Administrative proposal for the integral maritime development of Panama

Sebastian Fernandez Quiros

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AN ADMINISTRATIVE PROPOSAL
FOR THE INTEGRAL MARITIME
DEVELOPMENT OF PANAMA

by
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PANAMA

A paper submitted to the Faculty of the World Maritime
University in partial satisfaction of the requirements for
the award of a

MASTER OF SCIENCE DEGREE
in
GENERAL MARITIME ADMINISTRATION

The contents of this paper reflect my personal views
and are not necessarily endorsed by the University.

Signature:

Date: 26 October 1987

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INTRODUCTION
INTRODUCTION

Preparing a thesis as per a partial requirement towards obtaining a Master’s Degree is not only the theoretical demonstration of acquired knowledge, but also the practical exercise of its application and of its constructive projections. Indeed, preparing a thesis demands the elaboration of research, studies and evaluative analysis that will lead to a particular set of conclusions and will serve as structural framework for the recommendations that will be made. Most logically, the topic chosen for the thesis will emanate from the selected study programs and will serve as evidence of having obtained a certain academic proficiency.

In our specific case, the projects geared towards reviewing and taking advantage of the study programs that was undertaken and the knowledge that was acquired. However, emphasis will be stressed in those areas directly related to the specific topic, "AN ADMINISTRATIVE PROPOSAL FOR THE INTEGRATED MARITIME DEVELOPMENT OF PANAMA."

The study plan, which has been divided into several chapters will permit the analysis of previous records and fundamental aspects of the evolutionary stages of this topic, thereby deriving conclusions that will support the various recommendations. Thence, the need to assemble documentary and statistical information that, once properly analyzed, and evaluated will substantiate our proposed objectives.
It is of my firm believe that the selection of such topic does represent relevant importance to my country, myself and to the aims that may justify the creation of the aforesaid study plan. Throughout the formal academic training, we have observed that the structure or format in which the components are assembled, as a whole, (in our case, the Maritime Sector), is essential for its adequate development, tidying-up process, control, verification and correction. It may seem an ambitious undertaking to propose the development of a topic of such caliber. My idea is to review both, theoretically and practically, the most important elements of the organization and functional structure within the maritime sector of the economy, in order to directly relate them to my country. In such a manner, after careful analysis and evaluation, I hope to arrive at series of proposals and recommendations that will be valuable to the interest of the Republic of Panama as a maritime country.

The need to implement an up to date administration system for the Maritime Sector of the Republic of Panama, that allows more efficiency in this area of economic activity, seems to be one of the most imperatives and important solutions; here, the purpose to develop a paper in this field to be named "An Administrative Proposal For The Whole Development Of Panama’s Maritime Sector ".

The principal idea is to suggest the creation of an administrative entity, that may refereed itself as Institute, Directorate of Ministry. Its main objective is to allow the formulation of integrated maritime transportation politics
and related matters, in order to minimize the creation of public branches that would operate with different goals and lack of coordination.

The proposed organization is recommended to be considered an Institute. For this, in the development of chapter I of this paper, the elements that motivate the need to modify the actual administrative systems are analysed. These systems are based on the compromise that the Republic of Panama has as a maritime country and its obligation as a participant in the international community.

In chapter II, a general revision of the international maritime scene, in particular the commercial sector, is considered. A presentation on the evolution of world traffic, its structure and perspectives are presented in order to specify its effects and repercussions in the activities of this sector within a country like Panama.

Chapter III is less ample as regards to world context for it centers itself in the maritime activities, within the Panamanian economy. This way we analyze the relevant economic dependency of Panama in such branch, which dates back to the times of the Spanish colonization and it is accentuated with the construction of the Panama Canal. We present and analyze the importance of the service sector in its gross internal product and balance of payments. Likewise, a comparative listing of the advantages and disadvantages of the sector in function to its economic perspectives is presented.
Under the title of "fleet, Canal and ports of Panama" we will give the numeric description of the main aspects of the panamanian fleet, the traffic of the Canal and the movements of the ports. We also mention here something about registration and deletion, and at the end, some perspectives of this activities, stick out as basic point that its main importance is constituted by the possibility of develop other projects in other branches of the economic activities.

