

Manufacturing



A Dynamic Manufacturing Hub In A Strategic Geographic Location

Modern, Business-Friendly Laws To Support Your Company



Panama has enacted Laws 76 and 25 which aim to develop the industrial sector in Panama by undertaking an array of measures including those to attract FDI and promote local investment

As part of the Laws, Panama has established a Certificate of Industrial Development which, among multiple benefits, offers investors refunds of up to 40% (dependent upon industrial activity) on total investment value, reinvestment of profits, workforce training and cost to hire any new production staff. Companies will have the right to use the certificate for 8 years

The Perfect Location For A Regional Exporting Hub



Panama's outstanding air and maritime connectivity enables manufacturing operations to use Panama as a regional distribution center — maximizing your company's reach while substantially reducing supply chain costs

Manufacturing operations based in Panama can also take advantage of an array of generous benefits and incentives relating to importing and re-exportation — Panama is a hub for companies who add value to products before exporting to destination markets

Strategic areas around the Panama Canal have been developed with the aim of bolstering industrial development by taking advantage of international supply chains that converge at the Canal

3M re-located its production lines for automotive-sector equipment from Asia and Mexico to Panama to take

advantage of greater proximity of its supply chain to its destination market

Advanced manufacturing activities are heavily promoted by Panama with generous tax, labor and immigration incentives available to realize your company's potential

A Very Active Industry Cluster



Panama's industrial manufacturing sector accounted for US\$2.89 billion of national GDP in 2016 — growing by 13.7% since 2012

Since 2014, 29 companies been approved by the National Industrial Policy Council (CONAPI) — who are awarded the Certificate of Industrial Development. Total investment amounted to US\$38 million. Of this amount, CONAPI have approved more than US\$14 million of investment as eligible for refunds to companies. Major companies operating in Panama's manufacturing sector include FISA, Nestlé and 3M

World-Class Air Infrastructure



Tocumen International Airport is the most connected airport in Latin America — serving more international destinations directly than any other city in the region

The airport is the base of Copa Airlines and is also the regional hub for several commercial and cargo airlines. The airport's outstanding connectivity, which reaches every major city in Latin America & Caribbean, is perfect for rapid transportation of cargo across the region. Rated 1st in Latin America & Caribbean in terms of quality of air transport infrastructure



High Quality Labor At An Affordable Cost

Panama is extremely cost competitive within the Americas, with annual labor costs being around 77% cheaper than the United States for a production operative

Labor costs for an industrial engineer in Panama are substantially lower than major economies in the region, being between 45% and 80% cheaper than Brazil, Mexico and the United States



Outstanding Maritime Connectivity

Over 144 maritime routes connecting 1,700 ports in the world throughout 160 countries. Home to two of Latin America's most active ports — Balboa and Colón — one on each of the Atlantic and Pacific Oceans

Rated 6th worldwide for quality of port infrastructure

Simplified Trading Across Borders



Panama is rated 2nd in Latin America & Caribbean for trading across borders — with key factors cited including quicker times to import and export, combined with cheaper costs

Panama has the most trade agreements (20) of any Central American country including agreements with the United

States, European Union, Canada, Mexico, Colombia and almost all Central American countries. Companies based in Panama have access to more than 1.3bn consumers as a result of its free trade agreements

Generous Incentives Available From Unique Investment Regimes



Panama's Investment Regimes offer a wide array of fiscal, customs and immigration benefits that can assist an advanced manufacturing operation

Panama Pacifico, strategically located at the Pacific Ocean entrance of the Panama Canal, offers high-tech manufacturing companies exemption from all taxes, both direct and indirect, as well as a wide variety of labor and immigration incentives

The Colón Free Zone, as the main commercial center for the Latin America & Caribbean region, is perfect for importing and exporting products. The Free Zone offers generous tax incentives for manufacturing related activities including the assembly of finished or semi-finished products

Certificate of Industrial Development

The **Certificate of Industrial Development** is a non-transferable document which is authorized by the Ministry of Economy and Finance.



