

## National Review: Disappointed In Panama's President

Ricardo Martinelli's presidency has been marked by interventionist economic measures, cronyism, the erosion of democratic checks and balances, and even harassment of independent media. Juan Carlos Hidalgo of *National Review* argues that rather than making progress, Martinelli is undoing it.

by Juan Carlos Hidalgo

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Ricardo Martinelli's May 2009 election as president of Panama seemed to bode well for the country's development prospects. During his campaign, he promised to implement bold market-oriented reforms, such as a flat tax (which would have been the first of its kind in the Americas), freer trade, an end to some government subsidies, and less bureaucratic red tape. Unfortunately, not only have those promises gone unfulfilled, but Martinelli's presidency has been marked by interventionist economic measures, cronyism, the erosion of democratic checks and balances, and even harassment of independent media.

The Panamanian president has raised the minimum wage by 30 percent, a reckless move in a country with 6.5 percent unemployment and an informal sector that accounts for approximately 40 percent of the labor force. He has nationalized two privately managed highways, at a cost of more than \$1 billion. He has created new government agencies as well as new entitlement programs. He has also announced lavish public-works projects, such as a publicly financed skyscraper in Panama City that would be the tallest building in Latin America. Last week, the Martinelli administration announced a 2011 budget of \$13.9 billion, which represents over 50 percent of the country's total GDP, making Panama one of the biggest public spenders in the region.

In order to finance his spending spree, Martinelli has relied on issuing new debt and raising taxes; he has increased the value-added-tax rate by 40 percent and created a new monthly tax on gross income. Martinelli has even said that he would use social-security funds for certain projects, such as the nationalization of the highways. His government has also weakened Panama's century-old dollarization system by ordering the minting of \$130 million in coins during the next five years. That's almost double the amount minted since 1904. (Under Panama's monetary framework, the government mints "Balboa" coins -- the country's nominal currency -- in the same denominations and worth the same value as U.S. coins.)

However, Martinelli's most distressing moves have been his attempts to undermine the checks and balances of Panama's democratic system. Upon taking office, he pledged that two upcoming appointees to the Panamanian supreme court would be selected through an open nomination process, with significant public involvement. When he found the recommended candidates objectionable, he ignored them and appointed two close associates.

One of the appointees, José Abel Almengor, had been Martinelli's security secretary. The other, Alejandro Moncada, was removed in 2000 from the now-defunct Technical Judicial Police for serious ethical breaches. His wife now works with Martinelli's wife.

Cronyism seems to be the norm in Martinelli's Panama. For example, an accountant from Martinelli's supermarket business has been appointed as general comptroller; public procurement processes have been ignored; and government contracts have been arbitrarily granted to relatives and political associates. Furthermore, an institutional crisis broke out last January when the supreme court, at the Martinelli

administration's request, suspended the attorney general under questionable charges of "abuse of power" (in Panama the AG's office is part of the judicial branch). Her replacement worked in Martinelli's presidential campaign.

The Panamanian media have been highly critical of Martinelli, at times drawing veiled threats from the government. For instance, the president asked TV stations to "self-regulate" their news coverage in order to reduce "violent content" in their news hours. Soon afterwards, a congresswoman from Martinelli's party introduced legislation to create a government board to "regulate the self-regulation" and extend it to newspapers and radio. A similar body existed in Panama under the dictatorial Noriega regime. The Inter-American Press Association (IAPA) has expressed "concern" about the bill, which, according to Robert Rivard, director of IAPA's Committee on Freedom of the Press, would constitute "a backward step for freedom of the press" in Panama. There have also been reports of journalists' being harassed by the authorities.

Martinelli, whose coalition enjoys a comfortable majority in the unicameral Panamanian national assembly, still has four more years in office. The direction in which he's taking his country should worry those who once marveled at Panama's rapid transition toward full-fledged republican democracy. Rather than making progress, Martinelli is undoing it. Copyright 2010 The National Review. To see more, visit <http://www.nationalreview.com/>.

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