imports which may be dumped, subsidized or affected by sudden and unpredictable devaluations, and which directly cause or threaten immediate material injury or materially retard the establishment of a specific industry or sector.

Complaints will be examined if they are accompanied by sufficient proof of the existence of imports involving unfair practices. The submission of evidence will be regulated by the provisions of the Decree in question and, where there are no pertinent regulations, by the relevant provisions of Title VII, Book II, of the Judicial Code.

Once the phase of investigation is concluded and all the parties have presented their arguments, the Commission will issue a reasoned Decision.

Where the Decision is favourable, it will be transmitted to the Cabinet Council to establish, in the exercise of its statutory powers, the amount and duration of the countervailing duty.

If the Commission finds no grounds for recommending the imposition of a countervailing duty, it will issue a reasoned decision setting forth the arguments of the parties, the findings of the investigation and the grounds for its decision. If a provisional countervailing duty had been set, it will order the refund of the guarantee deposited by the importer, who will be entitled to compensation for damages in conformity with Panamanian law.

(f) Non-tariff measures

In principle, the trade policy permits the importation into Panama of all foreign goods from all countries in the world, except those whose importation is expressly prohibited or restricted, in accordance with the general policy objectives of the Government.

(1) Prohibited imports

- false coins;
- implements for minting coins;
- preparations of any kind that are harmful to health;
- foreign raffle and lottery tickets;
- drugs and other alkaloids not intended for medicinal purposes;
- magazines and other printed material considered offensive to public morals in the opinion of the Censorship Board of the Ministry of Government and Justice;
- plants, seeds, animals and agrochemical products designated by the Ministry of Agricultural Development;
- imitations of Kuna handicraft known as Mola, and;
- toxic waste.

(2) Products subject to import restrictions

There are two basic types of non-tariff restrictions:

- (a) quantitative restrictions, i.e. products subject to quotas;
- (b) prior licensing required for restricted imports.

Most of these restrictions are framed within the following laws:

Law 70 of 15 December 1975 creating the Agricultural Marketing Institute with a view to improving national agricultural marketing systems.

Law 3 of 20 March 1986 instituting a special régime for the encouragement and development of domestic industry and exports.

- Cabinet Decrees:

Decree 8 of 11 March 1986 subjecting certain products to import quotas.

Decree 25 of 11 November 1988 regulating import quotas for oils.

Decree 51 of 21 March 1991 prescribing measures related to the fixing of quotas for agricultural and agroindustrial products.

Decree 43 of 20 November 1991 modifying the import tariff headings for fruit and vegetables to provide for periodic reductions.

Under these laws, 39 tariff headings are subject to quotas and 25 to prior licensing requirements. Tables 13 and 14 provide a description of these headings.

Products subject to quotas are generally those of agricultural origin which are produced nationally or have close domestic substitutes, the output of which is not sufficient to meet local demand. The quantities approved for products subject to import quotas are determined in the light of domestic production.

The products subject to prior licensing are final products or agroindustrial raw materials which are generally not produced in the country. It became necessary to control importation of these products in order to avert economic disorder and safeguard the Government's fiscal interests. These imports are authorized by the Quota Approval Commission which forms part of the Ministry of Finance and Treasury, subject to recommendations arising from studies and surveys of import needs. Such studies and surveys are co-ordinated by the Agricultural Marketing Institute, the government body that processes and administers quotas and prior licences.

(3) Plant and animal health controls

These controls result from the need to safeguard Panama's agriculture and environment. The rules established for this purpose are in keeping with standards governing international trade measures.

(4) Import certificates

As regards livestock, when the breed, designation of origin or some other characteristic constitutes the determining factor in customs

valuation, the various import documents should be accompanied by a certificate providing the relevant substantiation, issued by the competent authority and authenticated.

These measures are designed to help attain output targets for traditional and non-traditional products, both for export and for domestic consumption, while ensuring adequate environmental protection. They are also intended to avoid, control, regulate and/or eradicate pests and diseases.

(5) Other non-tariff restrictions

Non-tariff restrictions mainly apply to the agricultural and agroindustrial products and inputs, military weapons and equipment, as well as to the industrial machinery and equipment specified in the Health Code, public health laws, the legal provisions laid down by the Ministry of Government and Justice and the Fiscal Code. The products covered by these measures are as follows:

- Products imported solely by the Panamanian Government or imported for re-export, being kept under government custody and control. This group includes military weapons and equipment and government obligations.
- Agricultural products or products of agricultural origin which might pose the threat of the spread of disease; these are monitored by the Quarantine Department of the Ministry of Agricultural Development.
- Endangered plant and animal species covered by in international conventions and monitored by the National Institute of Renewable Natural Resources and by the Ministry of Agricultural Development.
- Non-military weapons and their munitions, controlled by the Ministry of Government and Justice.
- Drugs and other alkaloids meant for medicinal purposes, as well as acetic acid, controlled by the Ministry of Health.
- Agricultural products deemed by the Agricultural Marketing Institute to warrant import quotas or prior import licensing.
- Replicas of national archeological objects and historical goods, controlled by the National Institute of Culture.
- Explosives, incendiary products as well as valves and equipment for liquid gases derived from petroleum as well as other fuels, controlled by the Security Office of the Fire Department.
- Products that copy or compete with indigenous national handicraft, controlled by the Price Regulation Office.

- Agrochemical inputs such as pesticides, fertilizers, plant growth regulators, etc., controlled by the Institute of Agricultural Research and the Quarantine Department of the Ministry of Agricultural Development.
- Material and equipment for games of chance or hazard, of the kinds used by casinos, lotteries and similar enterprises, which pay out money. Such products require authorization by the Board for the Control of Games of Chance or Hazard.
- Wireless communication equipment, controlled by the Ministry of Government and Justice.

Authorization for the introduction of products subject to import restrictions must be sought from the competent government body before arranging for their admission with the customs authorities.

As a general principle, the customs authorities will only authorize the release of goods or products that are consigned to natural or legal persons possessing a commercial or industrial licence or, failing this, a provisional business licence.

This requirement will be waived in respect of articles not imported for commercial or industrial purposes and of imports which are destined for cattle-raising, agriculture, poultry-farming or bee-keeping and are not for resale.

(g) Procedure for importation for consumption (customs clearance for consumption)

In accordance with Article 431 of the Fiscal Code of the Republic of Panama, the import customs régime consists of legally introducing into the customs territory of the Republic products proceeding from abroad or from one of the free zones or free ports established in Panama.

Under the terms of Law 30 of 8 November 1984 establishing, inter alia, measures against contraband and customs fraud, the customs territory comprises all the area lying within the sea, land and air frontiers of Panama, excepting those zones or areas expressly set apart under this Law.

The customs department exercises all the powers conferred upon it by Law for the control of goods within customs territory. In zones or areas expressly set apart, only such controls as are specified in the laws or regulations may be carried out.

All customs clearance declarations are supervised, inspected and controlled by the customs. Customs clearance declaration is construed as the expression, in keeping with the rules, of the consignee's willingness to submit goods passing through customs or inhabited areas to specific customs treatment.

That is to say, goods imported for final use or consumption within the customs territory must be declared and cleared for consumption. The consignee's willingness to submit the goods to this procedure is expressed

in an import declaration-assessment, containing a description of the imported goods and a calculation of the customs duties and any other import duty, tax, charge or fee levied on the goods declared.

In addition, the customs can neither authorize, permit nor allow release of the goods until the consignee furnishes evidence that he is fully paid up with the National Treasury (see Article 739 of the Fiscal Code of Panama in this respect).

(1) Legally imported goods

These are goods imported in compliance with the following formalities:

- (a) Importation takes place via one of the authorized ports or entry points of the Republic, that is to say, places with operating customs offices.
- (b) The goods are covered by the appropriate, legally certified, shipping documents. The documents referred to are:
 - The original commercial invoice authenticated by the signature of the seller or manufacturer or of the brokers or commission agents responsible for the purchase or shipment.
 - The original bill of lading.
 - The original consular invoice authenticated by the signature of the seller or manufacturer or of brokers or commission agents acting as shippers or forwarders. Goods introduced into the Colón Free Zone do not require consular invoices.
 - The relevant permit in cases of goods subject to import restrictions.

These documents must be duly endorsed by the Consul of Panama at the place from which the goods are shipped.

- (c) Goods arriving by post should be covered by the export declaration issued in the country of provenance and by a commercial invoice.
- (d) All taxes, duties, fees and other fiscal charges arising from importation for consumption have been paid.

In places where there is no Consulate of Panama, documents may be certified by the Consul of a friendly nation or by two reputable businessmen whose signatures are authenticated by a notary public. Nevertheless, the Consular and Shipping Department in the Ministry of Finance and Treasury must certify that there is no Panamanian consular service and legalize the shipping documents so that the commercial invoice may function as a consular invoice, subject to payment of the corresponding consular fees.

Consular legalization or a consular invoice is not required for goods arriving by air, which shall be charged a consular authentication fee of B 5.00 and this will be recorded in the import declaration-assessment documentation. No consular legalization is required for travellers' luggage, goods imported for improvement or repair and imports for personal, non-commercial uses.

Consular authentication of goods imported for consumption via Panama's free zones shall be subject to a fee of B 10.00 paid to the Treasury, and this will be noted in the declaration-assessment document.

(2) Prerequisites for customs clearance for consumption

Steps to be taken within the Republic of Panama:

- (a) Obtention of a commercial or industrial licence or failing this, a provisional licence to engage in business, pursuant to Cabinet Decree No. 90 of 25 March 1991, regulating commercial and industrial activity.
- (b) Obtention of an import permit from the relevant Government departments for goods subject to import restrictions.
- (c) Obtention of certification that all taxes have been paid up (see Article 739.1 of the Fiscal Code of Panama).

Steps to be taken abroad:

- (d) Preparation of the shipping documents:

Commercial invoice, consular invoice, bill of lading or waybill, required certificates in the cases of goods subject to restrictions (certificates of origin, plant and animal health, fumigation, recent vaccination, etc., depending on the type of merchandise and the Government office responsible).

- (e) Submission of the original and three copies of shipping documents to the consular offices of the Republic of Panama within a period not exceeding eight working days, as from the day following the actual loading of the goods on the carrier that will bring them to the Republic of Panama.

Bills of lading or waybills issued by transport companies must specify the date on which the goods will be loaded and must be duly signed by the operator of the carrier, his representative or by an authorized employee.

If the shipping documents are submitted to the Consul concerned after the above-mentioned time-limit, the consignee is liable to a surcharge of 1 per cent of the c.i.f. value of the goods, this surcharge being in no case less than B 10.00.

Goods arriving in the country without cover of shipping documents are subject to a 5 per cent surcharge on their c.i.f. value, which shall not be less than B 20.00.

- (f) Payment of Consular Administrative Fees (TCAC) when certifying documents, based on the f.o.b. value of the goods and in accordance with the following rates:

Up to	B 100.00			Exempt
more than	100.00	and up to	1,000.00	B 10.00
more than	1,000.00	and up to	5,000.00	20.00
more than	5,000.00	and up to	10,000.00	30.00
more than	10,000.00	and up to	50,000.00	40.00
more than	50,000.00	and up to	100,000.00	50.00
more than	100,000.00			75.00

Where no Panamanian consular service exists or the shipping documents need not be submitted to the Panamanian Consulate, the amount of the TCAC shall be assessed and paid to the National Treasury, and this fact noted in the customs declaration-assessment documentation.

