Colón: A Story of Its Own

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Introduction

Businessmen from Panama City raise their champagne glasses to celebrate multi-million dollar deals inside the Colón Free Trade Zone (FTZ). Meanwhile, children run barefoot through the overflowing sewage in rotting slums of the city of Colón as they listen to gun-shots fired by rogue gangs a few blocks away.

The Colón FTZ, which is located at the Atlantic entrance of the Panama Canal, is the second largest free trade zone in the world after Hong Kong and contributes about 7.5 percent every year to Panama’s GDP. (Sirias, “The News…”) This hub of international trade also handles nearly $11 trillion in imports and re-exports annually. Outside the tall stone walls of the FTZ lies the historic city of Colón. In sharp contrast to the economic prowess that the FTZ has earned, Colón has suffered significant economic decline since the late 1960s. In this rundown and crumbling city, the unemployment rate is as high as 30 percent, and the poverty rate has climbed to 45 percent. Murders, crimes, and street gang rivalries are part of the day-to-day life of the Colonenses, the city’s residents.

In this article, I examine how “La Zona Libre” (The Free Zone), which handles multi-millions of dollars of economic activities every day, co-exists with the rest of the city of Colón. I review the background of the city of Colón and that of the FTZ. I then describe some of the problems that Colón faces and the measures that are being taken to solve these problems. I conclude by offering some recommendations for improving Colón’s current situation.

Background of Colón and the FTZ

Colón, the largest port on the Caribbean coastline, is the second largest city in Panama with 200,000 residents, most of whom are Spanish speaking. They descend from Jamaicans and Barbadians, who migrated to Panama from the Caribbean during canal construction days under both the French and the subsequent U.S. initiatives. (Sirias,
This African-Antillean dominated city, though populated by a socio-economic underclass, is vibrant and rich in many diverse cultural traditions.

The city has seen its economy wax and wane over the last six centuries. From the sixteenth to the nineteenth century, Colón was famous for Portobelo, its port town that was important for silver exporting to New Grenada and the Spanish Main (the mainland coast of the Spanish Empire around the Caribbean). It also was one of the ports on the route of the Spanish treasure fleets between Peru and Spain. However, Portobelo faced attacks from Captain Henry Morgan’s fleet of privateers in 1668 and a British fleet in 1739, which left its economy severely damaged. When the Panama Railway opened in 1853, the Colón-Panama City route became the most economical way from the eastern United States to the California gold rush. This brought affluence to the city of Colón; but the affluence lasted only until 1869 when the first trans-continental railway was finished in the United States, ending demand for the Panama route. But the good fortune of Colón returned in 1880 when the French came to build an inter-oceanic canal. The French later abandoned the project, but their initiative was followed by the successful completion of the canal by the U.S. in 1914. The economy flourished in Colón during these canal construction days and later through military and civilian works during World War II, which included an abandoned project on a possible third set of canal locks. (Bridges)

Historically, Colón has had a tremendous advantage in terms of its strategic location for trade. The idea of establishing a free trade zone in Colón was discussed shortly after the canal’s inception. In 1929, George E. Roberts, vice president of the First National City Bank of New York, prepared a project in which he considered the creation of a free trade zone in Colón and submitted it to the Panama government. However, the idea only took shape after the end of WWII. The president of the republic, Dr. Enrique Jimenez, took the initiative and under his efforts George Roberts’ project was reconsidered. This led to the hiring of Dr. Thomas E. Lyons, a prominent figure in global free trade zones, in 1946 to execute a feasibility study of the project. Dr. Lyons’ recommendations culminated in the Panamanian government passing Law No. 18 in 1948, which instituted the Colón FTZ as an autonomous institution in Panama. (“History”)

The FTZ is 400 hectares in size. Forty-five percent of its activities involve imports and 55 percent involve exports, together generating around $11 trillion in transaction activities every year. The FTZ also attracts nearly 250,000 visitors a year and is comprised of 1,800 established companies. (“Infrastructure…””) These companies ship nearly-finished light industrial goods to Colón, where they are completed tax-free by cheap labor and then re-shipped to their final markets. The FTZ is equipped with advanced showrooms and warehouses and is the biggest hub in the Americas for cargo assortment and delivery. The commercial premises inside the FTZ also boast 25 local and international banks providing financial services to merchants and FTZ customers. (“Infrastructure…””) Luxury goods, electronic products, clothing, and other consumer products comprise the main imports of the FTZ. The FTZ imports most of its goods from Hong Kong and re-exports them mainly to Colombia and Ecuador. (“Panama Country…””) The FTZ has access to four important ports in Panama: Manzanillo International Terminal, Colón Container Terminal Evergreen, Panama Ports Company on the Caribbean side, and Port of Balboa on the Pacific side. It is thus categorized as an International Ports Center.