Chapter V, entitled "Panamanian Maritime Administration", presented in detail the 3 most important entities: The Directorate General of Consular and Maritime Affairs, The Panama Canal Commission and the Port Authority, specifying the role of each one in order to diagnose the efficiency of their managements and to sustain the original proposition in reference to the creation of an Institute of Maritime Affairs. This Institution is to be an autonomous entity at ministerial level.

Everything aforesaid and everything to be said in the future around the maritime activity in Panama has necessity to relate to another basic element of our economy, "the Panama Canal. Because of this we develop in chapter VI the perspective, that all Panamanian have to consider before, the execution of the Torrijos-Carter Treaty and consequently the reversion of this important aquatic way. We examine here, what we should do in relation to what we have done. Items subject to be analized are the possibility of building an interoceanic Canal, at sea level, and the creation of another
administrative structure for the Panama Canal, from which a study exist, even though no decision have been taken yet.

The project proposed in this work does not include the administrative aspects of some areas of the maritime activity, such as ports, fisheries and the Canal of Panama.
CHAPTER I

GUIDELINES FOR
THE CREATION
OF THE
INSTITUTE FOR
THE MARITIME
DEVELOPMENT
OF PANAMA
CHAPTER I

GUIDELINES FOR THE CREATION OF THE
"INSTITUTE FOR THE MARITIME DEVELOPMENT OF PANAMA"

As a student of maritime administration with specialization in the government field, and as an employee of the civil servant, the general view and development of this sector is of particular importance to me. It was precisely this fact that motivated me to accept the fellowship that was so gracefully offered by the International Maritime Organization to attend the World Maritime University.

The interest in the maritime sector by the Republic of Panama, which has increased in the course of the last decade, in properly responding to its duties and obligations implied by its condition as a maritime country, and to its location within the international maritime community, carried with it notwithstanding, the dedication of our greatest efforts in adequately preparing and developing its public officials. It is a well known historical fact the geographical position of Panama, as a country of transit and service, is an important feature of her personality. This natural and historical reality was affirmed from early century with the opening of the Canal which transformed our isthmus into an interoceanic bridge at the service of international maritime transport.

Therefore, to say that Panama occupies an important position in international maritime relations is not to be considered a new affair. Due to its privilege geographical position in the center of the American Continent, joining north and south, and offering the shortest distant between the Atlantic and the Pacific, the future of Panama has clearly and without question been determined. Possessing the world’s second largest merchant fleet and being the key to the interoceanic canal attest to these before-mentioned facts.

Cap1-2.2
At the same time, commercial operations are supported by an advanced sector of specialized and experienced shipping agencies, and a banking system composed of more than two-hundred (200) banks related to the most important financial institutions of the world.

Panama has therefore, an important stature within the international shipping community as evidenced by the very high number of ship registrations as well as supervision and operation of world-wide marine transport. To this we must also add a very high infrastructure and an advanced degree of technology achieved in recent years such as marine and serial port installations, international telecommunications, insurance and re-insurance legislations, mortgage and trust bills, all of these features which have transformed Panama into a highly advanced center of continental development.

As opposed to other countries in the region, the economies of which are agricultural, natural resources or industrial based, Panama as a country with a limited territorial extension but a very particular geographical location, has based its economic development on the use of other resources. As an example, we may mention our vast marine potential and our aforementioned geographical position. Open ship registration in our merchant fleet, which has evidenced an accelerated growth capacity derive its positive development from these two natural elements. With more than sixty years of experience, Panama, at present has achieved the quite impressive amount of 12,010 registered ships, with a total of 60,984,783 tonnes (1). These figures place this country in second ranking world-wide with respect to merchant fleet tonnage registration.

The direct and indirect economic advantages, as well as the social and political benefits that derives from transport
related activities and the production of marine resources are of increasing importance to our growth and development as a nation. Therefore, the interest in properly defining a maritime policy that will stimulate and guide, within the framework of national plans and programs, the entire exercise of our rights and efficient fulfilment of our correspondent responsibilities not only to present and future generations of Panamanians, but also towards corporations, institutions and communities of other countries. These are the main guidelines adopted by the Panamanian nation in order to adequately evaluate what we possess and what we have to do in order for this country to achieve greater advantages. Most naturally, this process must come about by taking into account our natural realities and the evolutionary development of the rest of the world.

