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INVEST

FOREIGN DIRECT INVESTMENT

Panama is the country receiving the most FDI in Central America together with Costa Rica. According to UNCTAD's [World Investment Report 2023](#), FDI flows recorded a growth of 203% in 2022, to USD 2.64 billion (compared to USD 1.92 billion in 2021). At the end of the same period, the total stock of FDI was estimated at USD 61.68 billion, around 85.7% of the country's GDP. To counter the economic impact of the pandemic, the government launched several infrastructure construction projects (mainly of highways, railways, and bridges) and approved a new investment incentive scheme, mainly in the form of tax benefits, aimed at multinational companies that conduct operations from Panama and provide manufacturing services. The strategy of the General Directorate of Multinational Companies Sites (SEM), part of the Ministry of Commerce and Industries (MICI), is being bolstered by the establishment of six new multinational companies during the initial six months of 2023. These companies are projected to invest over PAB 14 million. The investments are primarily focused on sectors such as engineering, construction, insurance, reinsurance, and telecommunications, which are identified as the key areas for investment. The new companies originate mainly from the United States, China, Switzerland, the Netherlands, South Korea, Denmark, Japan, Spain, Germany, and France. To date, the two sectors with the highest levels of FDI are wholesale and retail trade and financial activities and insurance. Meanwhile, concerns have been raised after Minera Panamá, a subsidiary of the Canadian company First Quantum Minerals (FQM), will be required to cease operations at the Cobre Panamá mine following a ruling of the country's highest court in 2023, which declared the concession contract unconstitutional.

Panama enjoys important financial and investment freedoms: commercial operations are, in general, subject to the rules of transparency. In addition, the tax rate for households and businesses is moderate, and there are many tax and duty advantages in the Colón Free Zone (CFZ). The strategic geographical position of the country, its dollar-driven economy and the specialization of its economy in strategic sectors (banking and maritime traffic) are all factors that attract FDI. The country also has a modern infrastructure, strong political stability, and highly developed real estate, tourism, and banking sectors. However, Panama still faces a high level of corruption - particularly in the public service - a slow judicial system, and is subjected to its neighbors economic and political situations. Still, the government actively encourages FDI, and do not legally differentiate between national and foreign companies. Additionally, the country also encourages multinational companies to open regional headquarters in Panama, through a variety of tax incentives. Furthermore, in order to promote FDI in the country, the government created [ProPanamá](#), an Export and Investment Promotion Agency. Panama is known to be a hub for Latin American consumers looking for competitive prices on goods, services, and commodities. Panama ranks 84th among the 132 economies on the [Global Innovation Index 2023](#) and 52nd out of 184 countries on the latest [Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow <i>(million USD)</i>	150	1,927	2,640
FDI Stock <i>(million USD)</i>	57,113	59,040	61,680
Number of Greenfield Investments*	24	14	16

Foreign Direct Investment	2020	2021	2022
Value of Greenfield Investments (million USD)	1,288	200	4,328

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Panama	Latin America & Caribbean	United States	Germany
Index of Transaction Transparency*	4.0	4.1	7.0	5.0
Index of Manager's Responsibility**	4.0	5.2	9.0	5.0
Index of Shareholders' Power***	8.0	6.7	9.0	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN PANAMA

Strong Points

The economy of Panama attracts FDI and its main strengths are:

- Its strong political stability
- Privileged diplomatic relations with the United States
- Its economic dynamism: estimated growth of 4% in 2021, a controlled inflation level of 1.5% in 2020 (IMF) and a stable currency (in parity with the USD)
- Reduced taxes, including VAT (IVA) of 0% in the real estate sector
- Credit facilities: mortgage credit up to 30 years; credit up to 80% of the property value
- Real estate and tourism sectors in great development
- The ease of creating tourism projects, including tax exemptions
- The ease of creation of manufacturing industries
- A regional hub of international trade including free zones (including the free zone of Colón, 2nd world import-export platform) and modern infrastructure with the Panama Canal
- Quality finance and banking sectors, stable and attractive FDI

Weak Points

Panama's economy presents some obstacles to FDI attraction, including:

- Sensitivity to the North and South American economic and political situations
- Irregularities concerning property rights
- Application of the law below the regional average
- High risks of corruption and patronage, particularly in the public service

- Very slow judicial system
- Weaknesses in terms of education and vocational training
- Strong income inequalities across regions that can generate social and political tensions
- Labour market informality

Government Measures to Motivate or Restrict FDI

The Panamanian government and the business milieu actively encourage direct foreign investment. In general, the laws do not make any difference between national and foreign companies. In 1998, the government enacted the law of investment stability, which guarantees foreign investors who invest at least two million dollars in Panama equal treatment under the law and not by their domestic competitors. Under [law No. 41 of 2007](#), Panama has encouraged multinational companies to open their regional headquarters on its territory through a variety of different tax incentives.

40% of incoming products enjoy an ad valorem customs duty of 4%, only 23% of products are subject to a tax higher than 15% and the country grants exemptions to certain high-technology capital goods and certain information technology products.

Panama has also adopted laws related to general or specialised free trade zones (representing 2% of exports). Panama features the Colon Free Trade Zone, the Panama Pacifico Special Economic Zone and 16 other "free zones" (11 active and 5 under development). For example, companies located in the free trade zone of Colón benefit from exemptions from taxes on imports, re-exports and manufacture of products.

INVESTMENT OPPORTUNITIES

Tenders, Projects and Public Procurement

[Tenders Info](#), Tenders in Panama

[Inter-American Development Bank](#), Tenders in South America

[Globaltenders](#), Tenders & Projects from Panama

[DgMarket](#), Tenders Worldwide

Finding Assistance For Further Information

Investment Aid Agency

[Business Panama](#)

Other Useful Resources

[Invest in Panama & Offshore - Panama Offshore Services](#)

Doing Business Guides

[Panama Commercial Guide - ITA](#)

[Deloitte Tax Guide - Panama](#)

[Doing Business in Panama - UHY](#)

[Doing Business in Panama - PwC](#)