Current Problems in Colón and Their Ties with the FTZ

Since the last half of the twentieth century, Colón has struggled with poverty and is usually depicted in a deplorable light by travel guides. Colón had a notorious history of being a place of utter filth and squalor during the days of the French attempt to build the canal in the late 19th century. Despite the economic prosperity the construction project brought along, alcohol consumption was extensive, and filth was everywhere in the city during those days. Unfortunately, these conditions have not changed much since the last century. (“Panama III…””) On top of these problems today lies an
appalling and complex network of social problems which include unemployment, social injustice, corruption, poverty, and crime. Ruben Blades, the current Minister of Tourism in Panama, articulated the dismal picture of Colón as follows:

Abandoned for decades, condemned by policies empty of the will to carry them out, drowned by confusion produced by mediocrity and opportunism, Colón has become a paradigm of “Cannot Do Anything”; a place of impossibilities, a province judged guilty and abandoned in the abyss of its poverty, where the potential for social and spiritual redemption is considered unlikely, where desperation has become the normal way of surviving. (“Presentation…”)

Unemployment

Unemployment among Colonenses is one of the most serious problems in Colón today. José Cooper, a former resident of Colón, worked as a billing clerk in one of the companies in the FTZ during the early 1980s. Cooper, who was born in Colón, has been actively affiliated with the Afro-Panamanian Chamber of Commerce in New York and is now a graphic designer living in Allentown, Pennsylvania. He points out that the situation in Colón used to be much better back in the early 1980s as far as job availability was concerned. There were healthy employment opportunities for Colonenses in the FTZ, the U.S. Canal Zone, the Panama Canal, and the oil refineries. Unemployment figures were around 15 percent in the early 1980s. Racism was rampant, but Colonenses were still able to get jobs based on their skills. But with the overthrow of the military government in 1989 and the return to power of the influential oligarchic families, Colonenses started losing job opportunities as authorities started “whitening” the canal workforce. (José Cooper)

Another Colonense whom I met in Panama, Bruce Codrington, a former Panama Canal and NASA employee who was also born in Colón, complains that most jobs at the FTZ are given to people from Panama City (some 50 miles away from Colón). He also says that there are five Panamanians (those who hail from Panama City) for every Colonense working in the FTZ. “The people in Colón are as well educated and trained as those from Panama City. So, why are they not getting these opportunities for employment here in Colón? The issue here is racism or something beyond racism,” says a frustrated Mr. Codrington. He is an active advocate for rectifying the inequities experienced by Colonenses, particularly Afro-Panamanians like himself. He founded his organization, Rescate de la Juventud Afropanameno, to advocate for Afro-Panamanian youth employment. (Codrington) Indeed, many Panamanian workers in the FTZ are bused daily by their companies from the Pacific to the Atlantic side of the isthmus. The largely Jewish, Italian, and Arabic entrepreneurs who own the companies in the FTZ live in Panama City high-rises. Most of them commute daily in small airplanes and the newly-renovated railroad cars. (“Culture…”)

José Cooper tries to explain why employers in the FTZ prefer Panamanians to Colonenses in hiring. He mentions that Colonenses are educated, mainly through the educational and training programs that the Omar Torrijos and Noriega governmental administrations brought into Colón. However, the quality of education and training provided by these programs falls far behind that of the institutes in Panama City, where more resources and opportunities are provided to students. Hence, candidates from Panama City are better prepared than the ones from Colón to get the same jobs. Cooper also mentions that racism based on color affects Colonenses, who are predominantly black, more than Panamanians who are of mixed or European background. (José Cooper)

The companies inside the FTZ are accused by Colonenses of discriminatory hiring practices by which they disregard applicants whose national identification card starts with the number three (signifying they were born in Colón). “If your cédula [ID card] starts with a three, they won’t look at you,” says José Cooper. The locals in Colón cautiously confirm this fact, while employers in the FTZ and the zone administration denied it during our tour of the
FTZ administration and the FTZ warehouse facilities in May 2006. Regarding this alleged hiring policy, the FTZ administration did state that when it comes to hiring, the individual companies in the FTZ apply their own practices, which don’t have to be in accordance with the guidelines set by the FTZ administration.