Throughout time, nations have united in the pursuit of common goals. Generally, such alliances have been motivated by the need to cooperate in order to achieve the highest possible level of welfare and, in certain instances, to avoid the terrible consequences of armed conflicts brought upon by unreconcilable differences. This is how regional, international and world organizations are born and how facts and situations are communicated, special interest are analysed, experiences are debated, criticisms, suggestions and recommendations are brought forth.

Panama’s participation in international organizations such as the United Nations, The International Maritime Organization, United Trade and Development Conference and the International Labor Organization, just to mention a few that are directly related to our topic, has been of enormous importance and benefits. We have been present not only as members but we have also had the opportunity to contribute and obtain valuable experiences. It is our membership in these organizations that adds a new element of interest to the
outlining of this proposed topic. It may even be said that Panama's active participation in these specialized international forums adds a new dimension to our development as a maritime country.

Indeed, it is the technical cooperation and assistance received from these international bodies such as the IMO that has, to a great degree, oriented Panama's maritime policy during the last few years and that has contributed to the adoption of legal procedures and norms directed towards the modernization and hi-technological level of our ship's activity. Therefore, all our efforts towards taking advantage of new methods and technological improvements offered by international cooperation and assistance in benefit of our institutional development, are plainly justified but imply also responsibilities. With respect to this point, there is a mutual agreement between the Panamanian authorities and the national community.

It is worthwhile mentioning that numerous studies and diagnoses of our maritime sector coincide in that one of the fundamental steps we must first undertake at the domestic level is to restructure the administrative organization of the public sector related to maritime affairs. To date, there are a diverse number of entities, institutions and state dependencies, either autonomous or semi-autonomous, that hold some degree of responsibility in day-to-day national maritime affairs (2). I tend to agree with this observation, which is another reason that impels me to consider the topic "AN ADMINISTRATIVE PROPOSAL FOR THE INTEGRAL MARITIME DEVELOPMENT OF PANAMA", arising from the aforesaid observation.

As a main objective of this paper, I intend to draft, after an economic analysis, an administrative proposal to achieve the integrated maritime development of Panama and to define
the parameters which the government of Panama may use in order to prescribe its priorities, and to implement the plans and policies for the development of the maritime sector and its supporting activities.

In general terms, the real Panamanians benefit from maritime related activities is a matter that deserves careful attention and consideration. When stating these realities, it is necessary to keep in mind that the development of evidence in this sector so far has been, to a great extent, a product of spontaneous evolution more than a response to a series of coherent government policies that have stimulated and harmonized the efforts and interest of each of the agencies involved. The lack of proper integration and coordinated action may, not only create confusion, but disagreements and obstructions in policy implementation as well. The consequences are the unproductive use of the technical force and human resources, needless to say, efforts must be doubled hence, the existing possibility, for this sector, to become stagnant or its inevitable decrease in productivity level. If we consider for a moment that on a world-wide level, economic conditions are undergoing a process of change that are affecting commercial activities as a whole, we may better comprehend why it is necessary for the Panamanian authorities to immediately take into consideration substantial changes and reforms. In this respect it would be most convenient to keep in mind, even though it is not yet effectively in force, the document entitled "UN Convention on Conditions for Registration of Ships". To insist in pointing out omissions, errors and limitations is important to adequately demonstrate that the actual make-up of governmental structures, presently in operation is not the most adequate nor the most efficient. However, these criticisms should be based in the context that we are still in time to make the necessary amendments, and seriously consider those suggestions that have already been
presented, although not yet evaluated.

Precisely, at this point in time, when the Panamanian government has recognized the need to carry out reforms and adopt new programs, is the most adequate moment to enter into the systematic analysis of the problem and the adoption of new solutions. At present time, these tasks may be carried on by better trained and experienced professionals assisted by the pertinent international agencies.

