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COMMERCE AND INDUSTRY FOR PANAMANIAN AND FOREIGNERS

By MARIA JOSÉ JIMENEZ de Torres, C.P.A.

Senora Maria José Jimenez de Torres, one of four women C.P.A.'s in Panama, is a member of the firm of Westman Brothers, Accountants, and Professor of Accounting at the Professional School. She is co-author of a textbook on Operations of Business Machines used by the Professional School, and is currently preparing a study of the teaching of accounting in the high schools of Panama which will be submitted for consideration at the Inter-American Conference on Accounting to be held in Sao Paulo, Brazil, in November, 1954. Senora Torres was recently elected to a board whose duties include outlining the educational policy of the Justo Arosemena Institute, the first Private School in Panama, which will start functioning in February, 1954.

Senora Maria Torres is a graduate of La Salle School, Chicago, and received a degree in Economic Science from the University of Panama, where she was an honor student and later obtained a professorship in Accounting. Senora Torres, who has combined an active professional career with the duties of wife and mother, is an International Associate Member of the Grand Rapids chapter of ASWA. This report on Panama was presented by Senora Torres at a monthly dinner meeting of the Chicago chapter of ASWA.

First I must thank you as a body, and also Miss Anna Goldman, for granting me the privilege of speaking to you. While I am not an accredited representative of my country, let us say that I am at least a good-will ambassador, for your country and mine are closely united in many ways, and I am especially interested in the things we have learned from contacts with the people of the United States. You doubtless know that many thousands of your countrymen live in Panama who work for the Panama Canal or are engaged in commercial or industrial enterprises.

Before commenting upon a few of the commercial aspects of Panama, allow me a few minutes to give you a general idea of my country.

Panama covers only 28,468 square miles, approximately one half the State of Illinois, which has an area of 56,400 square miles. The population of Illinois is roughly 8 million, averaging 140 inhabitants to the square mile; Panama's population does not exceed 805,000 inhabitants, a little more than 3 persons to the square mile.

Panama formed part of the Republic of Colombia, from which it seceded the third of November, 1903, to become the youngest of the American Republics.

Our Government comprises a President, who is directly elected for a period of four years, and who is ineligible for the succeeding term. He is assisted by a Cabinet of 7

Ministers. The Legislative Branch is represented by the National Assembly and is composed of 52 duly elected assemblymen, who meet annually for three months. We also elect a first Vice-president and a second Vice-president for the same term.

The climate of Panama is distinctly tropical and the average temperature varies slightly throughout the country. It never gets as hot in Panama as it does here in Chicago, but we do have a relatively high humidity. Our nights are always comfortable.

Foreign Influence on Panama's Economy

Different governmental administrations have been aware of the fact that young nations like ours, with exactly fifty years of independent life, need outside help for intellectual and economic development. We feel that this outside influence will bring us much of the vigor that we need, and not a small amount of culture and know-how.

Before 1903, a large portion of the commercial activities in the terminal cities of Panama and Colon were in the hands of well known Panamanian families; after that date, the opportunities for work that were made available with the building of the Panama Canal brought great numbers of foreigners to our shores. They entered the commercial fields in open competition with the Panamanians.

Foreigners were protected by Article 16

of our very liberal Constitution of 1904 which stated that "All Panamanians and Foreigners are considered equals under the law", and by Article 29 which stipulated that "All persons can pursue any honest profession or occupation without belonging to a guild of masters or doctors. . . ."

This commercial volume benefited Panama threefold. First, through the rentals paid for the business establishments, although some foreigners constructed their own houses. Second, through the wages and salaries paid in these establishments, though many foreigners employed members of their immediate family, or, when Panamanians were hired, the pay was neither high nor just. And thirdly, through the import duty on merchandise brought into the country, which was paid to the Government, sums that were used in public works and thereby gave employment to Panamanian laborers.

The Income Tax Law in my country dates from 1936, and, until 1946, the highest percentage paid was 7% on net incomes above \$38,400.00 (dollars). From 1947 to this year, the percentage was increased to 16% for net incomes above one million dollars. If we consider that in a country with 805,000 inhabitants, there are few enterprises that earn one million dollars, it will be easy to understand that the yield to the Government from this source is very small.

