

Free trade zones in Latin America catch the College's attention

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The BB&T Free Market Process Speaker Series continued on Thursday, Oct. 3 with Surse Pierpoint, the general manager of Colon Import and Export S.A. He discussed free trade zones in Latin America, specifically the Colon free trade zone in Panama.

A free trade zone is an area through which products flow subjugation to customs or taxes. In this case, Colon Import and Export pays rent to the Panamanian government, and companies ship through Colon do not pay taxes or custom fees to the Panamanian government for having a distribution center in their country. However, free trade zones are not just distribution centers; they can also include manufacturing centers. The manufacturing plants located inside free trade zones can ignore many of the country's regulations, including worker safety and environmental protection laws.

Free trade zones located in a strategic positions can be enormous cash cows. According to Pierpoint, "50 percent of the trade through the canal are container ships and 70 percent of those ships are headed to the east coast." Pierpoint also pointed out that the Canal is responsible for a large percentage of Panama's Gross Domestic Product.

Pierpoint began to explain why he got involved, saying, "You can't complain about a situation unless you're willing to do something about it." For Pierpoint that meant getting involved in the economy.

"Economic decisions are important for a country," he said. "The difference between a country's economic freedom can translate to a 20 year increased life expectancy." Economic freedom can increase the GDP, and it certainly improves the economy under conventional standards of measurement, but some have put free trade zones under fire.

The City of Colon has been struggling. Most of the wealthy residents have left for Panama City or the surrounding area. While Panama spends money on social programs their poor implementation does nothing to change growing class inequality. Panama's social assistance spending typically goes to universal subsidies, and many of those subsidies go to services that are out of reach of Panama's lower class, such as running water.

Some people voiced concerns about the effect of the free trade zone on the area's resources and whether or not it hurts local businesses. One of those voices was Vince Graham, the founder and president of the I'on group here in Charleston and author of a book on the government's

relationship with corporations. He said, “I was trying to... distinguish the difference between crony capitalism and normal capitalism. Crony capitalism is when the state is basically working with these corporations, they’re pretty much subsidizing them, and it undermines local and regional business.” Graham felt as though Pierpoint dodged his question, “but that’s his job. He’s going to advocate for this type of capitalism.”

Dr. Peter T. Calcagno, the director of the Initiative of Public Choice and Market Process, said, “I would argue that the free trade zone is different from most subsidies given to firms. There is no payment (tax revenue) from the government going to the firms that locate in that area and in fact the companies pay the government for the use of the land... I do not think that this undermines the local or regional economy... goods that go out from there will be cheaper to consumers whether they stay in Panama or go to other parts of Latin America.”

Critics of free trade zones have expressed concern that they use public resources but privatize profits. Calcagno says, “The free trade zone does effectively privatize the area, but not at the expense of the local population. Surse [Pierpoint] explained to me that the members of the free trade zone are responsible for much of the infrastructure of the area... the firms are providing infrastructure, trade, and jobs for the country’s benefit. The resources then are effectively private and have been well maintained and have expanded. I would argue this is one of the reasons Panama is a stable and economically free country in Latin America.”

Stable and free it may be, but there is growing concern of the economic disparity between the classes, especially when it comes to the issue of race. Calcagno says, “I am not sure of all the companies that operate in the free trade zone in Panama, but clearly Surse’s company is a local company employing Panamanians.”

While Pierpoint’s company is employing Panamanians, most of the free trade zone’s 30,000 jobs go to those living in Panama City, which is a historically more European city. Residents of Colon, which is a more indigenous population, are having trouble finding jobs, and most of the developments in the area have benefited businesses in the free trade zone, not those living in poverty.

The BB&T Speaker Series

The BB&T Speaker Series is part of the The Initiative for Public Choice and Market Process. The Initiative for Public Choice & Market Process is funded by BB&T and the Koch Foundation. BB&T’s previous chairman required all of his senior staff to read *Atlas Shrugged* and based the business’ ideology off Ayn Rand’s objectivist theories. The Koch foundation, which founded the CATO institute, is actually a family of foundations owned by one of America’s largest private companies, Koch Industries. Koch Industries and its foundations advocate for the advancement of economic freedom, or put another way, laissez-faire capitalism.

Calcagno says the point of the talks is to, “bring in speakers that are consistent with the mission, which is to increase the understanding of the economic, political, and moral foundations of a free society. This is no different than Women and Genders Studies bringing speakers that address the issues of feminism.”

The initiative partners with several groups on campus. Calcagno says, “When Virginia Postrel was here we did a panel with Women and Genders studies on the commodification of women. We worked with the pre-law club to help host two events that explained both sides of the Boeing and National Labor Relations Board issue, and last November we hosted a debate between Yaron Brook from the Ayn Rand Institute and Tamara Draught from Demos on the proper role of government.”

While teachers attend lectures from multiple majors that represent a variety of viewpoints, more often than not students only go to lectures, if they go at all, within their own majors. Calcagno says, “I try and take an interdisciplinary approach.”

Attending a variety of events across campus can balance out the innate biases in different majors’ viewpoints. Calcagno says, “The initiative involves faculty from around campus so we can attract students from as many different fields as we can although we tend to focus on the social sciences and business students. I try and promote events across campus and I know that faculty from outside the school of business have encouraged students to attend our events. I think that is all we can do.”