The reasons that drive me into conducting such research, analysis and evaluation, that form this thesis, are borne from a deep conviction that the moment and the attitudes of our authorities are sufficiently positive, for the levels where solutions may be adopted.

During the past decade, the Ministry of Planning and Political Economy conducted a series of studies related to different social aspects of this country. Also, included task was a general evaluation of the maritime sector. As a result of this study, a series of considerations and recommendations were derived, directed towards amplifying and intensifying its integral development and, at the same time, stressing the social and economic benefits that could be obtained from its proper use. However, these initiatives, produce no positive results if certain reforms and adjustments are not first adopted, supervisory controls implemented and incentives established to allow a certain degree of practical effectively (3).

Although, the study presented positive recommendations, the pertinent authorities failed to determine which institution should have undertaken the responsibility for the implementation of the aforementioned study and the proper coordination to see for its fulfillment. In other words, the proposals were never put into actual practice due to the fact
that basic decisions related to their implementation were never established.

Therefore, during the course of the present decade, a noteworthy increase in the benefits obtained from marine resources have been recorded. Moreover, a positive increase in these benefits is to be expected as a consequence of a boom in the maritime transport industry during the early years of this decade.

Unfortunately, such stimuli have not been sufficient enough to obtain, from our state institutions the adoption of the necessary legal measures that will lead to establishing coordinated action, even though the need for such measures has been continuously acknowledged. However, each of the national institutions involved tend to concentrate their own particular resources and efforts in the increase of their own productivity and the promotion of their own activities instead of working as a team towards a common goal. To this we must add the recently acquire duties and responsibilities derived from the Torrijos-Carter Treaty that has resulted in the displacement of administrative activities, especially those concerning land, equipment and installations that, reverted to Panamanian jurisdiction. From this, we may surmise the need to dedicate greater efforts and planning process to meet the new challenge that the management of the interoceanic canal, by the Panamanian authorities, entails.

With respect to the private sector and their participation in maritime related activities, the main drawback to their full participation, and the one that creates the most problems, is the lack of an adequate legal framework to properly stimulate private investment in this sector. The principal responsibility for this setback lies within the government authorities. the participation of the private sector must
not be underestimated nor ignored, for its participation, in a many form, in the main maritime activities related with the operation of the canal, local ports, fishing industry, merchant marine, etc.

However, since there is no clear legislation regulating this sector or outlining the main incentives available to investors, private sector participation has not been effected to its full extent, therefore the full potential of this sector has not been adequately exploited. This absence of adequate regulations not only tends to interfere with creative, productive initiatives from interested parties but also a lack of proper regulations may even obstruct and make such actions impossible to carry out.
CHAPTER II

NATIONAL SCENARIO IN WORLDWIDE MARITIME COMMERCE
CHAPTER II

The International Scenario in Worldwide Maritime Commerce.

Humanity striving for perfection, continues to seek organizing methods that one at the same time more efficient and comprehensive. Efforts that are being made in favor or against specific commercial interests, or that of products such as coffee, banana, sugar, copper and oil, are part of this process. In essence, what is been sought is a way to harmonize the economic interests of all countries, by applying principles of impartiality and solidarity which may allow the greatest possible progress to all, and not only those countries that are most advanced, wealthy or powerful. The inequitable economic and social imbalance in today's world, must be eradicated. In this endeavor, humanity will not be weaken.

The restrictive commercial practices, reprisals and counter-reprisals that were caused by the First World War (1914-1918), resulted in a reorganization of world trade. Even the United States of America, in 1945, presented to a group of countries a document entitled "Proposals for the Expansion of World Trade and Employment". The objective of this proposal came through on the 25th of May, 1948 in the well-known "Letter of Havana" (6). This document, which is at least forty (40) years old, stills nowadays some degree of relevance, not only because of its doctrine content and the concrete solutions it states, but because it became the first practical recognition at international level, that the world
economy should be organized subject to certain basic and binding principles for all countries.

During the same period the General Agreement of Tariffs and Trade (GATT) was established and in general terms, urged international trade towards NON-discriminatory practices among countries by means of enforcing the nation's most flavored clause, and by the agreement among countries to procure their best efforts in reducing customs Tariffs and the elimination of trade barriers. Unfortunately, these economic models, although they provided logical solutions to the problem of international trade development, at the same time unleashed a new series of dilemmas which at present have not been accurately answered (7).