The 1 per cent surcharge on the c.i.f. value of goods on account of late submission will be payable to the Consul himself, who will note such payment on the corresponding consular invoice. If this is not done, it will be assessed and paid to the National Treasury, and this will be entered on the customs declaration-assessment documentation. The 5 per cent surcharge on the c.i.f. value of goods for lack of shipping documents will be assessed and paid to the National Treasury, and the appropriate attestation made in the customs declaration-assessment documentation.

(3) Formalities concerning the customs declaration-assessment document for goods imported for consumption

The shipping documents, certification that no taxes are outstanding and the relevant permits in the case of goods subject to import restrictions are delivered to a customs agent (customs broker), being the person authorized under Law 63 of 10 September 1978 to carry out import formalities.

The customs broker prepares the declaration-assessment document, which contains a description of the goods in accordance with the Import Tariff and the tariff heading numbers under which the declarant states that they should be classified or valued.

The customs declaration must be accompanied by the consular and commercial invoices and any other documents intended for the consignee.

The Central Assessment Departments of the customs check the declarations and assessments by the customs broker and accept the customs clearance document once it is deemed to have complied with all the prerequisites established in the regulations, after which it is signed by the authorized officials (responsible for valuation and assessment), registered and numbered by perforation. Once the document has been thus accepted the full amount of the respective duties is paid at any branch of the National Bank of Panama (Banco Nacional de Panama) or other fiscal offices authorized for that purpose, within a period not exceeding three working days as from the date of perforation, without incurring charges and surcharges.

Once the customs office has accepted the declaration-assessment document, no changes may be made to it, nor any of its attachments returned, except for the original bill of lading, which is required for the release of the goods by the port authority in the case of goods arriving by sea.

The importers or consignees of the goods must present them to the customs for physical inspection, and open or allow to be opened the packages in their possession or custody. Once the physical inspection is complete and the goods have been cross-checked with the import declaration-assessment documentation and found to be satisfactory by the customs, the goods are entirely at the disposal of the importer or consignee.

Tariff classification disputes may be the subject of an appeal in the second instance before the Tariff Commission of the Ministry of Finance and Treasury, whose decision is final as far as government recourses are concerned.

(4) Duties, taxes and charges recorded on the customs declaration form

The declaration-assessment document, once accepted by customs and following settlement of all payments, is the official document covering the goods. It credits to the Government the following duties, rates and taxes arising in connection with importation:

(a) Import duty

This is the amount of duty as specified in the current Import Tariff. The Tariff is the basis for computation of the import duty, which may be ad valorem, specific or mixed.

- Ad Valorem Duty: This is a percentage rate applied to the c.i.f. value of the goods (f.o.b. price + insurance + freight) except where insurance is contracted with a company that is legally established in the Republic of Panama, in which case the dutiable base is Cost and Freight (f.o.b. + freight), as laid down in a Decree of June 1985 amending the fourth preambular paragraph of Decree No. 54 of 12 June 1985 modifying the import tariff.

When goods are imported by air, and the freight cost exceeds their f.o.b. value, a maximum of 15 per cent of the freight cost is included in the c.i.f. value to arrive at a dutiable base for the calculation of import duty.

All other charges for handling subsequent to the unloading of the goods at authorized entry points of the Republic of Panama are not included in the dutiable base for the computation of duty.

- Specific duties: The specific levy indicated in the Import Tariff is calculated per kilogramme of gross weight, except where some other basis is expressly prescribed. Gross weight is the weight of the goods including any packaging, wrapping, lashing and external and internal packings, or without such, if the goods are presented for clearance in that state.

Generally speaking, the specific duty is calculated on the basis of some physical characteristics of the goods, such as volume (litres, gallons), length (feet), etc., as specified in the Import Tariff in each particular case.

With a few exceptions, where specific duties are levied an additional 7.5 per cent ad valorem duty is applied on the dutiable value of the goods. The payment of this additional duty is, however, waived for the following categories of goods:

- Duty-free products (zero rate import duty).
- Certain products such as some types of meat, fish, shell fish, edible vegetables, refined olive oils, refined castor oils, milk, dairy products and eggs, which are subject to an additional levy of 3.5 per cent on their dutiable value.
- Medicinal and pharmaceutical products which pay an additional tariff of 2.5 per cent on dutiable value.
- Products in respect of which it is indicated that the additional duty is already included in the specific tariff.

Mixed tariff: in many cases, the tariff headings indicate both ad valorem and specific duties, over and above the additional levy.

In such cases, the amount of the import duty is that which yields the greatest revenue to the Treasury, though in no case will they be applied jointly.

(b) Duty on the number of packages:

Each package imported must pay B 0.02 (two cents of a Balboa) to the National Treasury and this assessment is recorded on the declaration-assessment document covering imports for consumption.

The term package covers all packaging and lashings present when the goods are submitted for clearance.

For bulk goods, a package is considered as each 1,000 kilogrammes of weight or each 1,000 gallons of liquid.

Exempted from the payment of the B 0.02 per package are general, technical and scientific books, magazines and journals, under the terms of Decree Law No. 12 of 18 March 1947 amending Article 18 of Law No. 49 of 24 December 1946, providing for duties on packages of goods entering the country.

(c) Revenue stamp taxes:

- A stamp duty of B 1 is assessed on each set of declaration-assessment documentation covering goods of a value higher than B 10.
- Peace and Social Security Stamp: this amounts to B 0.20 per copy of the import declaration-assessment document, and is assessed together with the import duty.

Peace and Social Security Stamp duties of B 0.20 (twenty Panamanian cents) are likewise paid on each carton of imported cigarettes (ten packs) and on each flask of foreign perfumery.

Each bottle of national or foreign liquor is subject to a stamp duty of B 0.02 in replacement of the Peace and Social Security tax.

- Stamp duties of B 0.01, B 0.02, B 0.03 and B 0.10, respectively, are payable on flasks of perfume, perfumed soaps, perfumed hair pomades, packs of foreign cigarettes, bars or cakes of washing soap, pasta, packages of foreign smoking tobacco, boxes of foreign cigars and packs of cards, pursuant to the relevant provisions of Law No. 22 of 1925.
- (d) Tax for the Anti-Tuberculosis Campaign: this is applicable to all spirits under the terms of Law No. 81 of 28 December 1961. See Chapter 22 of the Import Tariff of the Republic of Panama.
- (e) Stamp duty on domestic consumption: this duty was established by Law No. 26 of 31 October 1983 amending Law No. 87 of 22 December 1976 and annulling the relevant provisions in Article 7 of Law No. 81 of 26 December 1961.

Under this provision, bottles of liquors such as sparkling wines, rum and other types of tafia, spirits distilled from grape wine, gin, whisky, other wine, spirits and liquors, are liable to a consumption tax based on their capacity, as follows:

- Bottles of a capacity of not more than 100 cl. pay B 0.20 per bottle.
- Bottles of a capacity of more than 100 cl. but not more than 900 cl. pay B 2.50 each.

- Bottles of a capacity of more than 900 cl. but not more than 1,800 cl. pay B 3.50 each.
- Those with a capacity of more than 1,800 cl. pay B 4.50 each.

(f) Consular duties, fees and surcharges:

- Consular authentication:

Imports arriving by air do not require legalization of transport documentation, but pay to the National Treasury the sum of B 5.00 for the above-mentioned authentication, this being assessed together with the import duties.

Imports for consumption from the free zones established within Panama pay B 10.00 per declaration-assessment document for the above-mentioned authentication.

- Consular Administrative Costs Fee (TCAC):

Goods imported into the Republic of Panama pay consular administrative fees based on the f.o.b. value, in accordance with the table set out in Article 486(a) of the Fiscal Code. When the TCAC has not been paid at the Panamanian Consulate at the port of shipment, the corresponding fee will be assessed together with the import duties on the declaration-assessment documents covering imports for consumption.

- Consular surcharges:

See in this regard Article 447 of the Fiscal Code of the Republic of Panama on surcharges for tardy submission of documents to the Consul and concerning the lack of authenticated transport documents.

- Tax on the Transfer of Tangible Personal Property (ITBM):

This tax was introduced by Law No. 75 of 22 December 1976. In the case of imports, the taxable base is their c.i.f. value plus all the customs taxes, charges, duties or levies incidental to their importation, to which a 5-per-cent levy is applied to arrive at the amount of the ITBM which will be assessed together with the import duties.

See in this regard the exceptions to this tax set out in paragraphs 7 and 8 of Article 1057(v) of the Fiscal Code of Panama.

- Surcharge for the late payment of taxes:

In accordance with Article 1072 of the Fiscal Code, governed by Resolution 704/04/225 of 13 September 1991, the amounts payable under declaration-assessment documents must be paid within three working days from the first working day following the date on which the document was accepted and numbered by the relevant Central Assessment Office of the Regional Customs Administration concerned. Upon expiry of the three

working days and for a period of five calendar days, declaration-assessment documents incur a surcharge of 10 per cent on the total amount payable. After expiry of the period of five calendar days, a 20-per-cent surcharge is levied.

The following is a summary of the taxes paid to the Treasury on declaration-assessment documents covering imports for consumption:

- Import duty.
- Tax of B 0.02 per package.
- Stamp duties.
- Tax for the Anti-Tuberculosis Campaign.
- Consular fees and charges.
- Consular surcharges.
- Tax on the transfer of tangible personal property.
- Surcharges for the late payment of taxes to the pertinent tax office.

The sum of all these taxes, charges or fees is the total amount payable to the State for the importation of goods, so that the consignee or importer may freely dispose of them.

3. Export policy

(a) Exports

Title II, Book III of the Fiscal Code of Panama establishes that all national products are exportable. They may be exported only from the ports authorized for that purpose and shall pay no taxes in that connexion except in the case of those products which are dutiable and require a permit from the Ministry of Finance and the Treasury.

(1) Export formalities

In order to carry out an export operation, the exporter must inform the Government of his intention and submit to the Technical Unit for Export Formalities of the Panamanian Foreign Trade Institute the documents required so that exportation may be authorized. These are the following:

Export declaration; commercial invoice; certificate of origin; phytosanitary certificate for the exportation of non-processed agricultural products; export permit for products of vegetable origin and their derivatives; certificate of inspection of processing plants and of products, in respect of goods of animal origin; veterinary health certificate for the exportation of animals and sub-products; zoosanitary permit for the exportation of animals and their sub-products.

In addition to completing these export formalities the requisite customs and fiscal procedures must also be completed with for the exportation of non-traditional products that enjoy fiscal incentives in the form of exemption from internal taxes.

The exportation of other goods also requires authorization when, in the judgment of the Executive, it is necessary to monitor any export or re-export restriction that has been legally imposed. In such cases, transport companies are forbidden to carry goods outside the national territory without the relevant permit.

(2) Garment exports to the United States of America

In addition to the documents necessary for any export transaction as indicated in the preceding paragraph, these exports require an export permit from the Director-General of Customs, the stamp of approval of the Ministry of Trade and Industry and export certification for each shipment by the Panamanian Foreign Trade Institute.

(3) Export duties

The Fiscal Code establishes export duties only in respect of the following products: bananas, at US\$0.35 per box of 40 to 42 lb.; scrap iron (US\$4.00 per metric tonne), copper (US\$40.00 per metric tonne), bronze (US\$24.00 per metric tonne) and other metals (US\$4.00 per metric tonne) and silver, gold and platinum at 1 per cent of their value.

The export duty on bananas is determined based on a discount on the export tariff depending on the annual volume of exports. Export levels above one million boxes are eligible for a one-cent discount on all boxes exported during the year.

Lastly, all exports subject to duties or taxes require a permit.

(4) Export controls

(a) Articles subject to export restrictions:

- Narcotic drugs, with the exception of those intended for medicinal or scientific uses.
- Essential articles designated by the Executive, on a temporary basis and for reasons of local scarcity.
- Logs of species protected under Resolution J:D.006.92 of the Institute of Renewable Natural Resources.
- Endangered species of flora and fauna, in keeping with the Convention on International Trade in Endangered Species.

