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" E-commerce could be bigger than the Panama canal."

—*Senior e-commerce executive, Panama*

" Panama needs to increase investment in science and technology to raise the qualifications of the workforce."

—*IT executive, Panama*

Panama is trying to position itself as the Connectivity Hub of the Americas, by expanding on its forty-eighth position overall in the Networked Readiness Index. With several fiber-optic backbones passing alongside the Panama Canal, access to first-mile broadband is widely available, and prices have dropped considerably in the last few months of 2001. Most Internet and telephony access, however, is centered in Panama City, and little effort is being made to deliver last-mile connectivity throughout the country. While Panama has more than twenty-five ISPs offering a variety of connection options, services tend to be focused in the capital.

Rural connectivity is the focus of some government programs; efforts are being made to spread the use of ICT to all sectors of the population through community telecenters. The Infoplazas program is one such initiative. To date, twenty-six telecenters have been installed in rural and semiurban locations, with an additional thirty planned for 2002[1] (Ranking in Public Access to the Internet: 37). A recent census found that only 8.6 percent of the 700,000 homes in Panama, 80 percent of which are in the Province of Panama, have a computer.[2] Many believe that telecenters could be crucial in providing greater access to rural areas.

As a result of the nation's history as a competitive banking and financial services center devoted to attracting foreign business, many Panamanians have identified the need to adopt and use ICT more quickly than their neighbors. Although most small businesses do not have access to the Internet, many have realized its importance. With the nation's zero-tax jurisdiction, no double tax treaties for commercial activities, and no VAT on goods or services exported, proponents feel that Panama could be an attractive environment for e-commerce.[3]

The Government of Panama has taken steps to enable e-commerce by creating Technology and Telecommunications Zones (TTZs). The City of Knowledge is the largest of those zones. Technopark, a technology park built on the former U.S. Army base at Fort Clayton outside Panama City, offers companies fiscal benefits, immigration advantages, and an established infrastructure. Since opening in January 2000, it has succeeded in attracting more than twenty-five multinational companies.[4]

An e-commerce law was signed in July 2001 that grants electronic documents and signatures the same validity as written documents (Ranking in Legal Framework for IT Business: 48), the first such law in Central America. Since the law's passage, several call and data center operations, as well as web-hosting and e-commerce firms, have been launched.

In May 1997, Panama sold 49 percent of INTEL, the state-owned telecommunications company, to Cable and Wireless (C&W). Panama now has a monopoly on local and international wireline services until January 2003, when the entire telecommunications sector will be opened up to full competition (Ranking in Effect of Telecommunications Competition: 50). The current monopoly is curtailing investment from the private sector and limiting the diffusion of telecommunications services to noneconomically viable rural areas, so increased competition should hasten Panama's movement into the Networked World. Currently, other services are provided by private companies on a competitive basis, including cellular, paging, satellite, and value-added services.

Key Facts

Population	2,856,000
Rural population (% of total population) 1999	43.96 %
GDP per capita (PPP)	US$6,169
Global Competitiveness Index Ranking, 2001–2002	53
UNDP Human Development Index Ranking, 2001 (adjusted to GITR sample)	41
Main telephone lines per 100 inhabitants	16.42
Telephone faults per 100 main telephone lines	52.00
Internet hosts per 10,000 inhabitants	52.82
Personal computers per 100 inhabitants	3.15
Piracy rate	64.00 %
Percent of PCs connected to Internet	1.37 %
Internet users per host	36.44
Internet users per 100 inhabitants	1.60
Cell phone subscribers per 100 inhabitants	8.27
Average monthly cost for 20 hours of Internet access	US$24.00

RANK

Networked Readiness Index	**48**
Network Use component index	**55**
Enabling Factors component index	**48**
■ **Network Access**	**48**
Information Infrastructure	50
Hardware, Software, and Support	45
■ **Network Policy**	**50**
Business and Economic Environment	50
ICT Policy	49
■ **Networked Society**	**48**
Networked Learning	60
ICT Opportunities	40
Social Capital	44
■ **Networked Economy**	**52**
e-Commerce	48
e-Government	53
General Infrastructure	54