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Panama Bucks Latin America's Left: New President Favors U.S.

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On May 3, Latin America's leftward lurch suffered a setback when Ricardo Martinelli, candidate of the center-right Alliance for Change, swept into the Panamanian presidency with a resounding victory. The 57-year-old Martinelli is a U.S.-educated supermarket entrepreneur who used the acumen and skill that made him one of Panama's wealthier citizens to win the presidential election.

Winning over 60 percent of the vote, Martinelli defeated Balbina Herrea, candidate of the governing center-left Revolutionary Democratic Party (PRD). Unable to shake concerns about her past association with General Manuel Noriega and the voters' suspicion of her links to Venezuela's populist president Hugo Chávez, Ms. Herrera received approximately 37 percent of the vote.

The Election Campaign. Although the outgoing government of PDR President Martin Torrijos was marked by a reduction in poverty and economic growth, electoral discontent rose as Panama's economy began to contract following the 2008 slowdown in global trade and a slump in the construction boom. The modest success of poverty reduction under the PRD, from 35 percent to about 28 percent of Panama's population, appeared to falter in 2008 as food prices rose swiftly and income inequality remained a sensitive political issue. Panamanian voters were also troubled by increases in violent crime and a perception that high-level corruption remained endemic within the PRD government. A Martinelli campaign theme charged that, "They [the PRD] enter government empty-handed and leave rich."

As a campaigner Martinelli successfully capitalized on his image as a "doer," a pragmatist, and a potential leader ready to serve the interests of have-nots as well as the haves. Martinelli promises to promote market growth, exercise vigilance against corruption, and to develop Panama's infrastructure with modern ports, highways, and a mass transportation system.

Martinelli faces several challenges including the need to strengthen government institutions; increase government transparency and integrity; and fulfill promises for greater economic prosperity.

Close Links to the U.S. Martinelli will certainly look to the U.S. for support. Panama is a vital bridge for east-west commercial movement with increased potential for pipelines and other forms of land-based movement of goods and raw materials. It also sits on the north-south axis of the inter-American drug trade. Consequently, Panama must work with Colombia to deny territory to guerrillas and paramilitaries and help to stop the flow of cocaine north toward Mexico and the U.S. As a member of the Central American Integration System (SICA), Panama is well-positioned to work with its northern neighbors on issues related to

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security, counter-drug cooperation, trade, and the environment.

In June 2007, the U.S. and Panama signed a Trade Promotion Agreement. Panama ratified the treaty in July of the same year. If enacted by the U.S. Congress, the agreement will result in significant new market access and lower tariffs for America's businesses and farmers; most Panamanian products already enter the U.S. duty-free under trade preference programs. Currently, U.S. exports to Panama are ten times greater than imports. Because Panama already has preferential access to U.S. markets, any competitive impact on U.S. industry and jobs has already occurred. Instead, the agreement will result only in new economic opportunities for America's exporters and the U.S. businesses that support them.

Recent questions regarding Panama's labor regulations and status as an offshore financial center are not sufficient to keep the deal on hold: The need to maintain sound labor standards is already addressed and protected appropriately within the agreement and the broader issue of U.S. access to international tax havens is one that is and should be debated by Congress on its own merits.

Finally, Panama has aggressively sought to become a destination for American investors and remains extremely friendly to a growing number of U.S. retirees.

End of the Latin Left's Winning Streak: Now What? The Martinelli victory breaks the Latin Left's

2009 electoral winning streak of Venezuela, El Salvador, and Ecuador. The average voter in Panama is betting on a dynamic and productive relationship with the U.S. and has demonstrated confidence in continued strong ties between the two nations. It is incumbent on the Obama Administration to reach out quickly to President-elect Martinelli in order to develop an agenda of close cooperation and mutual benefit. Specifically, the Obama Administration should do the following:

- Establish a timetable for submitting the 2009 Trade Agenda agreement for Congressional approval;
- Act quickly to strengthen regional law enforcement and counter-drug cooperation with Panama and make sure that Panama receives its full share of Merida Initiative funding; and
- Embrace President-elect Martinelli's interest in combating corruption and strengthening the effectiveness of government institutions by working with Panama on rule of law and anti-corruption measures.

Panama is an important U.S. ally in the Americas. President-elect Martinelli's victory now offers the opportunity to strengthen this relationship—to the benefit of both countries.

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