Such goods as may be desirable for the country's economic interests, as determined by the Executive.

(b) Articles subject to export controls:

Wild flora and fauna species.

(c) Articles subject to export quotas:

Polychaetes and wearing apparel under categories 347 and 348 for export to the United States.

Consignments under these two categories must obtain an export certificate. The purpose of this control is to keep track of the quantities being exported under these two categories in order to avoid exceeding the quantitative limits set for Panama by the United States Government and to prevent trade diversion.

- (d) Articles subject to export permits or licences, such as scrap iron or steel:

Exports of other goods will also require permits if the Executive deems it is necessary to monitor any export or re-export prohibition. This restriction stems from the Government's responsibility to ensure supplies on the local market.

(b) Re-exports

All goods imported into Panama may be re-exported.

(c) Institutional and economic incentives

In order to boost foreign trade and strengthen the balance of payments, the Government has enacted a package of laws to promote the country's economic and social development. They provide economic and institutional incentives to exporters in order to stimulate productivity, job creation, industry, commerce and exports. These benefits are open to all companies engaging in export-oriented industrial activity which meet the requirements laid down by these laws, the principal of which are:

- Law No. 108 of 30 December 1974 granting export incentives.
- Law No. 1 of 17 March 1986 enacting labour provisions aimed at boosting employment and productivity.
- Law No. 2 of 20 March 1986 establishing measures and incentives to favour agriculture production and exports.
- Law No. 3 of 20 March 1986 adopting a régime of incentives to encourage and develop national industry and exports.
- Law No. 9 of January 1989 concerning small and medium-size enterprises.
- Law No. 25 of 30 November 1992 establishing a special, integrated and simplified régime for the creation and operation of export processing zones.

These advantages are meant for the business sector and take the form of exemptions from taxes in respect of capital goods, sales, income, real estate, production and exportation, as described in Tables 15 and 16.

(d) Tax Credit Certificate (CAT)

Special mention should be made of this incentive, which is aimed at promoting exports of non-traditional goods produced or processed totally or partially in Panama.

The CAT is equivalent to 20 per cent of the national value added of the exported goods; all natural or legal persons exporting goods produced or processed in Panama are eligible. The only requirements are that:

- The export products must have a minimum national content of 20 per cent of the cost of manufacturing or production and contain at least 20 per cent national value added; or
- The products must have a minimum of 10 per cent national content in the cost of manufacture or production, provided they are located outside of the metropolitan area.

CATs are granted by the Ministry of Finance and the Treasury subject to prior approval by the Export Incentives Commission. Furthermore, they are issued in local currency and can be used to pay all national direct or import taxes. They are registered instruments, transferable by endorsement, exempt from all types of taxes, and not interest-bearing. They may be negotiated after nine months from their date of issue, provided that they are not used within the same budget period in which they were issued.

The legal basis of this incentive is Law No. 2 of 16 January 1991, re-enacting Law No. 108 of 30 December 1974 as amended by Law No. 71 of 22 December 1976 and Law No. 27 of 23 August 1977.

(e) Other incentives

There are various different types of additional incentives. They include: commercial loans at preferential interest rates for small businesses, offered by private and State banks; technical manpower development programmes for the private sector, run by the Ministries of Trade, Agriculture and Labour and Social Welfare. Furthermore, private business associations are also conducting programmes to enhance investment, trade, efficiency in industry and competitiveness.

(f) Certificates of origin

Certificates of origin are issued for products that are exportable from the Republic of Panama. They are officially issued by the Panamanian Foreign Trade Institute (IPCE), in which export formalities are centralized and co-ordinated through the Technical Administrative Unit for Export Formalities, under the terms of Decree 53 of 15 July 1985 instituting a centralized system for handling export formalities. The IPCE issues certificates of origin for exportable products benefiting under the Generalized System of Preferences of the European Community, the Caribbean Basin Initiative, and for the other markets that so require.

Any other certificates of origin issued by public or private bodies must be authenticated by the IPCE to become official. To become eligible for the certificate of origin which declares the product as originating in the Republic of Panama, the product must have been entirely grown, extracted or harvested in the national territory or must have been produced or undergone industrial processing representing at least 35 per cent of its overall production cost.

(g) Certificates of quality

Certificates of quality for exportable products are issued upon application by the interested party. They attest that the characteristics of a product are in compliance with a previously established specification or standard. The certification systems used for the issuance of these certificates vary according to the requirements of purchasers and the legal stipulations of the country of destination of the export. These certificates are issued by the Panamanian Commission for Industrial and Technical Standards of the Ministry of Trade and Industry through its National Standards and Industrial Technology Department, which conducts this certification based on samples, tests and analyses.

4. Commercial and industrial free zones

(a) The Colón Free Zone (ZLC)

The Colón Free Zone was created by Decree No. 18 of 17 June 1948 in order to take advantage of Panama's geographical location for fostering free international trade and commerce. It possesses and operates several adjoining zones which are near to and have good communication links with the Cristóbal Port, and these are used exclusively for trade, transactions, dealings and other activities of free international trade.

The Zone is a public institution with its own legal personality and enjoys internal autonomy under the surveillance and inspection of the Executive and the Auditor-General of the Republic.

The Zone is managed and administrated by a Board of Directors chaired by the Minister of Trade and Industry, an Executive Committee of the Board of Directors and a manager, as prescribed in Decree No. 18.

(1) General aspects of the trade policy of the Colón Free Zone

- (a) All natural or legal persons may operate in the ZLC, without need of a commercial licence or a specified minimum capital investment. It suffices for them to be registered by means of authorization to engage in business, issued by the Administration of the ZLC.
- (b) All commercial and industrial activities carried out in the Zone are exempt from all taxes as stipulated in the Laws of Panama, excepting income tax.

- (c) Goods introduced into the Zone do not pay import duties.
- (d) Sales from the Zone to the domestic Panamanian market must pay the import duty in force for the fiscal territory.
- (e) Any type of good from any country may be imported into and re-exported from the Zone, with the exception of those prohibited by the aforementioned Panamanian laws, such as explosive or inflammable substances, weapons in general and narcotics.
- (f) There are no quantitative restrictions on imports to the Zone.
- (g) There are no taxes, duties or restrictions on foreign investment, nor are consular invoices required for the introduction of goods into the Zone.
- (h) The tariff coding used in the Zone is based on the CCCN and is employed only for purposes of maintaining statistical records of commercial activity.

(2) General provisions concerning goods leaving the Colón Free Zone

All goods and other articles or effects owned or operated by the Zone for free trade purposes and which have been manufactured, altered, assembled, packed or processed there, may leave that area for the following purposes:

- (a) For sale to official departments of the United States established on its military bases in the Canal area, intended for use or consumption by persons entitled to duty-free purchases under into-governmental agreements.
- (b) For sale to the ships transiting the Panama Canal destined for foreign ports and sailing between any authorized port in the Republic and foreign ports.
- (c) For exportation.
- (d) For importation, that is, for use or consumption within the customs territory of the Republic of Panama.

(b) Industrial free zones

Under the new economic policy guidelines, the legal groundwork was laid for stimulating exports by means of laws creating industrial free zones. These zones fall into two principal categories: export processing zones and petroleum free zones.

(1) Export Processing Zones (ZPE)

Law 25 of 30 November 1992 created the special régime for export processing zones. The Government's objective was to attract foreign investment for activities that would generate high levels of employment in relation to the capital invested.

(a) General aspects of the policy on export processing zones:

- Natural or legal, national or foreign persons may establish themselves in the export processing zones to engage in goods and services production.
- The processing zones are duty-free areas and therefore all companies operating under this special régime will be fully exempted from all national direct and indirect taxes, contributions, fees, licensing fees, levies and charges, in all their activities.
- Companies or industries installed in the ZPE are not eligible for tax allowance certificates.
- Natural or legal national or foreign persons establishing themselves in the ZPEs for the purposes of producing goods and services for exportation may introduce, store, display, pack, unpack, manufacture, process, produce, research, mount, assemble, refine, distil, mill, pulverise, liquify, mount, cut, slaughter, purify, mix, transform, repair, test, alter, finance, insure, administrate, purchase, sell, exchange and handle all types of goods, products, raw materials, inputs, components, packing and packaging materials and other commercial effects intended for export, with the exception of those that cause damage or negative changes to the local and global environment or which are banned by the laws of the Republic of Panama.

(2) Petroleum free zones

The petroleum free zones were set up by Decree 29 of 14 July 1992 launching the liberalization of the petroleum market. The aim was to eliminate price distortions for petroleum products and to ensure efficient and cheap supplies of crude petroleum and its derivatives.

The petroleum free zones will be administered by national or foreign companies that have obtained the appropriate concession under contracts with the Government. Such companies may rent part of their installations from other companies or users, subject to prior authorization from the Ministry of Trade and Industry.

The activities permitted in the petroleum free zones include all types of operations directly concerned with or incidental to the introduction, warehousing, pumping, transfer, distribution, trading and refining of crude petroleum and petroleum products.

III. OTHER TRADE-RELATED INSTITUTIONS

1. Public enterprises

Public enterprises are organizations within the public sector responsible for producing, selling or trading in goods and services, of which 50 per cent or more of the capital is owned by the central,

provincial or local authorities. They have their own equity and full legal capacity to enter into contracts with third parties, and are under the control of the Executive, which appoints their directors.

(a) Autoridad Portuaria Nacional (APN) (National Port Authority)

The APN is responsible for the operation for national ports and port facilities for which no concessions have been awarded to companies or which are not designated for national defence purposes. Its internal régime falls under the general policy of the Executive. Its general functions are to promote, orient, plan and co-ordinate the development of the national port system and therefore to formulate and implement the appropriate policy. The APN is responsible for constructing, improving, expanding and maintaining commercial ports and port installation for public use and ports and port facilities used by the fishing industry. It also monitors and inspects those ports and installations not directly operated by it.

(b) Cítricos de Chiriquí, (Chiriquí Citrus Company)

The principal functions of this enterprise are the industrial production of orange juices, concentrates and by-products in sterile containers for marketing, and the development of agricultural industries for the region's social and economic enhancement.

(c) Corporación Azucarera La Victoria, (La Victoria Sugar Corporation)

This corporation is responsible for operating and administrating the sugar mills and related industries owned by it. Its aims are to contribute to the economic and social development of the areas influenced by the sugar mills, with a view to improving the standards of living of those communities. It also caters for a part of local demand for this essential product at a reasonable price and encourages and develops research technology with a view to improving the quality of production.

(d) Empresa Estatal de Cemento Bayano, (Bayano State Cement Enterprise)

Its principal functions are to administer and exploit the limestone deposits assigned to it by the Executive. It operates and administers the cement factory owned by it and processes and distributes cement and other limestone- and cement-based products.

(e) Instituto de Recursos Hidráulicos y Electrificación (IRHE),
(Water Resources and Electricity Institute)

This company's main functions are: to obtain or generate sufficient electrical energy throughout the country to meet present and future demands in rural and urban communities; to help to conserve, develop and exploit hydraulic resources throughout Panama; to construct, install and operate all additional sources of electrical energy that may be required for public use throughout the national territory and to distribute electricity nationwide.

(f) Instituto Nacional de Telecomunicaciones (INTEL), (National Telecommunications Institute)

Its main functions are to plan, manage, improve, extend and operate national and international telecommunications services within the Republic; to draft and implement the master plan for telecommunications in keeping with the goals and objectives set by the Ministry of Planning and Economic Policy; to apply the charges for telecommunication services set by the National Commission for Electricity, Gas and Telephones; to contract loans and issue bonds, securities or titles with the prior authorization of the Executive in cases where Government backing is required.