Another accusation that FTZ employers face is that they see the Afro-Panamanians, who occupy most of Colón, through denigrating stereotypes as being lazy and unenthusiastic about work. (Bounds) When I asked about this allegation, the FTZ administration denied it; but social critics like Eric Jackson, former Canal Zone resident and current editor of PanamaNews.com (an online English language newspaper), suggest that the employers are not entirely mistaken in their stereotyping. He says that Colonenses are discouraged from working because FTZ wages are lower than the wages that they used to receive while working for the Panama Canal Company during the U.S. tenure. (Jackson, 2006) Bruce Codrington, a former Panama Canal Zone worker himself, remembers that the canal administration during the U.S. tenure used to pay better and that the employees were sought after based on their skills, instead of the favoritism and nepotism which characterize today’s hiring practices. (Codrington)

Another reason why unemployed Colonenses are not enthusiastic about work is that current employment policies practiced by employers provide no job security. Under the current policy, newly hired employees work under a so-called “probationary period” for three months, after which they are either fired or given another three months of employment. This kind of policy provides no benefits or stability for the workers and thus discourages many unemployed Colonenses from joining the workforce. Besides, Colonenses who do get a chance to work with the FTZ receive a starting salary of only $300 per month, which is far from adequate when basic food costs alone for a family of four come to about $230 a month in Colón. Thus, for Colonenses this is a frustrating situation, while employers at warehouses in the FTZ say that they are at least giving the locals a chance to work. (José Cooper)

In stark contrast to the FTZ’s employee composition, the nearby Manzanillo International Terminal (MIT) boasts that 97 percent of its 700 employees are from Colón. MIT was established in 1995. This world class trans-shipment facility proudly claims that it has been committed to employing Colonenses. Juan Carlos Croston Moreira, the Customer Service Manager in MIT, explained during our tour of the facility that there has been a lot of investment in the local community by MIT. MIT pays a starting salary of $800 per month to its employees, compared to the starting salary of $300 per month in Colón’s FTZ. Also, workers in MIT have a labor union, unlike in the FTZ where there are no labor unions. (Moreira) When I asked the reason behind the high composition of Colonenses in the MIT workforce, Eric Jackson remarked that a West Indian recruiter at MIT recruited a lot of black people from churches in Colón in the early years of the terminal. (Jackson, 2006) Bruce Codrington adds that when the canal handover occurred, many former canal employees from Colón were hired by MIT. (Codrington)

Racism

As can be noted above, racism has been intertwined with unemployment and thus poverty in the Colonense society. The history of racism in Colón has been written about by David McCullough in his famous book The Path between the Seas. In it he tells the story of Pedro Prestan, a Panamanian citizen and a descendent of Caribbean slaves, who in 1851 along with other workers demanded better working conditions. As a result, Prestan was arrested and later hanged by the then-Colombian government. (McCullough, p. 179) Panama’s independence was gained from Colombia in 1903, and the U.S. Canal Company installed rich Panamanians, all of whom happened to be moguls from the existing railroad company, in the infant government to serve as the founding fathers of the new republic. In order to avoid another Pedro Prestan incident, the founding fathers introduced racial segregation in the workforce, by hiring the “foreigners” (Spaniards, Italians, etc.) first and the Blacks, Chinese, and Indians (at the bottom of the “caste system”) last. Though there have
since been laws passed against such racial segregation in the workforce, the effects of this system still reverberate in Colonense society. (José Cooper) Racism based on skin color is summarized succinctly in the following excerpt from the “Human Rights Report 2006 — Panama” published by the Embassy of the United States in Panama:

Racism against blacks was generally subtle and often connected with admission or entry to restaurants, clubs, and other commercial establishments. Blacks comprised at least 14 percent of the population but were conspicuously absent from positions of political and economic power. The country’s white elite successfully marginalized citizens with darker skin through preferential hiring practices in the private sector and manipulation of government resources in the public sector. Antillean blacks, often identifiable by dress and speech pattern, were a particular target for racial slurs and poor treatment by lighter-colored citizens. Their geographic clustering in the economically depressed province of Colón and poorer neighborhoods of Panama City heightened their isolation from mainstream society. During the U.S. Panama Canal Company administration, Black canal workers traditionally commanded significantly higher wages compared with blacks elsewhere in the Panamanian economy, but many of them have since retired or emigrated elsewhere and there was some anecdotal evidence that the rest are being replaced by white personnel. Mainstream political elites generally were unconcerned by the economic issues of black populations and a concomitant rise in drug use, crime, and gang violence. Colón suffered from a conspicuous lack of government services and deplorable city infrastructure. Indifference among the majority of the general population was a major impediment to change. (“Country...”)

