

# The Corner

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## Re: 'Disappointed in Panama'

By [Juan Carlos Hidalgo](#)

Posted on August 11, 2010 1:07 PM

In responding to [my piece](#) about Panama president Ricardo Martinelli's disappointing year in office, Ambassador Jaime Alemán points to the significant progress Panama has made in the last 20 years. (His letter is reproduced below.) Nobody denies that progress has occurred. I have written about it often, and [Cato's annual \*Economic Freedom of the World\* report](#) still ranks Panama among the freest economies in Latin America.

But Martinelli is threatening that progress by walking away from sound economic policies and embracing government interventionism, skyrocketing public spending, and higher taxes. For example, the budget that Martinelli proposed two weeks ago (which came *after* the credit-rating agencies' upgrade of Panama earlier this year) would increase government spending by 30 percent. No country has ever defeated underdevelopment with such a recipe, and Panama won't be an exception.

It is telling that Ambassador Alemán has little or nothing to say about the most distressing moves by the Martinelli administration: cronyism, the erosion of democratic checks and balances, and increasing harassment of the media. This is where the Martinelli administration is inflicting the most lasting damage to the Panamanian democratic system.

In short, Ambassador Alemán digs deep into the past to defend Martinelli's current policies. I stand by my criticism of what those policies portend for Panama's future.

Here is the letter:

The recent piece by Juan Carlos Hidalgo ignores the economic and social progress that Panama has made under President Ricardo Martinelli.

High scores on political stability and freedom of the press are just some of the reasons that Panama was raised to Investment Grade (a claim that only five Latin American countries can

make) by Moody's, Standard & Poor and Fitch – the world's most influential and respected ratings agencies.

Since 1990, Panama's GDP expanded five-fold, and President Martinelli is implementing a series of measures that will allow Panama to capitalize on this high growth. In addition to tax reform designed to ensure fiscal sustainability and tackle income inequality, the government took measures to modernize the country's infrastructure.

Under President Martinelli's commitment to increase the country's commercial expansion, Panama is currently undertaking the most ambitious project in history, an expansion of the Panama Canal that will double capacity by 2014, aiding the transit of larger U.S. ships and enhancing the productivity, reliability and efficiency of trade.

Like all Panamanian Administrations, Martinelli is committed to lifting thousands of Panamanians out of poverty through fair paying jobs, improved education standards and access to higher learning. Poverty rates have declined significantly over the past five years and public spending has been directed at improving education and social welfare, including the Universal Scholarship for every child in public school and a transfer of over 600 million dollars to the poorest sectors of the population during the first year of the Martinelli Administration.

Painting an accurate picture of Panama must include an accurate picture of the progress the country has — and continues to make.

Sincerely,

*H. E. Jaime Aleman*  
*Ambassador of the Republic of Panama*

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