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Panama's Commerce Cup Runneth Over; A Backlog Of Trade Deals

by Mike Leffert

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Having just concluded a free-trade agreement with Chile, Panama finds itself pressed, pressured, and wooed by others to do the same with them. The boy next door on the list of suitors is Central America. Pining from afar is the US.

Central America has grown insistent. "We have pressed Panama to continue negotiating by way of a note sent to the authorities of that nation, and we are awaiting a reply," said Costa Rica's Foreign Trade Minister Manuel Gonzalez. Costa Rica is the current president pro tem of the Sistema de Integracion Economica Centroamericana (SIECA). Gonzalez acknowledges that Panama is under no obligation to reply, but his country is particularly eager to take the relationship to another level because of a shared border that has been the scene recently of a dispute.

Panamanian truckers have blocked the border protesting the imposition of a Costa Rican tariff. Trade agreements between Panama and the rest of the isthmus are outdated, going back in some cases to the 1960s. The minister seemed irritated at having been kept dangling. "Before, Panama's explanation was that it wanted to conclude the treaty with the United States, but this still hasn't happened and is delayed, but, on the other hand, Panama has continued negotiating with other nations to the south, and even Asia," he complained.

Panama fanned the flames on Feb. 21 when it proposed to Chile that it seal a trade agreement in early March. Panama's Minister of Trade and Industry Alejandro Ferrer told the press about the agreement, "If there is no problem with the process of legal review, we have proposed that March 9 be the signing date." That would be two days before Chile's President Ricardo Lagos turns his country over to President-elect Michelle Bachelet. Lagos especially wanted to be the one to sign the treaty finalized during his term.

It was ten years in the making, requiring 15 negotiating rounds beginning in 1996, and reinvigorated when Panamanian President Martin Torrijos visited Chile last year. Chile is the number-one user of the Panama Canal in Latin America. Only the US, China, and Japan surpass Chile as canal customers. The deal with Chile calls for a total of 72.4% of agricultural products seeing tariffs reduced to nothing within five years.

Fishing-industry products will go duty free from the onset. In the industrial sector, 85.6% of products will be duty free within the five-year period. This is seen as particularly beneficial to Panama's small and medium-sized manufacturers. Panama will import some manufactured items, mining products, and food items. Chile greatly values Panama for the canal, and also for its location as a hub between northern and southern markets with its Colon Free Zone.

Financial and professional services are also in the agreement. These last were difficult to negotiate. Big differences in financial services were largely the cause of the breakdown in negotiations years ago. The new agreement calls for financial-sector issues to be negotiated during the next two years. Panama has indicated to the media that it would take up agreements with Honduras, Guatemala, and Nicaragua (there is already a new agreement with El Salvador in place) when the Chile deal is concluded, with only one stop along the way, a trade agreement with Singapore, due to be finalized March 1.

US deal at loggerheads

Free-trade negotiations with the US, however, have been going poorly (see NotiCen, 2004-06-17). In January 2006, Minister of Agriculture Laurentino Cortizo resigned. He was concerned that Panama would be compelled to compromise its food and health standards in the deal. He said that a required relaxation of phytosanitary regulations would open the country to foot and mouth disease, mad cow disease, and bird flu. The US demanded that Panama adopt US sanitary-inspection methods and standards. The US denied Cortizo's charge, and Torrijos accepted Cortizo's resignation, stating his disagreement with Cortizo's views. The president quickly appointed Guillermo Salazar to take Cortizo's place, but damage was done.

Agricultural producers are threatened by the prospect of waves of US farm products washing away their sector, and street protests of the kind seen elsewhere in Central America around the Central America Free Trade Agreement (CAFTA) are reported likely. Cortizo's walkout was a clear embarrassment for Torrijos. The ninth-round talks collapsed over the issue, and the president had to admit that "there is a sanitary problem that we will have to confront so that there are guarantees to safeguard the lives of Panamanians."

A wounded Torrijos retreated to a defensive posture, claiming that "shadowy groups" were determined to derail the deal and "turn their backs on the 40% of Panamanians who live in poverty." He did not identify the shadowy groups, nor did he address the fact that among these 40% were the small farmers who oppose the treaty.

To stave off a break in the negotiations, stalled in their ninth round, the US invited a delegation from Panama to visit and see the sanitary measures in place. One of the visitors, Enrique Athanasiadis of the Organizacion Nacional Agropecuaria (ONAGRO), was unimpressed. He called the exercise a "simulation." He criticized the trip as an attempt by the US to impose its standards, and noted, "Cases have already occurred where products arrive [in Panama] from the US certified for health, but they had become contaminated during more than a year in storage."

Another member of the delegation, Euclides Diaz of the Asociacion Nacional de Ganaderos (ANAGAN), said that a week is not long enough to evaluate a whole system, from production to manufacture to certification, of all food products that would enter Panama under the agreement. He said he would have preferred to send his own people to investigate in detail several cases of US imports that violated Panamanian sanitary laws. He cited as an example a container that broke open revealing that it contained meat products from Uruguay. The Ministry of Agricultural Development never explained how the shipment got into Panama, or who certified it, Diaz claimed.

The US-Panama talks first broke off in January 2005. At that time, Panama demanded that rice, chicken, pork, oil, potatoes, and onions be excluded as sensitive products. The US wanted the same for sugar. This sanitary mission was to be a first step in starting the talks up again. Despite the Cortizo affair and the doubtful assessments of the inspection tour by ANAGAN and ONAGRO representatives, government officials said any qualms had been satisfied. Cortizo's replacement, Salazar, said that Panama had received reliable information during the inspection upon which to base its confidence in US procedures and that Panama would maintain its own procedures, including inspections, to verify US certifications.

Health Minister Camilo Alleine went on national radio in Panama to assure the populace that the country would not lose the right to ensure the health of citizens. He told listeners, "We can guarantee to Panamanians that there is no risk to human health or to the national agricultural heritage with the importations that would enter from the United States."

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