

# ***MESOAMERICA***

*Volume 25, Number 7, July 2006*

---



## **PANAMA**

### **Panama Signs Free Trade Agreement with Chile**

After ten years of prolonged negotiations and 15 rounds of trade talks, Panama and Chile signed a free trade agreement on 27 June in Chile. The agreement lowers tariffs in both markets so that all products are nearly tax free.

Immediately, 92.5% of Panamanian products enter Chile tariff-free. After 10 years, the treaty states that 98% of Panamanian exports will enter Chile without tariffs. The equivalent figures for Chilean exports are 60% immediately and 93.3% after 15 years.

The 15<sup>th</sup> and final round of talks began on 4 Feb, a month after Panamanian President Martín Torrijos and former Chilean President Ricardo Lagos agreed to renew and complete trade negotiations. Alejandro Ferrer, the Panamanian Minister of Commerce and Industry, signed the treaty with the Chilean Minister of Foreign Relations, Alejandro Foxley, in the presence of Samuel Lewis Navarro, Panama's Vice President and Minister of Foreign Relations. Panama is the last Central American country to sign a free trade agreement with Chile.

Chile is the fourth largest user of the Panama canal: 35% of Chilean maritime trade and 85% of Chilean goods sent to the US pass through the canal. According to Chancellor Foxley, "For a global economy like that of Chile's, this agreement is a great window to other markets." In '05, 19.2 million tons of cargo originating from or destined to Chile traveled through the canal. Panama paid \$115.5 million for Chilean imports, yet only received \$10.8 million for goods exported to Chile.

Panama imports wine, copper, salt and lumber from Chile, and exports fish, perfumes, medical supplies, rum and chinaware to Chile. Panama's ambassador to Chile, Bruno Garisto, believes "the free trade agreement will boost Panamanian participation in international markets, and Panama will begin to develop a culture of exportation." These exports include baby-food, plastics, textiles, stoves and copper products.

Trade between the two nations increased to \$24.22 million during the first quarter of '06. This figure marks a doubling of commerce from the previous year.

## **Mine Workers End Six Year Strike**

On 1 July, 63 striking workers resumed activities at the Santa Rosa Mine in Cañazas. After a six year labor dispute, the Supreme Court of Panama ruled that the miners can legally work despite the fact that the court is in possession of the mine's seven properties.

The issue dates back to '99 when the price of gold dropped below \$ 300 per ounce and continued to fall, forcing the Canadian company Greenstone Resources Ltd. to shutdown its operations. Instead of declaring bankruptcy or telling the workers they were dismissed, Greenstone Resources gradually moved equipment out of the country, paid incomplete salaries and stopped paying into the Social Security system. If the company had declared bankruptcy, the judiciary would have seized all of its assets. The workers noticed problems with the company when they could not use their social security cards for healthcare purposes. In Apr '99, they began the legal process to obtain \$500,000 in severance pay, and to prohibit Greenstone from removing equipment. With the issue unresolved, the workers declared a labor strike in Apr '00.

Following a lengthy legal process, the government seized the company's assets and gave the workers the legal right to resume mining activities. Worker spokesman Benigno Vargas states, "This fulfills our long-awaited dream, which is the dream to work." With the profits generated from small-scale mining, the workers hope to obtain \$2.7 million in overdue severance pay and to earn additional income.

However, the company's legal representative, Leovigildo Atencio, believes that "the mine is not bankrupt and everything the workers are doing is an illegal attempt to gain control of the mine." The Supreme Court disagrees: since the mining company did not declare bankruptcy, the workers have the right to resume mining operations on the property.

## **Panama Hosts Central American Summit**

On 11 July, Panama hosted the 28<sup>th</sup> Central American Integration System (SICA) summit, with heads of state from Mexico, Guatemala, Honduras, El Salvador, Costa Rica, Panama and Colombia and representatives from Nicaragua, Belize and the Dominican Republic in attendance. The participants agreed to create a regional electricity company; to eliminate migration controls between Guatemala, Honduras, Nicaragua and El Salvador; to create a commission devoted to the study of possible reforms to the Central American Parliament and the Central American Court; and to begin talks with the European Union regarding free trade agreements.

SICA is a loose trade organization formed in '91 with the objective of achieving Central American integration. President Óscar Arias of Costa Rica assumed the rotating presidency of SICA from President Martín Torrijos. Torrijos stated that after six months in charge of the organization, SICA has made progress in adopting strategies to promote alternative energy like ethanol and in coordinating efforts to create an integrated Central American electricity market.

To hasten the integration process, SICA representatives agreed to update local laws consistent with legal and national regulations stated in the framework treaty. When the process is complete, energy projects in one member country can benefit other Central American nations. For example, a Panamanian

hydroelectric project in Veraguas will provide a capacity of 300 megawatts of energy at a cost of \$320 million for Central American countries. Guatemala's President Oscar Berger expressed his hope of receiving energy from the Veraguas project through the Electrical Interconnection System for Central America (SIEPAC). SIEPAC is an 1,830 kilometer (1,138 miles) energy line transmission project expected to connect Guatemala and Panama by '08.

### **Hydroelectric Projects as a Source of Controversy**

To face the problem of increasing energy costs, the Panamanian government is promoting the construction of new hydroelectric plants. Yet, analysts and civil society spokespersons believe that the government and private investors "are promoting a mistaken energy policy that is detrimental to true national interests." Furthermore, the National Forum Against Dams (FONACOR) views the number of planned governmental projects as exaggerated.

The biggest problems include deficiencies in planning and consultation for the projects, lack of environmental safeguards and human rights violations. Osvaldo Jordan, the spokesman for the Alliance for Conservation and Development (ACD), indicated that dams negatively affect communities and the environment. Deforestation and artificial barriers to fish flows cause irreversible environmental damage. Communities face involuntary relocation, restricted access to resources and changes in their standard of living. In terms of human rights violations, 64.4% of the projects are located in the poorest provinces of the country. According to Aderito Pastor Cabrera of the Ministry of Economy and Finances (MEF), indigenous communities comprise a majority of the population in these provinces.

Law 45, passed in '04, established a set of incentives for the development of hydroelectric projects. FONOCOR disagrees with the law because it benefits hydroelectric companies instead of promoting other alternative energy solutions with lower environmental impacts. Additionally, there is no guarantee that the price of energy will drop with an influx of hydroelectric projects.

—*Kim Silvi*