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WikiLeaks Highlight Panama Government's "Dark Side" and Canal-expansion Concerns

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WikiLeaks’ filtered US diplomatic cables have been considered an embarrassment to the US government. But, in the case of the small Panama-related cache so far released, it is the small Central American government that has probably felt the greater humiliation. While the cables released to date live up to WikiLeaks’ promise that the global stash of diplomatic messages would show US Embassy lobbying for US firms, it’s been embassy criticism of the current administration that has garnered greater attention.

The cables outline President Ricardo Martinelli’s alleged "penchant for bullying and blackmail" and describe how his governing style has jeopardized long-standing US-Panama cooperation by pressuring US officials to use a Drug Enforcement Administration (DEA) wiretap program to spy on political opponents.

Cables have also cast doubts on the timely success of the Panama Canal expansion and have outlined US allegations that Panama's main airport is being increasingly used as a hub of international criminal activity, afflicted by official corruption or a lagging Panamanian response to concerns.

The first cable released in November—written just weeks before the US invasion that overthrew military dictator Manuel Noriega (1983-1989) in December 1989 (NotiCen, Dec. 20, 1989)—added little to the historical record other than making it apparent that the diplomatic post had no idea the invasion was imminent. The cable stated an increasingly fed-up Panamanian public was hoping for a coup in 1990.

The next batch of cables hit much closer to Panama's current headlines. They provided fodder for critics’ claims that Martinelli has a bullying authoritarian streak, shed light on the surprise European winners of the major canal-expansion contract, and outlined apparent US knowledge of money laundering, drug trafficking, and alien smuggling in Panama's second crown jewel of international logistics—the rapidly growing Tocumen International Airport.

While fallout from the leaks has been limited—largely because of Panama-government denial of all uncomfortable allegations, US refusal to comment, and a lack of deeper investigation into the allegations by the Panamanian press—the contents show that, while Panama may be Latin America's economic superstar, the country still has some serious developing-nation concerns hidden under the surface of the capital's skyscraper skyline.

Wiretaps awry

The leaks hammered President Martinelli for his "seeming fixation with wiretaps" that the newly minted government in 2009 wanted to use against "ostensible security threats as well as political opponents." The insistence, a December leak showed, suggested Martinelli quickly strained
relations to the point where US authorities decided to remove Panamanian-government control
from a wiretap program called Matador.

"His penchant for bullying and blackmail may have led him to supermarket stardom but is hardly
statesmanlike," one of the most scathing criticisms of the president reads. "He risks losing the good
will of his backers in the Panamanian elite and business communities. Martinelli is not a member of
Panama's traditional elite, and he could be on thin ice if his 'anti-corruption' measures end up being
seen primarily as shake-downs for fast cash."

The cable, titled "Martinelli wiretap quest shows dark side of new GOP" (GOP means Government
of Panama), was one of two that outlined Martinelli-administration pressure on the US Embassy to
help build "infrastructure to conduct wiretaps against ostensible security threats as well as political
opponents."

The cable describes a meeting between US officials and Martinelli soon after he took office in which
the president "made reference to various groups and individuals whom he believes should be
wiretapped, and he clearly made no distinction between legitimate security targets and political
erenemies. Martinelli suggested that the USG should give the GOP its own independent wiretap
capability as 'rent' in exchange for the use of GOP facilities."

Officials countered that the US wiretap program was strictly for jointly investigated narcotics
trafficking and related cases. "Martinelli made an implicit threat to reduce counter-narcotics
cooperation if the USG did not help him on wiretaps, to which the Ambassador promptly countered
that she would readily inform Washington and we would all see Panama's reputation as a reliable
partner plummet dramatically. Martinelli immediately backed off, and said he did not want to
endanger cooperation," reads the cable.

Under the subhead "Naive and Dangerous," the August 2009 cable says Martinelli has a "near-
obession" with wiretaps "that "betrays a simplistic and naive attitude toward the criminal
investigative process." The cable also makes a broader allegation against Martinelli that critics
would agree with. "More worryingly, Martinelli seems prepared to dispense with legal procedure in
order to achieve his reform agenda."

The cable also tells how Vice President Juan Carlos Varela tried to minimize the fallout of the
pressure from the president. "Varela went out of his way to apologize to the Ambassador and
to minimize fallout from the meeting, noting that he hates Martinelli's bluster but has not yet
convinced him that whatever his persona is as 'Ricardito,' such behavior is inappropriate for the
President of the Republic."

