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PANAMA

Official Proposal for Canal Expansion Announced

On 24 Apr, President Martín Torrijos officially received the much-anticipated proposal for widening of the Panama Canal—the result of more than five years of studies contained in 55,000 pages of documents.

The proposal, which was prepared by the Panama Canal Authority (ACP), calls for the construction of a third set of locks to increase the capacity of the existing canal and allow the most recent generation of merchant ships to pass through it. The new locks would be 40% wider and longer than the current locks, making them large enough to handle “post-Panamax” ships—enormous vessels that can carry 10,000 20-foot-long containers, or twice as many as Panamax ships, the largest ships that fit through the canal today.

The ACP, which has administered the canal since Panama assumed full control of it in '99, expects the project to cost \$5.25 billion. According to the proposal, the expansion will be financed entirely by tolls—which the ACP plans to gradually increase—and loans from private banks. No funding will come from taxes or the national treasury.

Before construction can begin, the plan must be approved by the citizens of Panama in a referendum vote. Torrijos underscored the importance of the referendum in a country that has seen its 103-year history written largely by other nations: “This is the first time that there are neither external forces nor other interests coming before our interests.”

The president announced that the expansion of the canal would be done in a way so as not to submerge the lands of farmers who live near the canal, saying he would send a bill to the National Assembly to repeal the Reservoir Law of '99. Under that law, 8,000 inhabitants of the western basin of the canal would have been displaced.

In a speech given as he received the proposal, Torrijos listed various reasons for the proposed expansion of the waterway: the extraordinary growth of international trade, the ever-increasing amount of cargo that passes through the canal, and the global trend toward construction of ships too large to fit through the existing canal. Torrijos emphasized that if Panama does not face the challenge of widening the canal,

competing routes will inevitably arise: “The more we delay the decision, the longer we take to begin construction, the greater the risk we run as owners of a business whose profits depend on its competitiveness and efficiency.”

The ACP also has warned that the canal is currently working at over 90% capacity and that in six or seven years it will reach its limit. “We are not going to be able to manage the demand that is being projected,” stated Rodolfo Sabonge, director of corporate planning and marketing for the ACP.

Not everyone is convinced, however. Opponents of the expansion argue that the investment will bring too much debt to the country and endanger resources for social investments. While the government would not be taking on the debt, the amount of money contributed by the ACP to the National Treasury could be affected.

Fernando Manfredo, who was the first Panamanian administrator of the canal, is an outspoken opponent of its expansion. “No one can guarantee that the investment will be recuperated. It’s very risky—trade patterns can change due to recessions, wars, inflation.”

Manfredo and four other authors published a report in two Panamanian newspapers on 20 Mar, charging that the beneficiaries of a canal expansion would be large shipping companies, the US government, large construction firms and local banks—not the Panamanian people.

The report, entitled “Regarding Our Canal and Our Mega-port,” offers five main criticisms of the ACP’s ’04 Master Plan for the Panama Canal. First, the market projections that make expansion to post-Panamax capacity seem necessary are not sufficiently rigorous. Second, the cost-benefit analysis is not supported by the current flow of international trade, which is not always predictable. Third, studies of global demand do not provide the information needed to validate the move to post-Panamax dimensions. Fourth, only 289 post-Panamax ships currently exist, meaning that more than 90% of the world’s ships can still pass through the canal. Fifth, the routes of post-Panamax ships are clearly defined; shipping companies take into account the flow of trade along these routes when they order the construction of post-Panamax ships.

The “Regarding Our Canal” report also points out conflicts of interest among members of the International Advisory Board of the ACP: “Eleven of its members are linked directly or indirectly to large, international shipping consortiums and alliances.... Another member of the Advisory Board, former Secretary of the US Army Joe Reeder, answers to the interests of the Pentagon, which wants locks that would permit its modern aircraft carriers to pass through the canal.” Furthermore, various large construction and financial firms are represented in the ACP’s Board of Directors.

The authors of the report advocate the construction of a mega-port on the Pacific entrance of the canal as an alternative to widening the waterway. The price tag for the construction of the mega-port would be about one-seventh that of the canal expansion. Post-Panamax ships could use this port to unload cargo onto smaller ships, which would carry the cargo through the canal and on to its destination.

Such a port was already planned by the Maritime Authority of Panama (AMP) when the “Regarding Our Canal” report was published. Rubén Arosemena, administrator of the AMP, clarified that the port was separate from the canal expansion: “This new port terminal in the Panamanian Pacific is not an

alternative to the widening of the Panama Canal, nor does its viability depend on the widening.” The pre-bidding process for the mega-port began on 2 May.

Director Wants to Rescue National Police

The director of the National Police, Rolando Mirones, presented a plan designed to overhaul Panama’s police force, which has found itself mired in one scandal after another in recent months.

Before late ’05, the police force enjoyed perhaps its highest levels of acceptance and public confidence since ’90, when dictator Manuel Noriega surrendered to invading US forces. Between Sep ’05 and 21 Apr ’06 —when Mirones presented his plan—103 police officers lost their positions after being found guilty of offenses ranging from drug trafficking to extortion and armed assault.

Mirones’ plan, dubbed the Institutional Rescue Plan (PREI), proposes major changes in three areas: the recruitment and training process, human capital and internal evaluation.

Under the PREI, future officers would spend eight months in the police academy, rather than the current six. Recruits would be given polygraph tests and medical exams, and would be profiled by psychologists, physicians and social workers.

The plan’s Human Capital Improvement Program—perhaps the most ambitious element of Mirones’ scheme—aims to improve the quality of life, working conditions and level of professionalism of police officers. The program would create a series of workshops on family life and domestic violence, develop the defense and national security program at the University of Panama, improve police barracks and cafeterias, and provide medical attention, affordable housing and education to police.

Lastly, the PREI would revamp the way officers’ performance is assessed and expand the Department of Professional Responsibility, allowing citizens nationwide to report police abuses and involvement in crimes.

Panama Restarts Trade Talks

While discussion of trade in much of Central America is focused on DR-CAFTA right now, Panama is initiating a bit of free trade negotiation of its own—re-starting talks with Costa Rica, Guatemala, Honduras and Nicaragua, and continuing talks with the US.

Panama announced the relaunching of trade talks at a Panama City conference of Central American presidents on 3 Apr.

Negotiations of free trade agreements with Costa Rica and Nicaragua were suspended in ’02, and with Guatemala and Honduras in ’04. Panama signed a free trade agreement with El Salvador two years ago.

—*Emily Heinlein*