Holders must pay an annual tax between US\$ 25-400 — dependent upon the size of the company

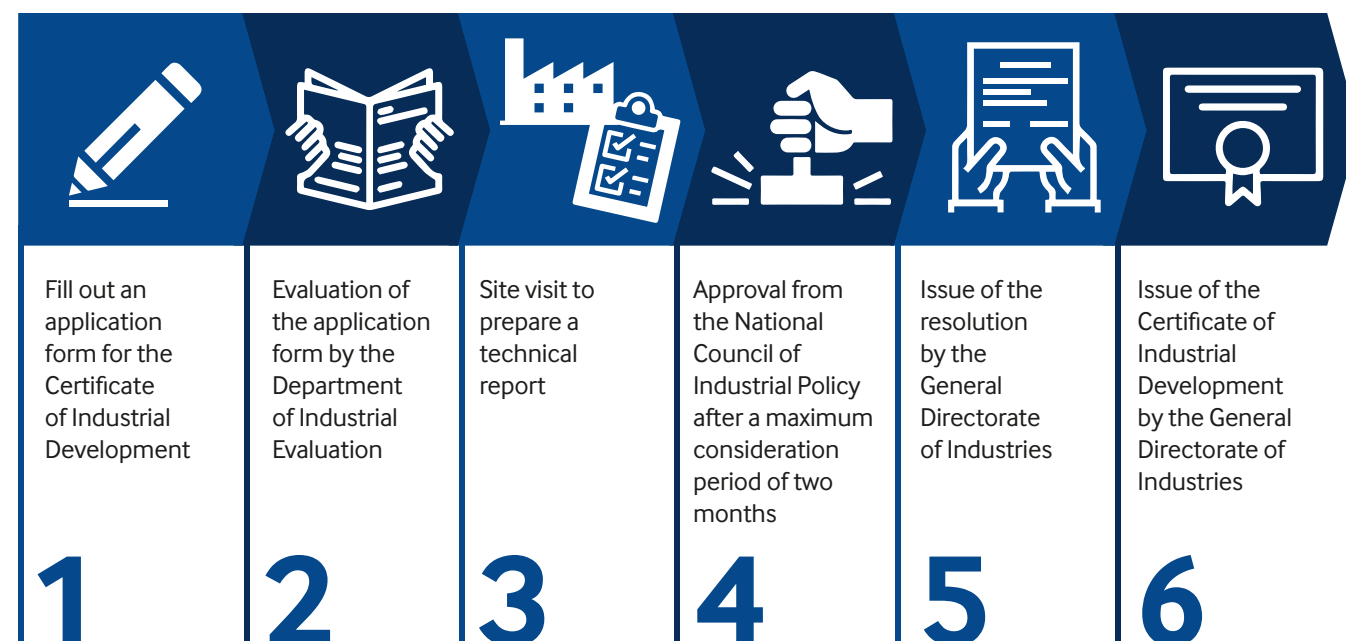


Organizations will be able to use the Certificate to pay all national taxes, fees and contributions



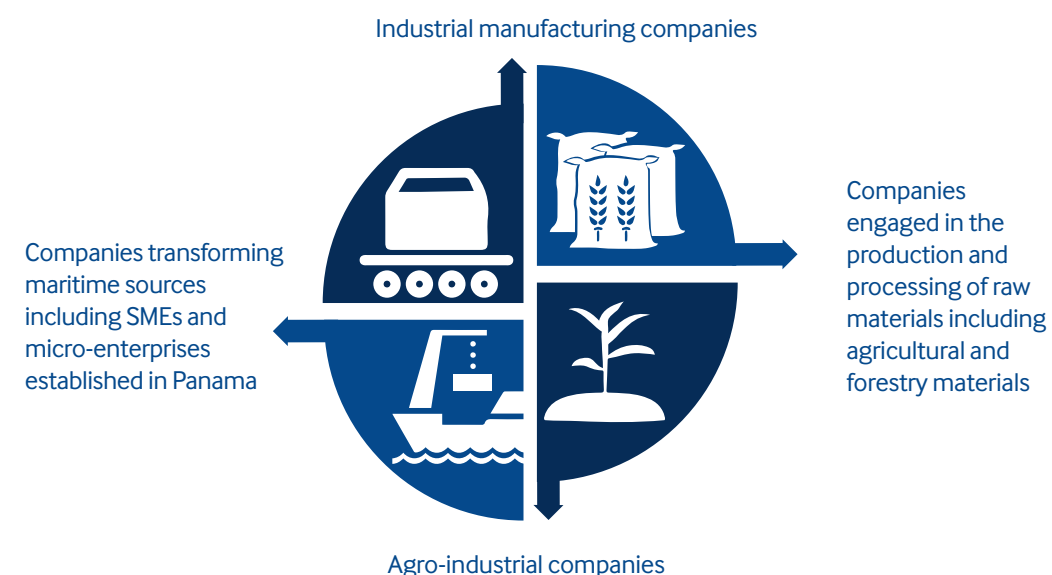
Companies have the right to use the certificates for 8 years