IV. TRADE AGREEMENTS

1. Bilateral Agreements with Central America

With the long-term objective of integration into the Central American Common Market, Panama launched a process of negotiation and signature of bilateral agreements on free trade and preferential treatment with each of the countries in Central American in the 1970s.

A Joint Commission composed of public and private sector representatives provides advice on all matters related to the above treaties. The Commission was created in 1964 and reports to the Ministry of Trade and Industry, receiving technical and logistical support from the Panamanian Foreign Trade Institute. Its main function is to assist the Government in all aspects of the negotiation, signing and implementation of trade agreements between the Republic of Panama and other countries.

At the bilateral level, each Treaty also creates a Standing Joint Commission responsible for administering the agreement, its implementing regulations and the rules deriving from them. Its major functions also include approving product lists negotiated by the two countries and studying and resolving problems arising from the implementation of the Treaty. Each Standing Joint Commission is made up of the Ministers responsible for the Economy, Trade and Industry or their representatives and of advisors from the public and private sectors appointed by each contracting party.

It is noteworthy that before the conclusion of these agreements, Panama's global trade with the countries in Central America barely surpassed \$500 thousand annually, while today that figure fluctuates between \$60 and \$75 million. Of this, approximately 39 per cent comes from Panamanian exports to those markets and 61 per cent corresponds to Panamanian imports of Central American products.

In this regard, Costa Rica is Panama's major Central American trading partner, with trade worth some B 50 million annually, followed in descending order by Guatemala, El Salvador, Honduras and Nicaragua.

The products eligible for benefit under these agreements comprise some 1,500 headings, including medicaments and, to a lesser extent,

products for use in clinics and hospitals, which account for a large percentage of this trade. Tables 17, 18 and 19 provide a statistical breakdown of imports and exports falling under these agreements and a list of the agreements and products covered by them.

These treaties are of indefinite duration and envision the negotiated incorporation of products originating in either contracting State.

The goods traded under the preferential régime are subject only to the payment of a reduced tariff, that is, they are accorded a minimum, median or maximum reduction of 0 per cent, 25 per cent or 50 per cent, respectively, on the tariffs listed in the respective tariff schedules. They are also exempted from the payment of consular fees and of all other taxes, surcharges and fees that may be incidental to the importation and exportation of goods.

Under the Antigua Agreement, Panama has undertaken to start its integration with Central America, gradually and based on complementarity. It has thus launched, *inter alia*, studies to multilateralize its bilateral free trade and preferential trade agreements. It has also increased its active participation in the institutional mechanisms that will elaborate the new legal framework for the regional integration process.

(a) Agreement on Free and Preferential Trade with Costa Rica

The Agreement on Free and Preferential Trade between the Republics of Panama and Costa Rica was signed by both States on 8 June 1973.

Bilateral trade under the preferential régime comprises a total of 642 products, of which 529 are traded freely, 14 receive preferential treatment in the form of a tariff reduction, 45 are subject to customs tariffs and 54 to import-export restrictions.

(b) Agreement on Free and Preferential Trade with Guatemala

This Agreement was signed between the Republics of Panama and Guatemala on 20 June 1974.

The goods traded bilaterally under the preferential régime comprise a total of 261 products, of which 138 are subject to free trade, 116 to preferential treatment or tariff rollback, 2 to quotas and 5 to import-export controls.

(c) Agreement on Free and Preferential Trade with El Salvador

This Agreement was signed by the Republics of Panama and El Salvador on 8 October 1968.

The goods traded bilaterally under the preferential régime encompass a total of 316 products, of which 209 are traded freely, 18 receive preferential treatment or a tariff rebate, 11 are subject to quotas and 78 to import or export controls.

(d) Agreement on Free and Preferential Trade with Nicaragua

This Treaty was signed by the two Republics on 26 July 1973.

The goods traded bilaterally under the preferential régime comprise a total of 246 products, of which 213 are traded freely, 4 are subject to quotas and 29 to import or export restrictions.

(e) Agreement on Free and Preferential Trade with Honduras

This Agreement was signed by the Republics of Panama and Honduras on 8 November 1973.

Bilateral trade under the preferential régime comprises a total of 190 products, of which 130 are freely traded, 40 receive preferential treatment or a tariff reduction, 2 are subject to quotas and 18 to import or export controls.

Under this Treaty, the exemptions do not include fees and charges for barge services, wharfage, etc., or any other similar port service.

(f) Agreement on Free and Preferential Trade with the Dominican Republic

This Agreement was signed by the Republics of Panama and the Dominican Republic on 17 July 1985.

It establishes a preferential trade régime encompassing free trade, preferential treatment or tariff reductions based on partial or full import tariffs, pursuant to the laws and regulations in force in the respective countries and with a view to promoting mutually beneficial trade.

The Agreement further envisages that its provisions may apply to goods produced in free zones within the territory of either contracting party by way of exception, should the Standing Joint Commission so agree. Under the Agreement, the list of products to be traded is still pending negotiation.

2. Partial-Scope Agreement with the United Mexican States within the Framework of the Latin American Integration Association (LAIA)

Among the modalities introduced into the new scheme regulating trade among the countries members of the LAIA, particularly important is the mechanism whereby they may sign bilateral trade agreements with non-member countries, the so-called partial-scope agreements.

Within the parameters contemplated in these agreements, Panama took the first steps in 1985 towards concluding agreements of this kind, leading to the signing of a partial-scope agreement with Mexico on 22 May 1985.

Partial-scope agreements are a modality agreed under the 1980 Treaty of Montevideo establishing the LAIA.

Panama has negotiated with Mexico a total of 120 products which are now being traded under preferential arrangements in the form of percentage reductions based on import tariffs in force for third countries.

3. Preferential trade schemes under which Panama is a beneficiary

(a) Caribbean Basin initiative

This is a programme launched by the United States with a view to assisting the economic recovery and subsequent development of the countries in the Caribbean Basin, by means of incentives to strengthen their external economic sectors. Panama is among the countries benefitting under this initiative. Panamanian exports to the United States can therefore enjoy the following advantages:

- One-Way Free-Trade Area

Under this provision, the United States undertakes to accord duty-free market access to some Panamanian products without requiring reciprocity.

- Tax incentives for United States investors

This law provides that expenditures incurred from attendance at trade conferences and similar trade meetings in Panama are income-tax deductible in the United States.

- Product eligibility

Products whose cost of materials and direct production costs incurred in one or more beneficiary countries total more than 35 per cent of the value of the product at the time of importation into the United States, may enjoy duty-free entry into that country's customs territory.

Exceptions to this provision are listed in the Caribbean Basin Recovery Act.

(b) Enterprise for the Americas Initiative

The Initiative was tabled by the United States President George Bush on 27 June 1990 and is designed to create a Free Trade Area covering the entire American continent, help alleviate external debt and stimulate the expansion of trade and private investment in the hemisphere.

To benefit under the Initiative, the Government of Panama signed a Framework Agreement on 27 June 1991 with the Government of the United States providing for a future free trade agreement between both countries. This Framework Agreement lays down the principles and procedures for consultation on trade and investment matters between the two countries, and creates the Panama-United States Trade and Investment Council as the body responsible for its implementation.

4. Other trade agreements

With a view to expanding its trade relations, the Republic of Panama launched negotiations with the countries members of the Council for Mutual Economic Assistance (CMEA) at the end of the 1970s, in order to promote exports of non-traditional products and to experiment in countertrade. Although the CMEA as such has ceased to exist as a result of political developments in the former socialist bloc, the agreements negotiated are still in force. They are:

- (a) Trade Agreement between the Government of the Republic of Panama and the Government of the Union of Soviet Socialist Republics (now the Commonwealth of Independent States, CIS)

This agreement was signed in Panama on 8 October 1979 and was approved by Law No. 1 of 3 January 1989. The exchange of instruments of ratification took place on 20 February 1989 and the Agreement became effective on that same day.

The Agreement provides for the mutual granting of most-favoured-nation treatment in all trade matters.

- (b) Trade Agreement between the People's Republic of Bulgaria and the Republic of Panama

This Agreement was signed in Panama on 22 March 1979 and approved by Law No. 6 of 29 October 1979.

It provides for most-favoured-nation treatment by both parties covering all of their trade.

Panama and Bulgaria further undertook to take such measures as may be necessary for increasing the trade of raw materials, semi-manufactured or manufactured goods so as to stimulate the industrial and agricultural development of both countries.

- (c) Trade Agreement between the Republic of Panama and the People's Republic of Hungary

This Agreement was signed in Panama on 16 July 1979 and approved under Law No. 19 of 31 October 1979. The exchange of instruments of ratification took place on 14 December 1979, the effective date of the Agreement.

The contracting parties will facilitate capital investment, economic co-operation, the sharing of know-how, technology, and other forms of economic and technical co-operation. Furthermore, the contracting parties undertake to grant import and export permits, provided that these are necessary for the direct transportation of goods from or to the territory of either one.

(d) Trade Agreement between the Government of the Republic of Panama and the Government of the People's Republic of Poland

The contracting parties agree to adopt the measures necessary for creating favourable conditions for the development and expansion of their trade and economic relations.

Furthermore, they agree to extend most-favoured-nation treatment to each other and that payments deriving from the transactions covered under the Agreement will be effected in freely convertible currencies.

It is recognized that in cases of dispute, the model clause of the UNCITRAL (United Nations Commission on International Trade Law) Arbitration Rules shall be used. The Agreement has a duration of five (5) years and is renewable automatically.

(e) Trade Agreement between the Government of the Republic of Panama and the Government of Romania

This Agreement has been effective since September 1980 and affirms the common desire to promote and develop trade relations between the two countries, based on respect for the principles of independence and national sovereignty, non-interference and equal rights.

Most favoured-nation-treatment is granted mutually in all trade matters.

Payments will be made in freely convertible currency. Under the terms of the Agreement, the parties will facilitate the exchange of representatives of trade and industry, businessmen and experts in a range of fields with a view to promoting the objectives set forth therein.

Any discrepancies that may arise in the interpretation or application of the Trade Agreement will be resolved by means of mutual consultations between the contracting parties or, failing this, within the framework of the Intergovernmental Joint Commission.