The National Assembly approved Law #2 of January 19, 1953, whereby the previous Income Tax Law was modified and the present rates vary from 2% to 32%.

Governmental Regulation of Foreign Commercial Participation

Law 24 of 1941 regulates the exercise of commerce, the exploitation of industries and the practice of the professions. When this law was being discussed in the National Assembly, two well-defined tendencies were apparent; the first one favored an escape clause whereby those foreigners who were naturalized and who had more than 15 years of residence in Panamanian territory would be excepted, because, it was argued, they contributed much to the economy of the country and its social formation, the second one, which fought for the closed door principle, denied the need for foreign capital and favored nationalizing commerce.

Though it is true that there are certain enterprises financed by foreign capital, it is absurd to state that foreigners developed commerce in the Republic through the sole use of their funds. Generally speaking, the foreign merchant who arrives on our shores comes with the thought of making a for-

tune, and is attracted by the rumors that it is easy to do so in Panama.

The volume of our commercial activities, which was in the vicinity of five million dollars in 1903, has now surpassed sixty million dollars. Panama, with its relatively small population, cannot consume such sums. The construction of the canal has made possible such volume of business, due, in part, to the daily ocean to ocean transits.

In view of the good results accruing to Panamanians from Law of 1941, the last Constituent Assembly, which met in 1945-1946, clearly stated in the Constitution of 1946, the dispositions that were to be followed in the future. Article 234 of that Constitution reads as follows:

"Retail commerce can only be conducted by:

1. Panamanians by birth;
2. Those individuals who, when this Constitution becomes effective, are naturalized Panamanians and are married to Panamanian nationals, or have children with Panamanian nationals;
3. Naturalized Panamanians, who are not covered by the previous article, after five years of having obtained their final naturalization papers;
4. Naturalized Panamanians, who are not covered in the above provisions, and who, when this Constitution becomes effective, were conducting retail trade according to Law, and those foreigners who are in the same circumstances;
5. Juridical persons formed by Panamanians or foreigners allowed to conduct retail trade individually, in accordance with this article, and those, who, without being constituted in the above-mentioned manner, legally are conducting retail trade when this Constitution becomes effective. Foreigners, who are not permitted to conduct retail trade, nevertheless, may participate in those companies selling their own manufactured products."

"Retail trade may be conducted by the nationals of those countries who have on the Isthmus of Panama enterprises or organizations in which Panamanians are given facilities to obtain employment, when and if those nationals are legally established in territory under the jurisdiction of the Republic of Panama."

Section three of this Article establishes that naturalized foreigners may conduct retail trade after five years of obtaining final

papers. In this manner, the foreigner who has become a naturalized Panamanian may be elected to the National Assembly. In other words, he may legislate, hand down decisions as a judge, enforce the law, but under no circumstances may he be President of the Republic, nor open a retail store to sell a can of milk or a pound of rice. Of course, these hypothetical cases have never presented themselves, but the law is clear about them.

With respect to wholesale trade, the present Constitution is ample and liberal, and it takes into consideration that there are many foreign enterprises established on the Isthmus which offer employment facilities to Panamanians. One of the Articles of this Constitution states that "wholesale trade may be conducted by all natural or juridical persons." But it also states that "when the necessity exists of protecting wholesale trade conducted by Panamanians, the law may restrict the exercise of such activity by foreigners. . . ." "The restrictions, under no circumstances, will affect adversely those foreigners who are really conducting wholesale trade, when the pertinent dispositions become effective."

Our Constitution prohibits "all combinations, contracts or actions which tend to restrict or make impossible the free exercise of commerce and competition and which have monopolistic effects upon the general public." It also prohibits the exploitation by one person, whether natural or juridical, of retail chain-stores or establishments, in a manner that will eliminate or make ruinous the competition of the small merchant or industrialist. We do have chain stores that sell foodstuffs.