During my visit to Panama, however, I saw one stark exception to this observation (that most managerial positions are disproportionately occupied by lighter skinned personnel). In the Colón Free Trade Zone administration itself, the supervising manager and most of the board of directors were Afro-Panamanians from Colón.

Corruption and Crime

Social activists in Colón also complain that little or no part of the $5 million that the Colón FTZ submits in rent to the state every year makes its way to the Colón city council for repairs and rebuilding of the city. (Emmott) Eric Jackson laments that the city council has very little taxing power and that legislators get more money than the council for reform and development of Colón. Jackson points out that very little of this money is used to serve its purpose, with most of it disappearing under the name of “executive functions” rather than in fixing Colón’s problems. The governing structure of Colón is bureaucratic and moreover is alleged to be corrupt. (Jackson, 2006) Anselmo Cooper, the director of “The Unit of Colonense Theatre,” argues that the governors of the provinces are appointed by the President and that there is little transparency in the selection system, as evidenced in the reappointment of the same officials year after year. (Anselmo Cooper) Even though there is some black representation in the upper levels of the governing structure of the province, Colonenses have found that power and position are accompanied by greed. Eric Jackson likes to refer to this unfortunate situation in this way: “A little money can make anyone white.” (Jackson, 2006)

Even in the FTZ itself, issues of dishonesty and theft come to the forefront from time to time. Some employers claim that they have caught Colonenses stealing from the warehouses. According to José Luis Friedman, a director of one of the warehouses in the FTZ, these incidents do occur and they accentuate the negative stereotypes that employers hold towards Colonenses. (Friedman) José Cooper also believes that there is some truth to the claim that blacks employed in Colón FTZ are sometimes lazy and dishonest. However, Cooper
argues that this stereotyping proves to be hypocritical because the white-collar crime (including the transporting of illegal merchandise) that takes place inside the FTZ every so often is far worse than blue-collar crime in terms of magnitude of the damage. (José Cooper)

While disgruntled Colonenses (both the employed and the unemployed) and employers in the FTZ keep blaming each other, thereby increasing racial tensions, more and more youth in Colón are finding the drug trade and gang membership as viable alternatives for survival. Long-time residents and activists see this growth of criminal activity and gang membership among youth as a disturbing trend which bodes ill for the future of the city. (Bernal) José Cooper remarks that when he grew up in the 1960s and the 1970s, Colón was a much safer place to live in terms of the crime rate. But in recent years, the crime rate has skyrocketed in Colón. For example, in April 2007 a gang war broke out in San Miguelito resulting in a large fire that destroyed a neighborhood and killed three children. In the same month, four ATM robberies occurred in Colón, where in each incident gang members tore out the entire ATM machine. Almost all shopping malls, in Colón in particular and in Panama in general, now employ security guards to prevent theft and vandalism. It is quite disappointing to see that the “Rent-a-Cops” concept has become popular and that companies providing security services are among the most rapidly growing companies in Colón. There have also been kidnappings in 2007, which were formerly a rarity. (José Cooper) Among still other crimes prevalent in Colón are rapes, armed robberies, muggings, “express kidnappings” of ATM vendors (in which the victim is quickly kidnapped and robbed for the cash withdrawn from the ATM machine), and petty theft. (“Consular…”)

Efforts to Solve Colón’s Problems

Colón’s problems have received attention from different groups and organizations in Panama in the recent past. For example, the Ministry of Labor has promised annual training programs to some 26,000 Colonenses in the areas of English, computer skills, and opportunities in the tourism industry. (Emmott) Also, the San Lorenzo Consortium (private developers) is developing a project called the Multimodal Logistics and Services Center (CEMIS, by its Spanish initials) in Colón. The project is aimed at creating a “high-tech industrial park” that includes the expansion of the former U.S. military’s France Field Airport in Colón and establishing connections among the airport, the ports of MIT and Coco Solo Norte, the Panama Canal railroad, and several commercial, hotel, and entertainment developments. The contract between the government and the CEMIS developers promises that Colonenses will be given preference in hiring decisions. However, the project is not without its critics because it calls for removing rainforests and mangrove swamps in areas that are essential for the survival of wildlife and birds — a major attraction for tourists in Panama. Still, the CEMIS project, with some modifications, is likely to create more jobs for local Colonenses. (Jackson, 2002)

