Panama Inaugurates Expanded Canal after Long Feud with Contractors

Louisa Reynolds

Follow this and additional works at: https://digitalrepository.unm.edu/noticen

Recommended Citation
https://digitalrepository.unm.edu/noticen/10378

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiCen by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.
Panama Inaugurates Expanded Canal after Long Feud with Contractors
by Louisa Reynolds
Category/Department: Panama
Published: 2016-09-29

Panama finally opened the expansion of its century-old, 80-km shipping canal, an ambitious US$5.4 billion project that triples the waterway’s capacity so that it can host 98% of the world’s shipping and is also expected to triple the US$1 billion a year Panama currently receives from canal shipping fees. Ships carrying up to three times as much freight can now pass through the canal, including vessels transporting liquefied natural gas, most of which were too big for the waterway as originally built (NotiCen, March 10, 2016).

The Spanish newspaper El País described the expansion as “the greatest feat of engineering of the 21st century.”

The project included the construction of new locks on both the Atlantic and the Pacific sides that are wider and deeper than the original locks. Building the new locks, which are 427 meters long, 55 meters wide and 18.3 meters deep, required 4.4 cubic meters of concrete and the labor of 30,000 construction workers over nine years.

In the US, the canal’s number one user, the expansion is expected to lead to more shipments to East Coast ports at the expense of West Coast ports.

Despite the Panamanian government’s optimistic predictions, the goals it has set for the canal might be difficult to attain. The June 26 inauguration came at a difficult time for the shipping industry, with low trade levels and an economic slowdown in China, the canal’s second largest user.

After almost a decade of work, the first crossing of the canal took place with the Chinese container ship Cosco Shipping Panama, renamed in honor of the project, entering from the Atlantic. The vessel was chosen using a lottery system. Its passage through the Cocolí locks was met with fireworks and applause from the crowd of onlookers. Banners that read “Together we did it” were placed in different locations throughout Panama City to celebrate the inauguration.

President Juan Carlos Varela gave the Cosco’s captain, Jude Rodrigues, a plaque of appreciation for being the first ship to sail through the expanded canal, while Rodrigues presented Varela with a replica of the ship.

International guest list
In an interview with the Reuters news agency, Peter Shaerf, deputy chairman of Seaspan Corporation, a container ship group with a fleet of 100 vessels, described the expansion as “one of the engineering wonders of the world.” He predicted that the revamped canal would have “a huge impact on trade.”

The ceremony was attended by delegations from 62 countries as well as executives from top shipping firms. The guest list included Chilean President Michelle Bachelet, Costa Rican President...
Luis Guillermo Solís, Dominican President Danilo Medina, Honduran President Juan Orlando Hernández, Paraguayan President Horacio Cartes, and King Juan Carlos of Spain.

“This is a feat that all Panamanians should feel very proud of. It is a historic day for Panama, for our hemisphere, and for the world,” said President Varela during the inauguration ceremony. “We are the route that joins our continent and the world together.”

Varela said that the revenue generated by the expansion would be used to improve Panamanians’ standard of living, a reminder of the fact that most Panamanians have failed to benefit from the bonanza brought by the canal, with 52% of the country’s population living below the poverty line. He also paid tribute to the eight construction workers who died during the expansion project.

The Varela administration hoped that the much anticipated inauguration ceremony would divert attention away from the Panama Papers scandal, which has had a detrimental impact on the country’s business climate (NotiSur, May 6, 2016, and NotiCen, July 21, 2016). The scandal, in which 11.5 million documents were leaked from the Panama-based law firm Mossack Fonseca, revealed how the firm set up shell companies that enabled wealthy individuals and public officials to avoid tax and launder money.

The firm’s founder, Ramón Fonseca Mora, is a former presidential adviser and the leader of the Panameñista Party. He resigned from his advisory position to the Varela administration after employees of Mossack Fonseca’s Brazilian office were charged in relation to the Petrobras corruption scandal in January.

A two-year delay and massive cost overruns
The contract for the ambitious project was awarded to the Spanish-led consortium

Grupo Unidos por el Canal de Panamá (GUPC), which became embroiled in a bitter feud with the Panama Canal Authority (PCA) after the final cost of the expansion doubled the original budget and the PCA insisted the consortium should abide by the terms of the contract.

The GUPC includes the Spanish company Sacyr Vallehermoso, which holds a 48% interest in the consortium; the Milan-based Salini Impregilo; Jan de Nul, based in Luxemburg; and the Panamanian construction company CUSA.

The dispute brought the project to a standstill in 2014 and was largely responsible for the two-year delay in the completion of the expansion. The project’s initial deadline was October 2014; it was postponed to April 2016 and then to May 2016 after fissures in the sill of the new Cocolí locks were detected during their testing in 2015. The expansion project was also dogged by scandals over alleged corruption.

The PCA is now eager to turn over a new leaf and leave its dispute with the GUPC behind. “We have a good relationship with Sacyr. There was a conflict but we sat down to negotiate and the construction work was resumed. Our differences are being resolved through an international arbitration process, and we hoped the matter will be settled by December 2018,” PCA vice-chairperson Ilya Marotta told El País. She said that the PCA would continue working with Sacyr and noted that Spanish companies are still involved in various projects, such as the construction of the Panama City subway.