



A DOORWAY IN THE WOODS

It is true that a rising tide lifts all boats but in Panama so do canal locks. The small republic deals with transporting, rather than producing, commodities and moves them swiftly between the Atlantic and Pacific oceans along a water highway that is just under 50 miles long. At the end of 1999 when Panama took control of the canal from the US, only 11% of the container traffic between Asia and the US East Coast used it whereas today that figure has quadrupled. The canal facilities, after the construction of a third set of locks, has just about doubled its previous capacity 330 million tons a year and almost every large ship afloat will be able to pass through it. Panama is the region's largest banking centre and privacy-conscious Latin's are attracted by Panama's strict confidentiality laws plus a territorial tax system that does not count income earned beyond its borders. Such tax benefits have classified the country as a *paraiso fiscal* (tax haven) in some quarters. The briefest of analyses, however, will reveal how history, and not design, brought about Panama's tax regime and this writer, as a former offshore regulator, who has worked offshore for 30 years, would not cast Panama, for example, in the mould of the Caribbean's traditional tax havens which have been a feature of international business and investment activity for some 40 years. Panama, together with places such as Jersey in the Channel Islands, had its tax system in place long before "offshore centre" was part of everyone's vocabulary. This is certainly not the case in many of today's island offshore centres; some, such as the Cayman Islands, have never even introduced income taxes. Like its tax system, Panama's Delaware-based company law was also introduced in the early part of the last century and remains fundamentally, unchanged. As for banking, besides an early strong American presence and the present-day demands of a population in the millions (the population in the largest British crown dependency finance centre – the Isle of Man – is miniscule by comparison), it is a regional business centre, fuelled in part by its canal-related activities, which includes having the largest free trade zone in the Western Hemisphere. And unlike some offshore jurisdictions, brass plate banks are not allowed; every one of the 100 or so banks in Panama has a staff and brick and mortar presence. Panama has never focused on traditional offshore financial services for revenue any more than it has, until recent times, on tourism; more than half the banking business today is domestic and although traditional offshore banking and related services make their contribution, they are not the economy's driving force. But what is beyond doubt is that the country is widening its international appeal, based on economic and other indicators. Combine the opportunities in Panama with our expertise. We subscribe to Ralph Waldo Emerson's observation: "If a man write a better book, preach a better sermon, or make a better mouse-trap than his neighbour, 'though he build his house in the woods, the world will make a beaten path to his door". Knock on our door for superlative service. We ensure that our workload is commensurate with the work force available to deal with it, so you will

understand when I tell you that we're losing business but we don't mind. We offer knowledge, efficiency and reliability with a proven track record of over 30 years in business. Please visit the rest of our website to learn more about us, what we offer and our views and observations in relation to offshore financial services. After reviewing our menu, please complete and e-mail our confidential Information Request above for further assistance. Remember when you're telephoning us to first dial your country's international dialling code before our country code (507).