A subsequent cable noted that the US government decided to remove the DEA’s Matador wiretap
program from control of the Panamanian government’s Consejo de Seguridad Pública y Defensa
Nacional (CSPDN) in late September 2009. While it referred to a suspension of the program, the
cable shows that media-denounced concerns—voiced well before the cables were released—
regarding strains on the US relationship had some basis.

The Panamanian government's response to the wiretap cables came in the form of a brief statement
from the president’s press office that claimed the wiretap request was misinterpreted. "The
government of Panama laments the bad interpretation that the US authorities made regarding
the request made to frontally attack crime, drug trafficking, and organized crime," the statement
read, adding that the government maintains a strong relationship with the US. "Help was never requested to tap the telephones of politicians," the statement said, adding that the interpretation was "completely mistaken."

**Canal expansion impending "disaster"**

The largest batch of leaks so far details US attention to the bidding process for the US$3 billion-plus contract for the main component of the US$5.25 billion expansion of the Panama Canal, which was surprisingly awarded to a consortium led by Spain's Sacyr in partnership with Italy's Impregilo, thanks to a shockingly high technical score and a "lowball" bid, the cables revealed.

Both Martinelli and Vice President Varela have expressed doubts to top US officials in Panama about the ability of the European consortium to successfully complete the expansion on time and on budget, according to the leaks.

"The canal expansion project is a disaster," Varela is reported as having told then US ambassador Barbara Stephenson in December 2009, according to a cable released a year later, which noted Varela was concerned about the companies' finances. "In two or three years, it will be obvious this was all a failure," Varela is quoted as saying.

Canal officials counter that the canal expansion is on time and under budget—which has practically become a mantra when speaking about the project—but the fatalistic attributions to Varela are not yet 16 months old. The key investment and execution phases of the expansion project happen during the next couple of years, and it is probably too soon to rule out problems moving forward.

In a hint, however, that the canal expansion could be stressed, lawmakers recently exempted from sales tax cement used by the canal expanders.

The leaks outline US Embassy-provided "relentless advocacy" for a consortium led by US engineering firm Bechtel, which analysts considered the favorite before the contract was awarded. The contract winner was chosen via a "best value" score that combined a technical evaluation and the price tag. Leaked cables composed before the contract was awarded show Bechtel and another Spanish-led consortium were believed to have roughly equal technical proposals that both were "superior" to the eventual winner's.

"The pre-announcement conventional wisdom on the technical plans was so prevalent that the audience collectively gasped when the Sacyr high technical score was announced," said a July 2009 cable sent shortly after the public ceremony to reveal the winner. "[S]ubdued Bechtel reps speculated that the technical scoring committee was probably not comfortable with Bechtel's 'innovative' design, because it did not fit neatly into the ACP's specifications. Bechtel reps dismissed challenging the technical evaluation process, noting from past experience that these technical evaluations can be highly subjective."

The leaked cables noted the outcome of the bidding process indicated increasing Spanish influence in Panama, which became independent from Colombia in 1903 with strong US support. The Panama Canal was completed in 1914 by the US, but the US has seen its influence slip in the tiny nation since giving canal control to Panama at the end of 1999, which has become an important factor in Panama’s stellar economic performance of recent years. The canal expansion is the backbone of highly positive economic outlook that Panama is expected to enjoy for years to come.
"You don't mess around with something as important as the Canal. When one of the bidders makes a bid that is a billion dollars below the next competitor, then something is seriously wrong. Of course I hope for the best, but I'm afraid that Alberto [Canal administrator Alberto Aleman] has made a big mistake," Varela is quoted as saying in one of the cables.

"President Martinelli expressed similar doubts in a conversation with Ambassador," the cable continued. When the president was "asked how he thought the Canal expansion project was going, Martinelli grimaced and indicated he was a bit worried. He said that he feared that Canal Administrator Aleman might have tipped the bid toward the consortium that included CUSA, which is run by his cousin Rogelio Aleman."

The January 2010 cable goes on to note that the US Embassy had not thought the expansion project to be in any trouble. It also shares widespread Panamanian opinion that the canal has been very well managed since the handover and that US authorities hold administrator Alemán in high regard. "[W]e have always regarded him as a highly capable manager with unimpeachable integrity," the cable reads.

Still, US authorities—of course, after having advocated strongly for the Bechtel bid—express at least the US firm’s concerns. "Bechtel reps state a consortium cannot even 'pour the concrete' for US$3.1 billion and hinted even their US$4.2 billion price was closer to a lowball bid than a value bid. It is widely expected that during construction, Sacyr will attempt to renegotiate the price with the ACP," an earlier cable notes.

"[T]he Sacyr win marks an increased tide of Spanish influence in Panama and—for now—injects an element of uncertainty into the future of the canal expansion. What is undisputed is the pride of Panamanian officials in moving this project forward under their sovereignty," the July 2009 cable notes.