In light of the actual situation and the conditions prevalent in the world today, the difficulty in finding global solutions to the world's economic problems has prompted certain countries to seek solutions among themselves. That is they have followed the part of regional agreements based on similarities such as geographical location history, society and common culture. The system that has so far been applied is the adoption of agreements that acknowledge mutual rights and that results in multilateral obligations. As example of this trend we may mention organizations such as the European Economic Community, (EEC), Latin America Free Trade Association (LAFTA), The Andean Pact, The Central American Common Market (CACM), Caribbean Community (CARICOM).

Despite the few positive results, the general perspective of these integrationist groups are, unfortunately, not very
optimistic. Differences caused by socio-political and economic conflict of interests can only be eliminated or diminished so long as governments and private sectors of participant countries mutually agree in that the path towards total integration is the one most desirable. In order to adjust to this positive path, it is essential that the concepts of "Sovereignty" and "Jurisdiction," be given at less belligerent nationalistic interpretation than what prevails at present.

These preliminary analysis lead us to visualize in a more objective manner the evolutionary development of world maritime trade. This level of evolution will serve as a basis to concretely measure the degree of trade that has taken place among countries.

Even with the great scientific and technical advances that have taken place in the maritime sector, and the structural readjustments in the world economy, prospect for international maritime trade do not reflect the expected results. On the opposite, a certain level of stagnation in this sector has been observed when inter-period analysis have been effected.

There is the possibility that the present economic structure, based on unequal trade practices among nations, and consecutive crisis that have taken place within the system itself, may have had direct bearing on the gradual disarrangement of the freight market, which is one of the pillars of international maritime trade, and which has caused
bankruptcy to several private and public shipping companies in the world (8).

The difficulties and problems that are associated with the normal development of international trade are usually reflected in those activities that are linked to the international maritime trade. The present situation is characterized by trading patterns between countries that are limited and conditioned by protectionist policies. These policies, more frequently used by advanced countries, have the tendency to limit the free access to their markets, of products and commodities that originate from countries still in an underdeveloped state. The interests of management and investment groups directly affect their employees and market share. Therefore these weigh heavily on the trade policies of their particular countries and tend to impinge on what should be free trade (9).

One of the components of international trade that most clearly reflects the afore-mentioned feature, is that related to the international maritime trade. This study intends to dedicate special attention to this feature.

2.1 World Maritime Traffic: Evolution

An analysis of the evolutionary process that has taken place in the structure of marine traffic, be it related to the relative weight of the different cargoes transported or to the variations in the average distances travelled, is of
utmost importance due to the implications of these; not only on the status of the fleet, actually in existence, but also on the demand for new ships. It may be said that as of 1970 to date, a radical change has occurred in the relationship between the traffic and the total amount of transported tonnage.

As displayed in graph #1, the tonnage growth level, evidenced by the world maritime traffic, tends to show several oscillations that are worthwhile analyzing. During the decade of 1960 up to 1974, an increase in traffic incidence is clearly evident. The maximum historical growth level in transported tonnage (12.9%) is obtained in 1973. This growth level was achieved as a result of an increased in the transport of crude oil and related products, bulk and other commodities. However, it must be pointed out that more than 65% of this increase can be attribute to transport of crude oil its related products.

During the four initial years of the last decade, all annual growth rate levels pointed towards a positive increase with an average annual rate of 7%. The most prominent year was 1973 with a growth rate of 12.9% as mentioned before. It must be pointed out that this rapid expansion in maritime traffic, was principally due to the rapid growth rates in the economics of industrialized countries all members of the Organization for Economic Cooperation and Development (DECD). For the years 1974 and 1975, the volume of commodities transported decreases considerably as direct consequence of the rise in prices of crude oil; in only twenty four months increased five
times its original price. The year 1975 is of special interest because it was during this period when world growth rate declined by 6.2% affecting worldwide traffic. This year is also of particular importance because the first warnings of what was to occur during the remaining years of the decade were evidenced. Inclusive the annual growth rate for the these two years (1974-1975), decreases by 1.45% in comparison to previous years.