As I said before, there have been in Panama many organizations that belonged to foreigners, which, usually employing their own family or countrymen, when they did give work to Panamanians seldom paid a just salary. This condition forced our lawmakers to regulate relations between capital and labor so as to guarantee the workers the necessary conditions for a normal life and to give capital its due compensation for its investment.

Law #67 of November 11, 1947, established the "Labor Code", which fixes the rights and duties of both employers and employees. Among the main points of this law I could mention the following:

1. As soon as work starts the employer and the worker must sign a contract specifying the duties of both.
2. The Code takes into account the motives that could cause suspension or

end of said contract; for example; "The working contract is declared finished when the worker does not go to work for two consecutive days without permission from the employer or without a justifiable cause, or for four Mondays in a year, or for two alternate days in the same month. The day after any holiday will be considered also as Monday."

3. "Every commercial or industrial enterprise functioning in the country will have at least 75% of its employees Panamanians either by birth or naturalization; or foreigners married to Panamanians, or with 20 years or more of residence in the country, and they will also receive at least 75% of the totals paid as salaries. Experts or necessary technicians, approved by the Labor Office, will be exempted.
4. The workers will have the right of one free day per week; they shall also have one month's vacation with pay, provided they have worked for eleven months; these vacations can be accumulated for two years.
5. In case of sickness the worker can remain at home for fifteen days a year, salary paid.
6. All employers must carry workmen's compensation insurance.

Industrial and Commercial Conditions Today

Industry in Panama is being intensely developed. Among the products that are exported, special mention must be made of the following: bananas, abaca, cocoa, coconuts, tobacco, sugar-cane, rubber, ivory nuts, turtle shells, pearls, mahogany and cement. We ship much shrimp to the United States every week.

Coffee and rice production have increased considerably in the last few years, making the importation of these products unnecessary. Local sources of supply can now satisfy current consumption.

Among the latest industries established is the Nestlé Company, financed by foreign capital, which not only cans evaporated milk for the entire Republic but has added to this industry the canning of tomatoes. This Company has greatly increased tomato production in the Interior of the Republic by furnishing seeds and technical advice to the small farmers so that a better crop can be obtained. Then it buys the crop from the farmers and sells the product to the public in the form of tomato paste or sauce, of very

good quality, although not yet up to your standards.

The local cement plant is wholly owned by Panamanian capitalists and its production has increased to the point where it exports cement, while satisfying local consumption. A proof of this is the manner in which the paving of the Panama section of the Inter-American Highway is being intensified. We hope that in a few years we will have a concrete highway linking our Northern and Southern neighbors of Costa Rica and Colombia. Many business firms and private citizens, natives and foreigners alike, have contributed cement in a drive to build this highway in Panama. A native Chicagoan who is very active in civic affairs in Panama, Mr. Fred Gerhardt, is a member of this committee directing the cement contribution drive.

There are also some private North American companies, of which I shall mention only three: the United Fruit Company, which operates rather successfully through its subsidiary, The Chiriqui Land Co. For the management of its banana and abaca plantations, it very often employs Panamanian foremen, for whom it provides houses, schools for their children, and all necessary conveniences. This Company is also the highest taxpayer of the country.

The West India Oil Company, which is a subsidiary of Standard Oil, principally employs specialized personnel.

The Power & Light Company is a subsidiary of Electric and Share Company, and a great number of Panamanians are employed there. This enterprise is so well established, that many people who pass through our Main Street, where the offices are located, have never thought of it as not genuinely Panamanian.

These three private enterprises, all controlled by North American capital, have largely succeeded in drawing public opinion away from the fact that they are foreign corporations.

There are also liquor, beer and soda bottling plants, mostly owned by Panamanians. Incidentally, my first employment was with a company of this type, The Panama Coca-Cola Bottling Company, where I worked as Assistant to the Accountant, and later as Chief Accountant. Upon resigning this position, I became a Junior Auditor with the American auditing firm of Westman Brothers, with which firm I am now a partner.

The types of business that abound in Panama are wholesale and retail department stores. Lack of raw material prevents

us from manufacturing the many products that are needed to subsist. We thereby find it necessary to import the major portion of the things we need, which come in their majority from this marvelous country of yours. This country not only has sufficient for its inhabitants, but supplies the entire world with the benefits of our advanced mechanical age and furnishes us with radios, refrigerators, washing-machines, automobiles and innumerable other items.