V. Tables

TABLE 1
Republic of Panama
Structure of Foreign Goods and Services Trade

GOODS

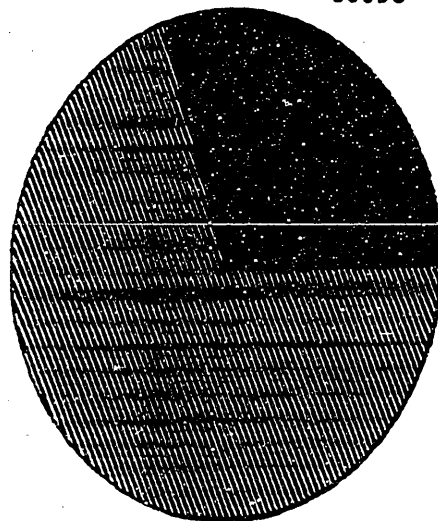
GOODS

Imports

Exports

Re-exports

Entries and exits of
goods from the Colón
Free Zone



SERVICES

SERVICES

Wholesale and retail trade,
hotels and restaurants

Transport, warehousing and
communications

Financial establishments,
insurance, real estate and
corporate services

Community, social and personal
services

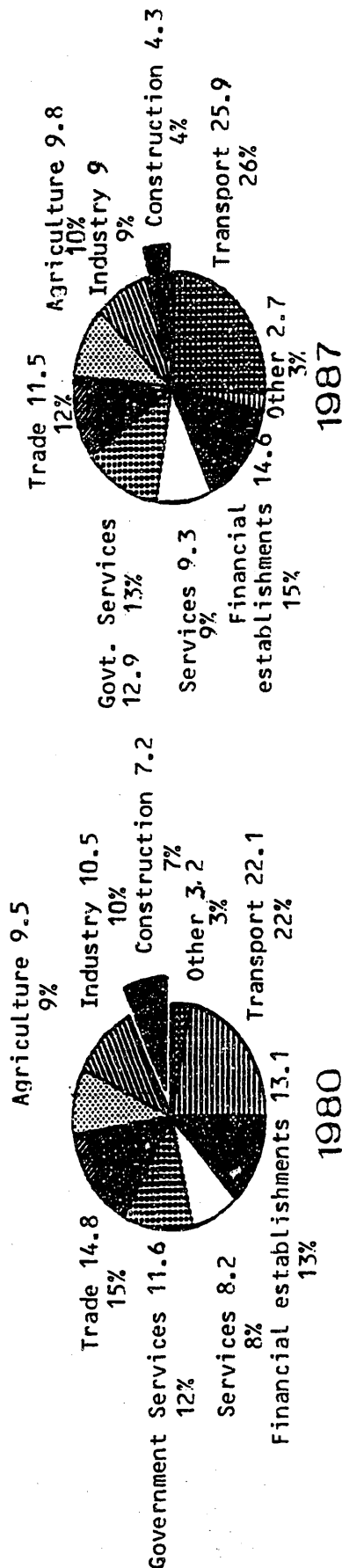
Public services

Domestic services

Source: Contraloria General de la República.

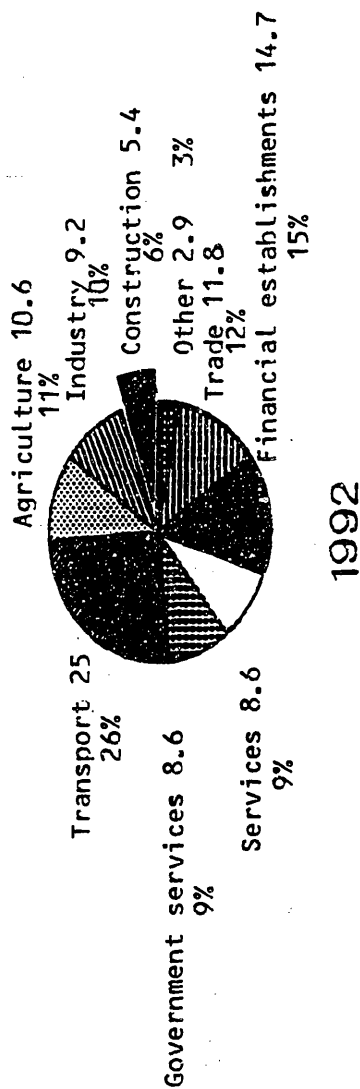
TABLE 2

Percentage Composition of the Gross Domestic Product



1,745.8 - 100%

2,117.0 - 100%



2,198.7 - 100%

TABLE 3
Main Exports
1986-1991

PRODUCTS	1986	1987	1988	1989	1990	1991
TOTAL	410,190,833	437,766,000	398,076,571	414,682,337	445,288,702	452,094,269
1. Fresh bananas	153,059,364	187,290,368	190,942,902	195,443,866	212,776,612	196,461,170
2. Fresh, chilled or frozen shrimp	68,004,461	65,520,686	51,917,533	62,816,786	44,372,642	50,447,137
3. Beet and cane sugar	20,085,376	16,978,426	6,194,954	10,199,859	36,836,016	24,406,495
4. Other chilled or frozen fish	5,434,790		13,329,964	12,191,465	11,306,552	11,284,284
5. Jams, fruit jellies, fruit purée and pastes	2,562,912	1,680		4,799,870	6,709,336	5,233,123
6. Bovine hides and skins	8,652,803	8,226,973	8,175,354	7,008,243	6,552,189	6,433,511
7. Bovine meat, fresh or chilled	25,976		867,886	3,897,254	6,611,060	12,248,211
8. Live bovine animals, pure-bred, for breeding	625,900	406,450	4,067,640	731,960	1,026,860	116,500
9. Live animals, other than for food	1,472,509	734,761	1,300,470	2,785,695	3,914,195	3,647,181
10. Crayfish, fresh, chilled or frozen	6,067,537	9,885,769	4,970,320	4,444,483	4,071,041	5,024,425
11. Condensed milk and cream	2,139,712	2,371,072	2,222,828	3,101,253	3,433,158	2,983,337
12. Fresh tropical fruit	4,319,928	9,798,392	7,573,850	5,471,837	2,792,553	6,304,510
13. Unroasted coffee	30,499,616	18,013,000	20,883,358	10,794,784	13,828,224	12,998,739
14. Tea	795,820	859,944	1,212,798	833,989	1,358,003	852,098
15. Fats and oils of fish and marine mammals	1,536,433	1,711,132	1,010,717	2,211,188	1,111,288	1,589,221
16. Tomato purée and concentrate	502,572	1,013,365	828,165	526,701	1,658,545	964,257
17. Tropical fruit extracts and concentrates	1,772,463	1,643,707	1,045,399	1,104,954	2,129,093	1,224,887
18. Mayonnaise	1,732,980	1,808,937	2,026,767	2,116,302	1,985,479	2,014,191
19. Tomato sauces in purée or paste	790,696	948,171	1,103,900	1,356,057	1,552,416	1,321,655
20. Undenatured ethyl alcohol		2,120,000	1,302,990	1,794,450	1,193,408	2,130,376
21. Flours and meals of fish, shellfish or molluscs	1,856,012	5,649,319	3,880,098	5,845,251	3,071,809	4,427,451
22. Unmanufactured tobacco and tobacco refuse	2,008,919	2,342,291	1,724,466	2,311,967	3,389,103	5,414,751
23. Medicaments (oral)	2,079,596	2,118,144	3,157,757	4,009,821	4,270,064	5,214,951

(cont'd)

TABLE 3 (Cont'd)

PRODUCTS	1986	1987	1988	1989	1990	1991
24. Latex gloves	253,126	1,172,261	1,607,641	1,972,261	1,914,763	1,454,014
25. Ordinary boxes and box-files for office use	1,898,745	1,727,725	2,382,569	2,164,326	3,071,114	3,034,084
26. Cardboard plates and cups	946,105	993,337	1,830,668	1,851,659	1,912,833	1,954,813
27. Men's shirts	2,663,995	3,608,187	5,141,512	5,105,885	4,479,974	5,915,352
28. Gold and gold alloys (including platinum plated gold)	161,469				1,861,323	9,065,974
29. Aluminium waste and scrap	364,308	213,747	303,831	16,200	1,149,630	1,295,049
30. Brooms and brushes of vegetable or man-made fibres	667,767	1,170,357	737,409	6,808	1,113,450	1,256,014
31. Floorcloths or dishcloths	1,446,421	946,439	931,213	1,155,011	828,881	1,359,918
32. Synthetic organic dyestuffs	1,709,949	1,909,633	1,853,670	1,591,085	1,663,121	2,641,899
33. Processed yellow cheese of the "americano" type	294,127	496,175	399,659	742,521	1,275,854	1,456,283
34. Gelatin and special preparations for table-creams and custards	1,224,538	1,262,181	1,165,650	653,165	942,463	830,481
35. Men's and women's three-quarter coats and sweatshirts	576	174,784	48,374	917,026	814,316	404,684
36. Copper scrap and waste	559,197	566,900	109,579	227,560	830,751	929,644
37. Other	81,974,135	84,081,687	51,824,680	52,480,795	47,480,583	57,753,599

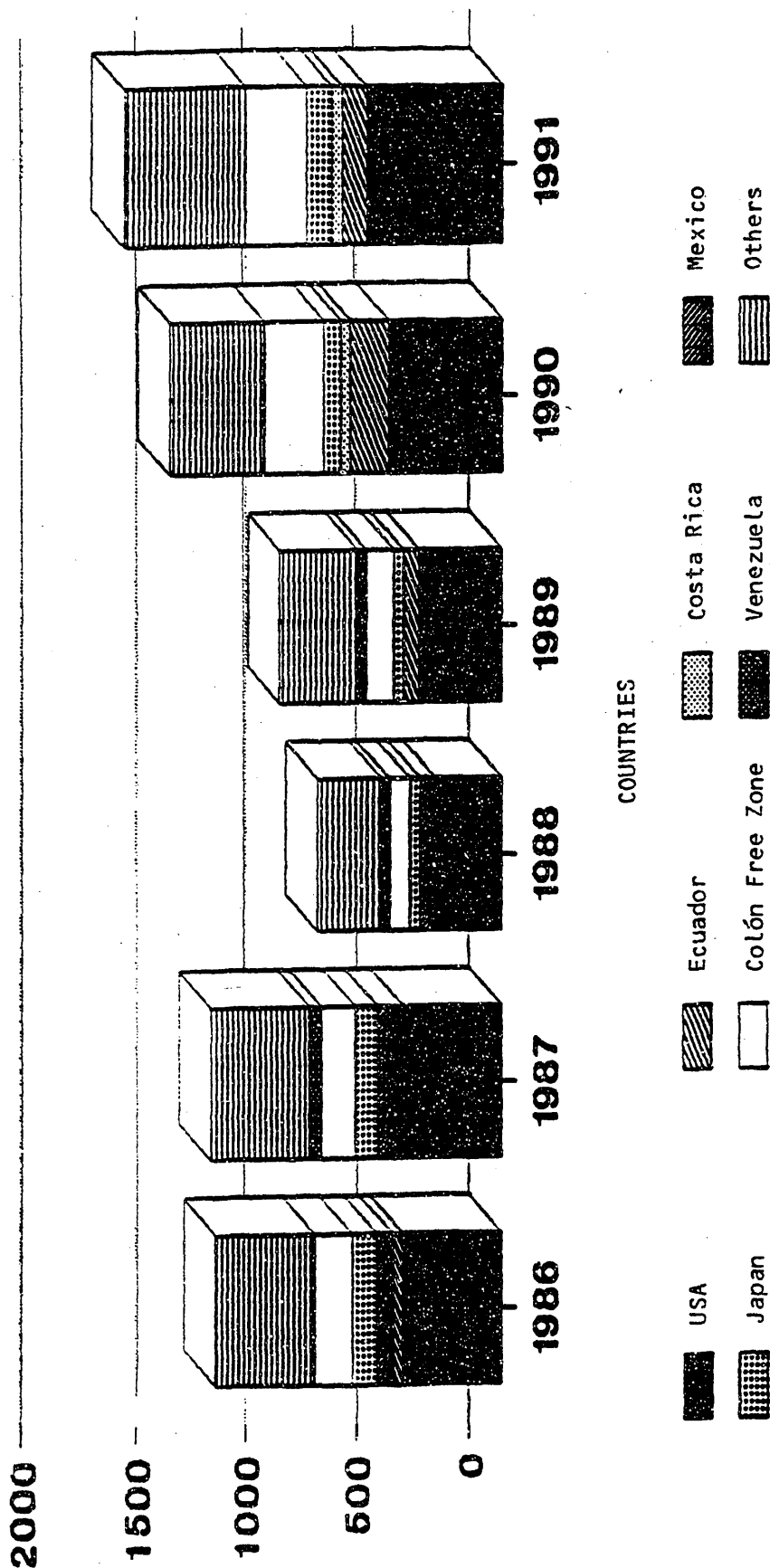
Source: Contraloría General de la República.