Step by step process for obtaining the Certificate of Industrial Development



Eligibility

Companies that are eligible to be awarded the Certificate must be involved in one of the following sectors:



In addition, companies that carry out the following R&D activities will be able to apply for the Certificate of Industrial Development:



Benefits of holding the certificate:

Eligible companies can be entitled to a refund of up to 40% of the following:

- Investments or reinvestment of profits
- Investment in management systems & quality assurance and environmental management
- Investment or reinvestment of profits in improving productive processes, creation of new products or expanding the production capacity
- Investment in training activities for their workforce
- Investment in acquiring additional production staff

20%

Companies that have had losses in a fiscal period will be able to deduct them in the following 5 years (20% each year)

3%

Certificate holders will only pay 3% import tax (as well as the local sales tax, ITBMS) on raw materials, semi-finished products, machinery, equipment and spare parts, packing, and other items necessary for the creation of their products

3

Case Study



- Nestlé is the world's largest food and beverage company — employing over 328,000 employees worldwide with factories in 86 countries
- Operating in Panama for since 1937, Nestlé currently employs more than 1,300 people in the country —operating a factory in Los Santos and handles its logistic activities from the Parque Sur distribution center
- Nestlé chose Panama as the third country in the world to establish its shopping hub, Nestrade — through which the company concentrates in one place raw materials purchases, packaging material, indirect materials and other services and operations that allow it to generate synergies and a more efficient management
- [The President and General Manager for Nestlé Central America, Leo Leiman](#), cited the following reasons behind the company's decision to be based in Panama in order to manage its international services for Central America for the following reasons:
 - Strong economic growth
 - Political and economic stability
 - Availability of a qualified labour force within Panama
 - Panama's outstanding logistical capability
 - Ease of access to suppliers and providers
 - Panama has an experienced track record in working on international services



- FISA specializes in the manufacturing of flavor materials for the food and beverage industry and are responsible for the development of some of the most recognizable beverage brands worldwide
- FISA began operations in Panama Pacifico in 2012 and currently manufactures flavor emulsions, flavor extracts and flavor juice base blends from its Panamanian base
- [FISA's Director of Operations and R&D, Ricardo Henriquez Portuondo](#), cited the availability of advanced facilities in Panama Pacifico and the proximity to the Panama Canal, for freight and logistics purposes as key reasons behind their decision to set up in Panama



- Headquartered in Maplewood, Minnesota, 3M is an American multinational conglomerate corporation who specialize in all aspects of technology — from research and development to production of high-tech, advanced products
- 3M employs more than 90,000 employees in 70 countries worldwide with sales exceeding US\$30 billion per annum
- 3M's initial investment was a light manufacturing facility in Panama Pacifico in 2008 — in 2013, 3M inaugurated a new 12,000 m2 headquarters, distribution center and regional manufacturing hub in Panama Pacifico, with the new facility bringing overall investment to US\$52 million
- Goods manufactured in Panama include automotive, medical and consumer products and are exported to markets in North and South America as well as Asia Pacific. Recently, 3M re-located its production lines for automotive sector equipment from other 3M subsidiaries to Panama to take advantage of both the greater proximity of its supply chain to destination markets in Latin America and Panama's outstanding logistical capability
- [Israel Meza, Site Manager & LATAM Quality Manager for 3M in Panama Pacifico](#) states that the company currently employs more than 100 staff in Panama — a figure that encompasses both 3M's manufacturing operations in Panama as well as its regional headquarters





Ricardo J. Alfaro Avenue, Plaza Edison | Phone: (507) 560-0687 | proinvex.mici.gob.pa

 proinvexpanama@mici.gob.pa  Proinvex Panama  @proinvexpma  @proinvexpma