Spanish newswire EFE reported Aleman brushed off the concerns. "I'm not going to pay a lot of attention to those kinds of things," he was reported as saying, also highlighting the positives of the US cables.

**Airport trouble**

When US Homeland Security Secretary Janet Napolitano visited Panama in late November 2010—soon after WikiLeaks began releasing cables—she let slip that the US was providing advice to Panama on how to tackle organized crime, "particularly for money being laundered through the airport."

When a small group of foreign reporters asked for more details about the seemingly confusing airport-money-laundering issue, she said, "I don’t want to talk anymore about that," and a bit of nervous laughter ensued.

WikiLeaks took care of some of the missing details of money-laundering issues at the Tocumen International Airport not long after.

One of the most potentially scandalous cables released says, "Tocumen's legitimate status as a crux of Latin America's passenger and cargo traffic is tainted by a seamy underside of alien smuggling, money laundering, narcotics trafficking and corruption."
The cable notes that the same geographical advantages and open business climate that have helped Tocumen grow "have also facilitated a culture of corruption which has accompanied Tocumen's physical and commercial development. Money laundering, alien smuggling, and narcotics trafficking are proliferating. Customs, immigration, and police authorities are uncoordinated, undertrained, and inadequate to meet current demand, much less the challenges associated with another doubling in traffic in the coming years."

The cable describes how human smugglers regularly fly into Tocumen to provide aliens with fraudulent travel documents and airline tickets before both parties leave on connecting flights. Unlike rules for US airports, international travelers arriving at Tocumen do not have to pass through local immigration or customs officials before continuing to their next destination, making it easier for traffickers and potential illegal immigrants to the US to meet at the airport.

"In effect, it is possible for someone to depart their country of origin, transit Panama, and not have to face any kind of inspection until they show up at a US border post," notes the cable.

The amount of illicit cash going through Tocumen is anyone’s guess, and the cable suggests the practice goes on almost unhindered. "The flow of illicit US dollars, both smuggled and openly declared, represents another threat. DEA estimates that a single bulk cash smuggling operation of four individuals, including the President’s second cousin, Ramon Martinelli, moved up to US $30 million per month through Tocumen last year," the cable says, referring to a 2008 scandal. The cable duly notes that the US Embassy "has no information linking President Martinelli to money laundering."

That same year, "customs seizures of undeclared cash amounted to only US$4.5 million," the cable said. It also noted that "customs officials are routinely bribed" and lambasts the government for not tackling the airport’s problems, including shipments the DEA has seen move through established cargo carriers. The cable says drug shipments of up to 300 kilograms could not pass through without official complicity.

"Despite the growing problems, Panama has shown a typical reluctance to peel back the lid on an enterprise which appears to be benefiting all parties involved," the cable says.

As for money laundering at the airport itself, the cable says that the duty-free shopping area at the airport "has few rules and little oversight." Two influential Panamanian families own the concessions, but the cable does not make specific allegations.

"In the same manner as alien smugglers exploit the transfer area, it is possible for transferring passengers to enter the duty free zone without inspection, carrying virtually any amount of cash. This cash can then be laundered through the duty free shops, which are not subject to serious regulatory scrutiny," says the cable.

Officials again downplayed the allegations. "During many years the suspicion and rumor of money laundering and narcotrafficking at the Tocumen International Airport has existed," the government said in a statement. "If the cable insinuates that the Waked and Motta families are responsible for money laundering at the Tocumen International Airport, then what more can we expect," continued the slightly confusing statement released following the January publication of the cable.

The presidency mentioned the Napolitano visit as proof the two countries were working to address the pre-Martinelli era issue.
The cable says that the airport’s board of directors includes "Tourism Minister Salomon Shamah, suspected of links to drug traffickers," but provides nothing to back the serious allegation.

Tocumen doubts again arose in April, following the publication of a similar cable by Spanish newspaper.

"These are mere opinions not backed up with evidence and have no substance," said María Fábrega, vice minister of the presidency, according to newspaper.

Progress on at least one front is being made. The first Tocumen cable released noted, "Anecdotally, the traveler at Tocumen looking for food or something to read will find that the options are restricted to one Dunkin Donuts, one coffee shop, and zero bookstores; at the same time, it is impossible to avoid the polo shirts, jewelry, electronics, and perfume available at every turn."

The renovated airport recently added a small pharmacy-chain store that sells magazines, and hopes are high that the airport’s food services—there is at least one restaurant, to be fair—are expected to diversify with the airport’s expansion.

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