(a) Bulletin 13 of 13 October 1992 Adjustments to Foreign Trade Statistics.

TABLE 4
Imports from Major Countries

1986 - 1991

(FOB value in millions of Balboas (B/.))



Source: Contraloría General de la República.

TABLE 5

Main Imports
1986-1991

PRODUCTS	1986	1987	1988	1989	1990	1991
TOTAL	1,283,752,607	1,306,182,808	815,067,778	987,109,682	1,494,635,691	1,694,968,690
1. Crude petroleum oils and oils obtained from bituminous minerals	106,513,860	174,278,761	93,799,485	117,080,819	184,870,469	144,976,786
2. Transport vehicles of a price exceeding B/.3 thousand	11,060,488	22,124,923	4,038,708	4,070,486	16,240,818	49,744,430
3. Parts and accessories of motor-vehicles	17,418,171	19,907,842	9,018,466	11,771,153	21,781,091	34,260,699
4. Diesel	7,259,604	5,981,641	1,142,296	5,035,978	14,679,189	34,132,780
5. Medicaments (oral)	23,323,598	23,834,354	18,490,160	20,571,452	26,144,838	28,439,383
6. Ordinary unprinted wrapping paper	4,948,958	7,274,616	4,451,570	13,445,529	26,223,288	25,565,883
7. Vehicles for the transport of goods	10,504,686	11,326,781	4,609,351	4,617,021	8,099,073	23,370,094
8. Natural gases	16,858,694	15,999,319	14,819,605	15,214,330	20,894,788	21,142,386
9. 95 octane spirit (ron system)	14,009,074	936,927	12,712,546	15,357,829	8,139,770	19,985,138
10. Disinfectants, insecticides, fungicides, rat poisons, herbicides	18,316,910	22,787,353	12,263,279	19,668,289	19,787,794	18,720,177
11. Blocks, lumps, powders, granules, flakes	2,060,887	2,463,749	3,187,576	3,617,444	5,543,392	18,327,140
12. Four-wheel-drive motor vehicles	3,228,729	6,525,372	4,228,436	5,849,952	10,246,797	17,704,854
13. Fabrics of man-made fibres	26,621,896	22,532,139	6,589,441	5,999,443	14,902,182	17,620,371
14. Wheat and meslin (mixed wheat and rye)	14,322,180	3,222,734	7,546,472	15,693,901	15,664,409	13,919,713
15. Gold and gold alloys (including platinum gold)	30,907,568	1,338,571	852,185	644,630	4,727,056	13,616,933
16. Fuel for jet engines	3,760,929	872,579	2,320,540	6,613,192	1,315,871	13,055,331
17. Sports footwear	7,417,023	6,352,694	4,420,236	4,091,490	79,594	12,505,217
18. Motor-vehicle tyres and tyre-cases	11,654,302	11,509,448	5,664,448	10,699,186	11,712,775	12,385,041
19. Collective transport vehicles (buses)	12,081,322	13,197,968	7,583,450	3,943,971	5,162,558	11,500,636

(cont'd)

TABLE 5 (Cont'd)

PRODUCTS	1986	1987	1988	1989	1990	1991
20. Transport vehicles, price between 5 and 9 thousand Balboas	5,907,626	15,456,532	7,188,942	7,005,822	18,015,132	11,060,332
21. Television receivers	7,493,675	6,370,884	2,253,698	4,123,935	11,066,465	10,897,414
22. Portable, battery-operated radio-broadcasting receivers	8,360,833	18,910,635	11,682,732	1,266,948	7,833,834	10,057,135
23. Passenger transport vehicles	7,960,602	6,929,174	4,160,379	12,116,082	9,486,155	9,729,697
24. Spare parts and accessories, covers, carrying-cases and the like				4,760,246	6,814,371	9,729,442
25. Hot- or cold-rolled iron or steel sheets and plates		101	506,777	2,375,186	4,277,157	9,480,210
26. Automatic data-processing machines	9,453,925	10,997,923	3,611,577	3,661,797	8,244,595	9,316,764
27. Soya cake and other residues for animal feeding	6,059,800	6,325,681	8,021,304	5,430,875	7,193,899	9,153,086
28. Toys, games, sports requisites	6,611,806	6,907,003	2,035,118	4,668,602	6,990,669	8,939,794
29. Women's footwear with leather soles	1,408,884	1,129,139	311,761	1,133,046	13,886,783	8,866,824
30. Printed books and magazines	7,013,602	7,741,595	6,395,962	5,054,737	7,960,975	8,740,216
31. Tin-plate	1,812,981	6,149,878	4,624,692	8,758,063	9,117,737	8,325,614
32. Woven fabrics of cotton, bleached, dyed and the like	4,587,801	8,832,397	6,045,739	8,500,438	8,060,827	8,303,985
33. Four-wheel-drive motor vehicles with reinforced bodies	12,437,661	7,601,104	1,600,941	2,404,603	6,081,551	7,963,443
34. Image and sound recorders or reproducers	4,327,902	3,719,158	2,200,878	2,957,886	6,717,171	7,757,863
35. Malt, whole or in grains	3,977,280	3,764,035	4,274,488	7,172,997	6,792,100	7,723,802
36. Other products with a value of less than 7 million Balboas	854,069,350	822,879,798	532,414,540	621,732,324	939,880,518	1,017,950,277

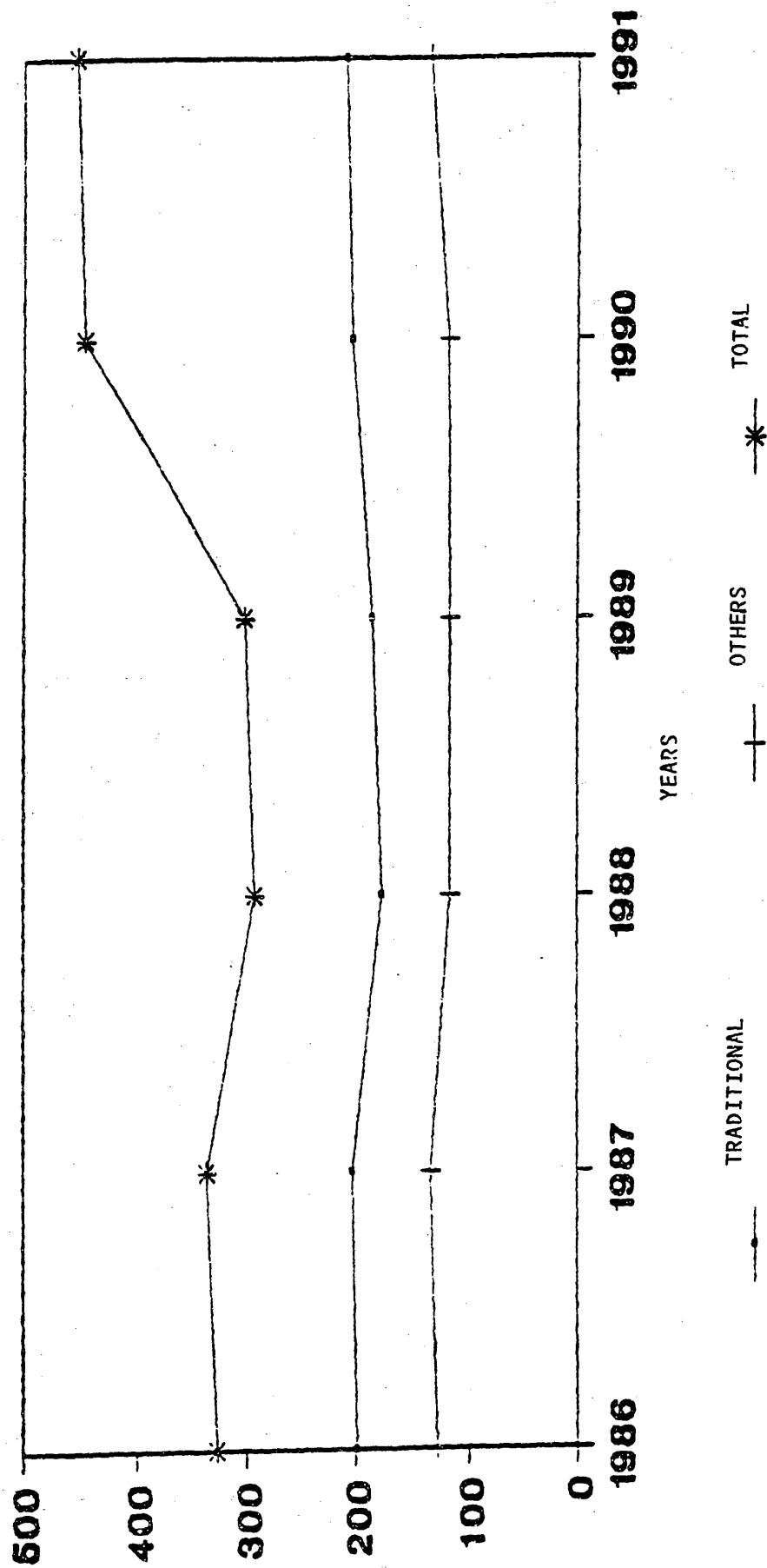
Source: Contraloría General de la República.

TABLE 6

Exports

1986 - 1991

(FOB Value in million Balboas (B/.))



Source: Contraloría General de la República.