Professional Accounting Requirements and Opportunities

Before I finish, I wish to say a few words about Law #10, which regulates our Profession, and which goes back to January 7, 1935.

Every candidate for a C.P.A. Certificate must have the following qualifications before taking the examination:

Be a resident of the Republic of Panama; be of age and good conduct; have a Diploma from a University, High School or College, or, if acceptable by the Accounting Board, an equivalent preparation for his commercial experience and general studies. To prove this, the Accounting Board has the right to examine the candidate.

To have practiced continuously in the five years previous to application as an accountant, and for at least two of these years as assistant to a C.P.A.; or, if acceptable by the Accounting Board, to have an experience equivalent to the above; that is, an experience large and varied enough as to have the right to practice as a C.P.A., in case he passed the corresponding examinations.

There is under study now the possibility of requiring all candidates to be Panamanians by birth or naturalization and allow to practice only those foreigners in whose countries the Panamanians would have the same privileges.

The examinations are generally based on those taken in the United States, many of which have been published in book form. They are chosen from the following subjects, and are held for a period of four days:

1. Theory of Accounting
2. Practical Accounting
3. Auditing
4. Commercial Law

In closing I may say that while this is the age of specialization and I know that practically every accountant in the States has her special line of work we cannot

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IDEA EXCHANGE

By THEIA A. CASCIO, Beverly Hills, California

Any day of the year is the proper time to do some thinking about procedures and other short-cuts for your job. Some changes can be put into effect immediately, others take months. But all require planning of some sort.

As each day's work is being accomplished, ask yourself if it is being done efficiently, or if this particular job has to be done at all. Many firms are spending money uselessly on unnecessary practices.

Is it necessary to send out monthly statements?

Many companies find that few customers require statements in addition to invoices. Thus, statements are sent only to those customers who request them, or who have past due balances. In some instances where monthly charges are nominal, a quarterly statement might be mailed.

Are your monthly journal entries repetitious?

This could be true of such items as depreciation, cost and inventory accounts, accruals of rent or insurance, etc. The re-writing of these recurring entries can be eliminated by having a twenty-four column journal (a debit and credit column for each month). The basic entry and explanation is written just once.

Is the Petty Cash Fund fully utilized?

Give thought to eliminating elaborate

routine of separate vouchering by paying miscellaneous small items from Petty Cash. Tapes can be run only once a week for the various expense classifications of items so paid, and the totals recorded in the cash disbursement book when the petty cash fund is reimbursed. Paid-out slips from petty cash and the tapes are stapled and provide the supporting data for the cash book entry.

Is statement time—page-flipping time?

Arrange your General Ledger so that a trial balance gives you a detailed financial statement by entering Asset and Liability accounts first, followed by Income and Expense classifications. With a pre-typed or mimeographed form listing this order of accounts, the monthly totals can be inserted for each classification as the trial balance is taken. The difference between the Assets and Liabilities being the net profit. The number of columns will be dependent upon the information desired. Two columns (a debit and credit) can be allowed for the current month, the year to date, and comparative data from preceding years.

Short-cuts, however, are only time-savers if they give you the required information and records. Look, analyze, work it out,—then let *us* know about *your* Time-Saver.

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specialize in Panama, simply because the country is too small, remember it is only one half the size of Illinois. So every accountant must be able and willing to take on any type of accounting or auditing.

I have tried to give you a thumbnail picture of my country and our profession in Panama. I know that I haven't answered all your questions, but if I can be of service to any of you at any time, please feel free to call on me, either while I am here or in Panama, where the land was divided so the world could be united.

Moderation is the pleasure of the wise.

(Continued from page 3)

You won't want to miss the exciting and thought-provoking activities being planned by the hostess chapters. Details of what is in store for you will appear in the next issue.

MAY 21-23
LOUISVILLE, KENTUCKY

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JUNE 19-20
LONG BEACH, CALIFORNIA

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