

The Colon Free Zone

The Colon Free Zone (CFZ), established in 1948, is the largest free zone in the Western Hemisphere and the second largest worldwide. Located in Colon, on the Atlantic side of the Isthmus, and at the northern entrance to the Panama Canal, the CFZ operates as an autonomous institution, providing a segregated commercial area where wholesale trade is transacted under special duty and tax provisions.

Approximately 500 international firms are presently operating in the CFZ, and a further 1000 or more companies are represented by CFZ firms. These firms mainly use the Zone as a marketing, storage and distribution centre for their Western Hemisphere operations. Some deal only in their own products, while others contract out their handling/warehousing facilities and distribution networks in e.g. South American markets, to other firms.

Among the advantages the Government of Panama provides firms located in the CFZ are: exemption from local taxes or other charges on goods entering, being transferred through, stored in, or departing the CFZ, or on commercial transactions prepared within the CFZ; exhibition facilities, facilities to store in bulk, and facilities to re-export in smaller quantities goods stored in bulk; taxation at preferential rates of income produced by CFZ firms from foreign trade operations.

In 1984, U.S. \$2.9 billion worth of goods was imported into the Colon Free Zone. U.S.\$1.5 billion of this amount was re-exported to other, mostly Latin American, markets. The Canadian Embassy in Costa Rica would be pleased to provide fuller details of the CFZ to exporters interested in the possibility of including this facility in their Latin American marketing strategy.

Foreign Investment, Joint Ventures and Technology Transfer

Panama enjoys a number of advantages which have attracted substantial foreign investment. Among these are: its geographic situation at the shipping crossroads of the Western Hemisphere; its strengths as an international banking centre, including the presence of most major international banks; good air connections; relative ease in doing business in English; a currency based on, and interchangeable with, the U.S. dollar; the availability of the Colon Free Zone, and the special facilities it offers; and