TABLE 7

Value of Exports From Principal Countries of Destination
Years: 1990-1991

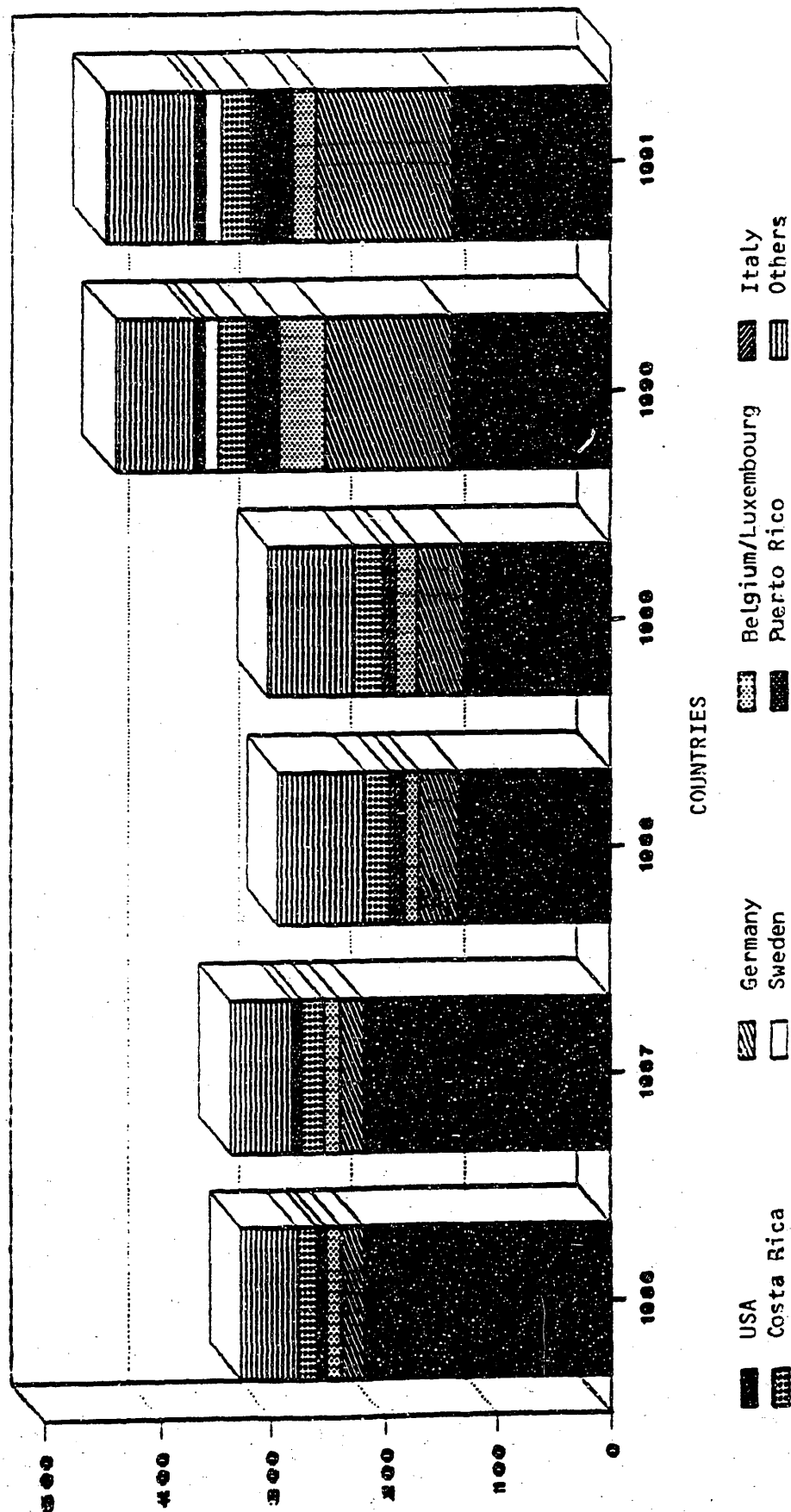
Country	FOB Value/Balboas	
	1990	1991
TOTALS	<u>444,565,082</u>	<u>452,053,669</u>
United States of America	143,537,328	133,660,472
Germany	115,687,292	117,071,277
Belgium-Luxembourg	42,578,676	20,708,853
Italy	31,294,239	38,894,040
Costa Rica	29,201,820	26,731,773
Sweden	16,460,785	15,127,797
Puerto Rico	9,109,281	9,358,895
Mexico	7,695,686	12,894,673
Spain	6,972,752	7,419,496
Japan	3,642,074	5,585,573
Honduras	3,547,159	3,684,360
El Salvador	3,500,276	6,381,578
Guatemala	3,369,748	6,389,600
Colombia	3,057,244	3,145,518
Canada	2,709,815	3,147,108
Ecuador	2,160,784	2,667,609
Cuba	1,705,427	1,813,086
Peru	1,524,552	1,391,404
Nicaragua	1,506,970	2,988,050
Venezuela	1,492,482	2,831,111
Curazao	1,290,947	2,042,718
Aruba	1,233,550	1,469,401
Other countries	11,286,195	26,649,277

Compiled by: IPCE Computer Department

Source: Contraloría General de la República.

TABLE 8
Exports to Principal Countries
1986 - 1991

(FOB Value, million Balboas (B/.))



Source: Contraloria General de la República.

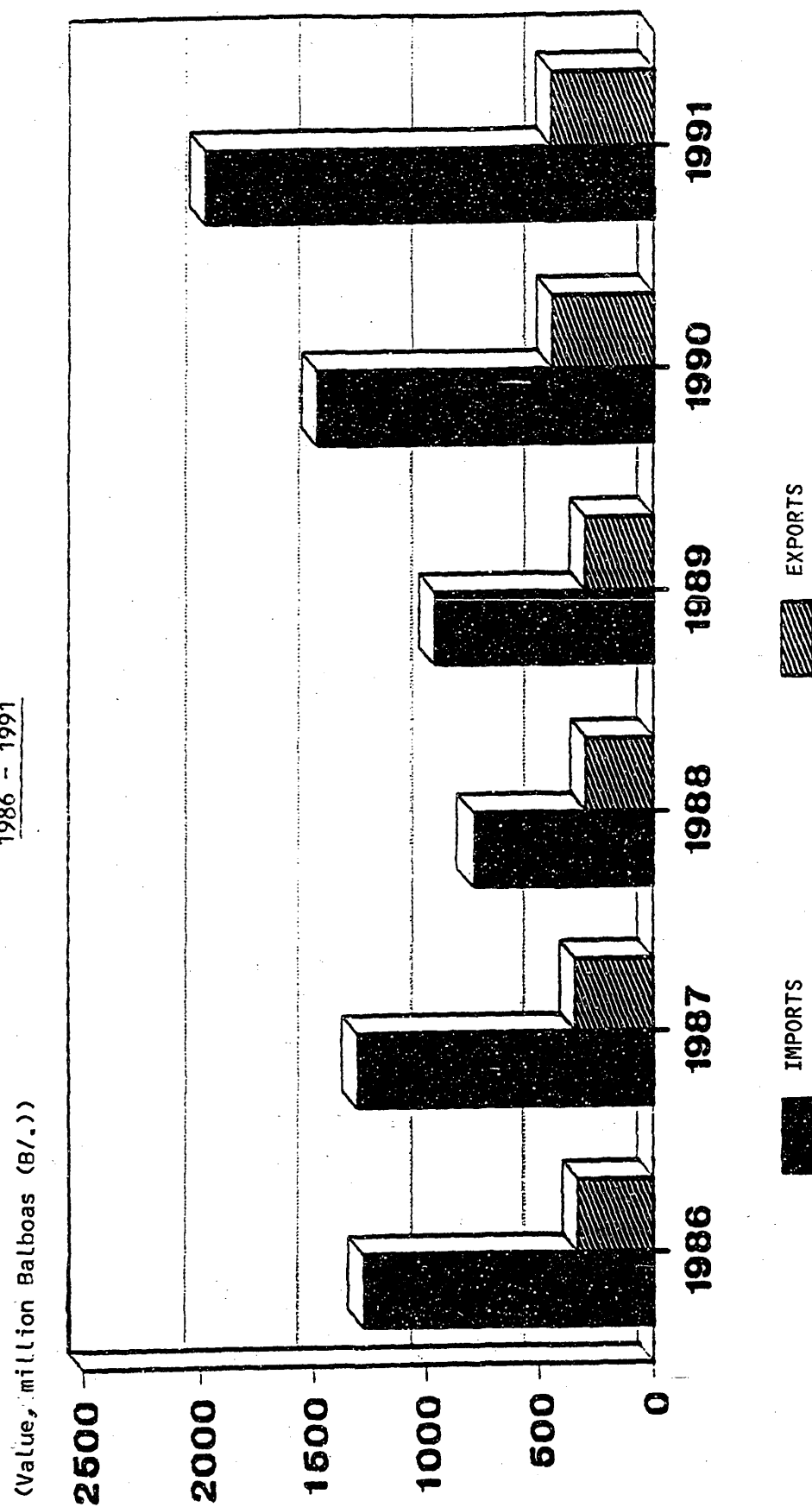
TABLE 9
Panamanian Foreign Trade Institute
Trade Balance of Panama
1986-1991

*FOB/CIF value, Balboas (B/.))

Years	Imports CIF	Exports FOB	Balance
1986	1,283,752,607	327,053,703	956,698,904
1987	1,306,182,808	336,158,334	970,024,474
1988	815,067,778	292,453,913	522,613,865
1989	987,109,682	301,724,877	685,384,805
1990	1,494,635,691	445,288,702	1,049,346,989
1991	1,694,968,890	452,094,269	1,242,874,621

Compiled by: IPCE Computer Section

TABLE 10
Imports and Exports
1986 - 1991



Source: Contraloria General de la República.

TABLE 11
Balance of Services
(Balance in million dollars)

	1990	1991	1992
Total	<u>1,183.5</u>	<u>1,007.8</u>	<u>1,113.8</u>
Consignments	(77.0)	(99.0)	(134.3)
Transport	479.3	487.3	528.1
Travel	72.8	87.2	81.9
Colón Free Zone	412.3	278.6	374.1
Others	296.1	253.7	264.0

Note: The most important transactions under the different headings are:
Consignments: Income from the transfer of petroleum via the oil pipe-line and from import, freight and insurance.
Transportation: Tolls collected from ships transiting the Canal and from other uses of the canal. Passages, other port services.
Travel: Tourism and transit.
Free zone: Balance of re-exports minus imports.
Others: Services of the United States Department of Defence in the Canal area. Other income to the Canal Commission. Fees received by the representatives (lawyers) of the national merchant navy. Expenditure by diplomatic personnel stationed in Panama. Commissions and other service fees received and paid by financial institutions. Operating expenses of foreign air and maritime transport agencies.

Source: 1. Breakdown of the Balance on Current Account in the Balance of Payments of Panama for the years 1990-1992, Auditor General's Office.
 2. Estimates of the Department of Economic Planning of the Ministry of External Economic Policy Planning.