Among other efforts to address Colón’s problems, the Ministry of Tourism has initiated dialogue with the administrative and civil authorities of Colón for the improvement of the province. It has also begun an examination of Colón’s socio-cultural problems, bringing in consultants like the prominent sociologist Gilberto Toro to come up with creative agendas directed towards the general welfare of Colón. Also, in an effort to increase tourist activity in Colón, the Ministry is to propose a bill to the Legislative Branch that promotes the conservation of buildings in the city of Colón. (“Presentation…”)

Colón’s unemployment problems have also led to the creation of some organizations that seek to change discriminatory labor practices in Colón. MODESCO (Colón Unemployed Movement) assists unemployed people in Colón by collecting their résumés and sending them to employers to help them get jobs. It also organizes rallies and protests to address the issues that affect employed and unemployed inhabitants of Colón. In the year 2006, the organization asked the government to support the CEMIS project in the province to help solve the unemployment problem. MODESCO has been active since 1992 and has organized protests against every government to promote the betterment of Colón. (Winner)
Another organization, the Alliance for Colón, is a coalition of seven organizations representing unemployed workers in Colón. In the past, the coalition has organized protests, demanding that the government release certain funds to be used in starting job creation projects in Colón. Such funds include the money collected from a special merchandise transport tax imposed on Free Zone users, a tax approved by the Colón Free Zone Users Association for use in addressing Colón’s unemployment problem. (“Panama: Unemployed…”)

Considered as one of the important business organizations in the country, the Colón Free Zone Users Association was created in 1979 to represent the Free Zone users and to protect the rights and interests of its associates. (“Free Zone…”)

Furthermore, still other organizations of educated blacks are initiating movements to change the face of Colón, but their motives and goals often collide with each other due to different political aspirations, personal rivalries, and black nationalism. Some activists like Anselmo Cooper take a different approach by educating residents of all ages in the Colón community through cultural means. Mr. Cooper is a director of UTEACO (Union of Colonense Theater), a movement that was started in 1987 by Dagoberto Chú, professor of theater in the Panama province of Columbus. Mr. Cooper’s theater group strives to portray the problems in Colonense society on stage and believes that Colonenses can relate to their issues more closely through the theater. (Sanchez)

The FTZ says that it makes some donations annually to the city with a special focus on primary and secondary education. But the outlook of this once affluent port city continues to stay grim at the present as long as its youth finds drug trade and gang membership as feasible substitutes for low-paying jobs (or no jobs at all). (Sirias, “The News…”)

Conclusion

From a study conducted by Colón’s local council, it has been estimated that at least $50 million would be needed to overhaul Colón, funds which would be used to build new homes, construct a new sewage system, and build new roads. (Emmott) When it is considered that Panama’s GDP totals $14 billion, that $500 million comes into the port city of Colón as foreign direct investment to the container port terminals every year, and that the FTZ itself handles $11 trillion in imports and exports annually, it is not unreasonable to expect that this $50 million for the province of Colón could be found and put to good use. Along with such investment initiatives, jobs should be created for young people. Otherwise, Colón will continue to be a breeding ground for future gang members and possibly terrorists. The responsible authorities should also pass laws to stop employers from practicing policies that provide no job security for workers. The government should also take strict measures to enforce rules against segregation. Hiring should be based on the skills and qualifications of the applicant and not on an applicant’s race or place of birth.

The Panama Canal expansion project is expected to create some 5,000 immediate jobs for construction and thousands more in the future when the expanded canal brings more business to Panama and to Colón. The government should infuse the educational and training institutes in Colón with more resources so that the Colonenses are qualified to take advantage of those opportunities as they come along. Educational campaigns to stop crime and violence should be channeled through popular media, and educational courses that address these issues should be part of the requirements for graduating from a high school or college.

Colón, not surprisingly, has been declared by the Panamanian government to be a “social disaster area.” (Emmott) Nevertheless, this city occupies an important geographic position and thus has the potential to become an affluent metropolis. This will become a reality only when an organized and united effort takes place from all the parties involved, from Colonenses in the streets to officials in the government, to bring in more opportunities to Colón and, most importantly, hope to the Colonenses. This city has the potential to serve as an example to other places in the desperate corners of the world by teaching them how to make the best of the resources that each has.