TABLE 12

Institutional Structure of Foreign Trade in the Republic of Panama

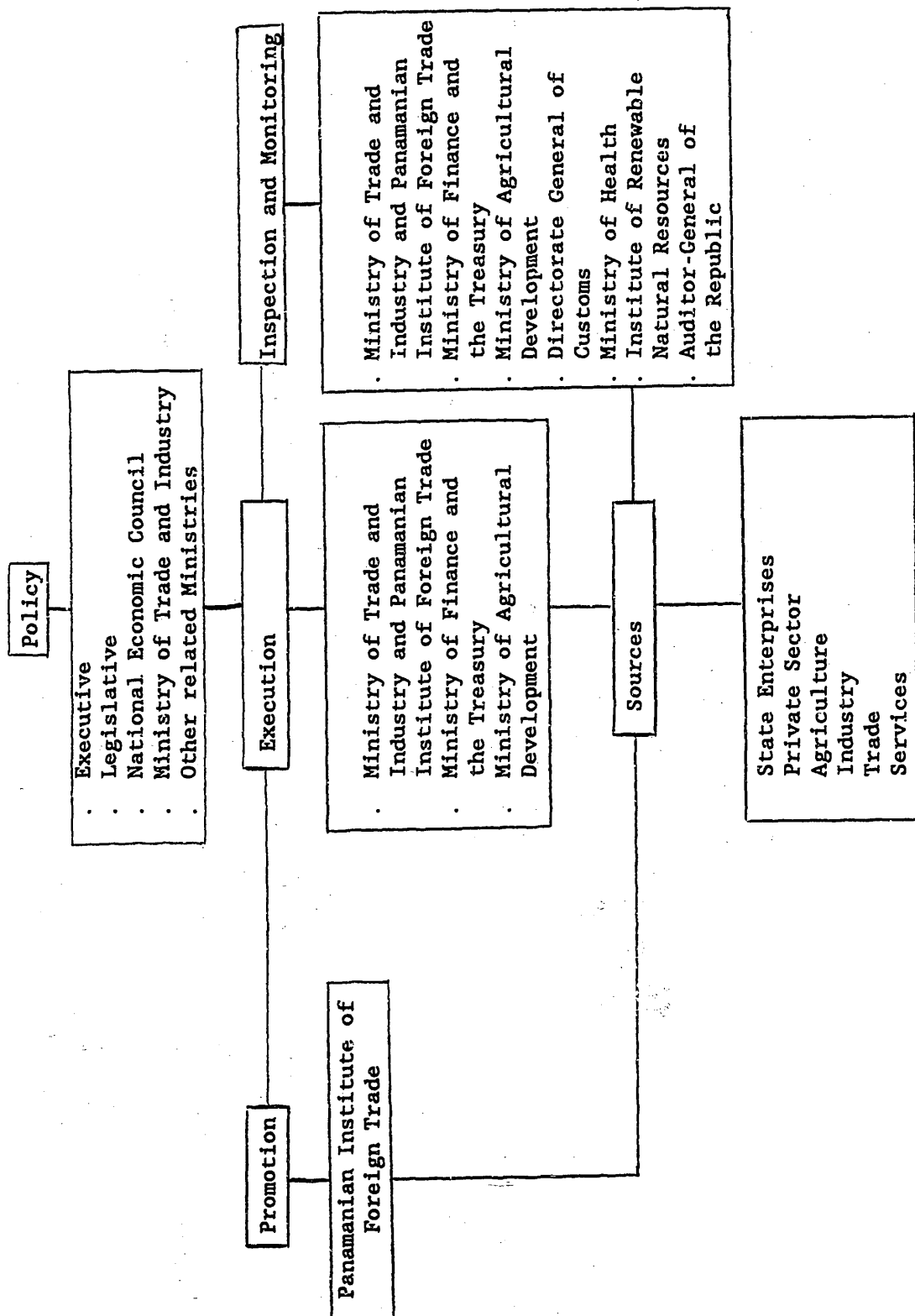


TABLE 13

List of Products Subject to Import Quotas
By Tariff Heading Number

<u>Tariff Heading No.</u>	<u>Product description</u>
07-05-80-01	Lentils
10-05-08-99	Maize, unground (excluding popcorn)
10-07-03-00	Sorghum
07-05-02-01	Pink spotted beans (poroto)
07-01-02-00	Potatoes other than for sowing
07-01-04-00	Onions
04-01-01-00	Fresh milk
04-01-03-00	Whey
04-02-01-02	Evaporated skimmed milk
04-02-01-03	Evaporated milk and cream
04-02-02-01	Evaporated goats' milk whey
04-02-03-01	Condensed goats' milk whey
04-02-03-99	Other powdered milk
04-02-04-00	Whey of concentrated milk (sweetened, concentrated, tinned, powdered)
04-03-01-00	Butter
04-03-02-00	Butter oil
04-04-01-01	Cheese, processed, yellow, of the "Americano" type
04-04-01-02	Cheddar cheese
04-04-01-03	Muenster cheese
04-04-01-04	Mozarella cheese
04-04-01-99	Other cheeses
04-04-02-00	Curd and semi-processed cheese
04-04-02-00	Sauce based on milk or cheese
15-01-01-00	Pig fat, other fats
15-02-01-00	Fats of bovine cattle for industrial use
15-03-01-00	Cleo-oil
15-07-01-01	Crude vegetable oil, of maize
15-07-01-02	Crude vegetable oil, of soya
15-07-01-03	Crude vegetable oil, of coconut
15-07-01-99	Other crude vegetable oils
15-07-02-99	Other refined or purified oils
15-13-01-00	Margarine and other butter substitutes
15-13-80-00	Imitation lard and other prepared edible fats (vegetable fat)
25-01-01-01	Unrefined rock salt and sea salt, excluding table salt
25-01-01-01	Sodium chloride
25-01-80-00	Table or edible salt
25-01-01-02	Salt prepared for animals
11-01-01-01	Ordinary wheat flour
17-01-01-00	Raw beet sugar and cane sugar (not refined)

TABLE 13 (Cont'd)

Tariff Heading No.	Product description
17-01-02-99	Other beet sugar and cane sugar, partly or wholly refined (brown sugar)
23-01-01-02	Flours and meals of fish, crustaceans or molluscs
21-06-01-00	Natural yeasts, inactive (to flavour beer)
21-06-02-00	Dried yeast, baking powder (artificial)

Source: Instituto de Mercadeo Agropecuario.

TABLE 14
List of Products Subject to Prior Import Licensing,
By Tariff Heading Number

1993

Tariff Heading No.	Product description
02-05-01-02	Poultry fat
07-05-80-02	Peas (dried and split)
07-05-80-04	Dwarf beans
07-05-80-99	Other dried leguminous vegetables, shelled, whether or not skinned or split
10-01-00-00	Wheat (for human consumption)
07-02-20-00	Frozen corn cobs
10-05-08-99	Frozen maize, in grains
11-01-01-02	Enriched wheat flour
11-01-80-03	Maize flour
11-09-80-00	Wheat gluten and gluten flour (for feeding purposes)
07-02-03-00	Frozen cooked or uncooked onions
15-07-02-02	Refined or purified linseed oil
15-07-02-03	Refined or purified castor oil
15-01-02-00	Poultry fat
15-06-00-00	Poultry fat (slaughter house fat)
15-07-02-04	Refined or purified tung oil
15-07-02-99	Other refined or purified oils (sunflower)
15-12-01-00	Hydrogenated vegetable oils used for baking
15-12-80-00	Other animal or vegetable oils and fats (for hamburgers)
15-12-80-00	Hydrogenated poultry fat
15-08-01-00	Dehydrated, blown or polymerized vegetable oils (linseed)
15-08-80-00	Other oils (animal or vegetable, boiled, oxidized, dehydrated, sulphurized, blown or polymerized or otherwise modified)
02-06-80-01	Offals (dehydrated pig skin)
12-02-02-00	Soybean flour (non-defatted)
23-04-02-00	Soybean oilcake and other residues for the preparation of animal food
35-04-80-99	Soya protein isolates
35-04-80-99	Vegetable protein
21-07-80-99	Hydrolyzed soya protein
21-07-80-99	Soya protein concentrate

Source: Instituto de Mercadeo Agropecuario.

TABLE 15

Summary of Economic Incentives Aimed at Export Promotion

	(1) Production for export	(2) Production partly for export	(3) Colón free zone	(4) Small and medium-size enterprises	(5) Non-traditional exports
Tax exemptions and import duty drawbacks on raw materials, intermediate products, semi-processed products, packaging materials, spare parts for machinery and equipment	100%	100% ^a	100%	100%	Tax allowance certificate for 20 per cent of f.o.b. value of each exports.
Tax exemptions and import duty drawbacks on machinery	100%	^b	100%	100%	Basic prerequisite for obtaining this benefit. Products to be exported must have a minimum national content of 20 per cent in the cost of manufacture and production and must contain at least 20 per cent national value added.
Income or profit tax refund	100%	100%	91.5%	100% ^c	
Export duty exemption	100%	100%	100%	100% ^c	
Sales tax exemption	100%	100%	100%	----	
Production tax exemption	100%	100%	100%	----	
Tax exemption on capital assets or goods	100%	----	100%	----	
Tax exemption on income from net reinvested profits	----	100%	----	100%	
Deduction from dutiable base of losses carried over for up to three years	----	If ^d	----	----	
Special depreciation rate	If	If	----	----	
Exemption from property taxes on land, structures and facilities	----	----	100%	100% ^e	
Tax credit for sponsorship of education and training programmes for small and medium-size enterprises	----	----	100%	100% ^e	

- (1) Law No. 3 of March 1986. The incentives are granted for a period of three years.
- (2) Law No. 18 of June 1948. Incentives are accorded indefinitely.
- (3) Law No. 9 of January 1989. Incentives are accorded for a period of ten years.
- (4) Law No. 108 of 1974. This Law is in force.
- (a) Tax drawback on the portion exported.
- (b) Import duty is payable equivalent to 3 per cent of the c.i.f. value of foreign inputs.
- (c) Full exemption for the first five years; 75 per cent during the five years following and 25 per cent for the life of the enterprise.
- (d) The deduction may be made in any of these three years or may be an average for the period.
- (e) Full exemption during the first ten years.

TABLE 16

Summary of Incentives for the Promotion of Export
Processing Zones under the Fiscal Régime of
Law 25 of 30 November 1992

1. Full exemption from direct and indirect taxes, contributions, fees, duties and charges on any activity, operation, transaction, moveable and immovable goods, purchases of construction materials, raw materials, equipment, machinery, tools, accessories, inputs and any good or service required for the operations taking place within the processing zones by companies engaging in activities in the following categories: (1) manufacturing enterprises, (2) assembly plants, (3) enterprises processing finished or semi-finished goods and (4) export service enterprises.
2. Total exemption from national direct or indirect taxes on the capital of companies installed in the processing zones.
3. Full exemption from taxes on patents or licences.
4. Total exemption from national direct or indirect taxes, contributions, fees and charges on dividends and interest accruing to shares, bonds and other securities issued and placed on the local or international market by the companies referred to under Law 25.
5. The companies or industries installed in the export processing zones under the terms of Law 25 do not benefit from tax allowance certificates.

TABLE 17
Information Concerning Trade Agreements Signed by the Republic of Panama

TRADE AGREEMENT						
	Type of Agreement	Date of signing	Duration	Products covered	Population (million inhabitants)	Observation
Central American Common Market						
Costa Rica.....	Bilateral preferential	8.6.1973	Indefinite	642	2.5	
El Salvador.....	"	2.6.1970	"	316 ^a	4.9	
Guatemala.....	"	20.6.1974	"	261	8.2	
Honduras.....	"	8.11.1973	"	190	4.4	
Nicaragua.....	"	26.7.1973	"	290	3.0	
Latin American Integration Association						
Mexico.....	Bilateral preferential	22.5.1985	3 years ¹	110	80.5	Preference in favour of Panama
Caribbean countries						
Dominican Republic.....	Bilateral preferential	17.6.1985	10 years	2	6.7	Agreement renewable for five-year periods
Council for Mutual Economic Assistance						
Republic of Germany.....	Bilateral		17.10.1979	2 years ²	16.7	Agreement renewable annually
Bulgaria.....	"		22.3.1979	5 years ²	10.0	"
Czechoslovakia.....	"		17.4.1979	2 years ²	15.4	"
Hungary.....	"		16.7.1979	2 years ²	10.6	"
Romania.....	"		8.8.1980	2 years ²	21.6	"
Soviet Union (Russia).....	"		8.8.1979	2 years ²	276.3	"
Poland.....	"		---	---	37.1	This agreement is still pending signature

¹Automatically renewable for equal periods

²No products negotiated

^aThis total will rise to 516 with the inclusion of the new products negotiated in May 1992.

Source: Instituto Panameño de Comercio Exterior.

TABLE 18
Products Covered Under Bilateral Agreements with Central America

Description	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua
Total of products covered by Agreement	642	316 ^a	261	190	246
Of which:					
are subject to free trade	529	209	138	130	213
are subject to preferential treatment 0%, 25%, 50%	14	18	116	40	0
are subject to quotas	45	11	2	2	4
are subject to import/export restrictions	54	78	5	18	29

^aThis total will increase to 723 products with the inclusion of the new products negotiated between both countries in May 1992.

Source: Instituto Panameño de Comercio Exterior.

TABLE 19

Balance of Trade between Panama and Central American countries
Under the Free and Preferential Trade Agreements

Years: 1991-1992

(C.i.f. value in thousand Balboas)

Country	1991				1992			
	Total	Imports	Exports	Balance	Total	Imports	Exports	Balance
Total	82,201.7	50,128.4	32,073.3	(18,055.1)	99,534.7	58,105.3	41,429.4	(16,675.9)
Costa Rica	52,968.0	31,752.4	21,215.6	(10,536.8)	56,697.0	32,866.0	23,831.0	(9,035.0)
Guatemala	15,737.6	12,201.7	3,535.9	(8,665.8)	22,060.9	15,663.6	6,397.3	(9,266.3)
El Salvador	9,837.0	5,257.6	4,579.4	(678.2)	15,726.2	7,716.9	8,009.3	292.4
Honduras	2,031.9	552.3	1,479.6	927.3	2,781.7	858.5	1,923.2	1,064.7
Nicaragua	1,627.2	364.4	1,262.8	898.4	2,268.9	1,000.3	1,268.6	268.3

Note: Preliminary figures

Source: 1991 Statistics from the Contraloría General de la República
1992 Statistics from the Contraloría General de la República
October-December - Instituto Panameño de Comercio Exterior.