During the years 1976-1979 a slight recuperation in economic activities took place with a sustained annual average growth rate of 5.4%. Factors such as an increase in the traffic of crude oil and related products, as well as other commodities were brought about by new growth in industrial production of countries members of DECD.

The economic crisis really begins to be felt during the first two years of the present decade. For the first time, a continuous decrease in the volume of goods transported, year by year, begins to take place. The deep crisis in the crude oil sector, brought upon by continuous price increases eventually led to a contraction in the volume of crude oil transported, especially during the year 1982. This single factor, continuous price increases and the inability to properly adjust to each increase, gives a clear idea of the main issues deeply affecting the crude oil fleet during the initial years of this decade.

The situation changed slightly in 1984 where growth figures obtained can be attributed to an increase in the volume of
grains and coal that was transported during this period.

In conclusion, for the year 1985 as for 1986, contraction in maritime traffic is once again fall, as a result of the energy crisis, and to the new difficulties encountered by world trade in its normal development, especially heightened during the guest for a new economic order.

2.2. Structure of World Maritime Trade According to Type of Cargo.

2.2.1. Crude Oil

By 1985, maritime traffic of crude oil had beaten its own minimum record, which was established during the 1960's. The volume of traffic, during this same year (1985), is 34% lower than its historical maximum set in 1979, and 27% less than the level registered during the first year of the crisis, 1973. (SEE GRAPH UP 2)

The traffic of oil related products also decreased in 1985, with a loss decreased in 1985, with a loss of 9 million tons with respect to 1984, in a continuation of the negative trend of previous years.

In terms of tons per mileage, the decline recorded in previous years continued the same pattern of decrease, setting a faster pace by 1985 with 2.8% for crude oil and 1.8% for related products. The main factor behind this trend is because consumers have been able to decrease the distances
between supply points, therefore, at present average distance of travel by crude oil traffic, is only 41% of that of 1976.

On the other hand, it would seem as if OPEC wishes to maintain its present policy of limiting production, thereby using this mechanism as the one that offers the best perspective to recuperate yesteryear profits.

In fact, during the first quarter of 1986 future contracts for tanker constructions had barely surpassed one (1) million deadweight tonnage (DWT).

2.2.2. Dry Goods in Bulk

The growth in the traffic rate of dry goods in 1985 experienced no significant changes in comparison with 1984. The same tendency was prevalent for 1986. While coal continues to grow, mineral one will be stabilized, therefore, the decrease in the traffic of grain has been the responsible factor behind the lack of any significant changes in the traffic rate of dry goods as whole. The would grain traffic declined from 207 million metric tons in 1984 to 188 million metric tons in 1985. The principal reason for this decline was due to a decrease in the amount of goods imported by the USSR that went from 56 mmt in 1984 to 36 mmt in 1985. (Graph #2)

2.2.3 Other Cargoes
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**Source: TEARULEYS**
This sector evidenced a growth rate of 2.3% in terms of tons transported during 1985. However there was a decrease in the order of 0.7% as refers to tonnage per mileage during the same year. Container traffic, the most important component of this sector increased dramatically during 1986. Transport of automobiles and other vehicles also evidences tendencies towards an increase during 1985-86. On the other hand, there was a sharp decrease in traffic of liquified gases as consequence of decreased production in the Middle East.

The forecast for 1987 can be classified as being moderately optimistic due to the encouraging economic symptoms this sector has so far evidenced.

2.3. The world Merchant Fleet.

It would seem that for the year 1987, the decrease in tonnage in the world merchant fleet, initiated in 1983, will continue its downward trend. As of 1983 to date, a decrease of approximately 8.5 million GRT has been recorded. As is well known, this phenomenon is a direct consequence to the adjustment policies undertaken by the principal world fleet in response to the prolonged crisis affecting the international sector in the last few years.

The decrease in tonnage of the oil fleet, 9.0 million GRT less than in 1984, presupposes a continuous decrease in this sector in years to come.

In the bulk carrier sector, during 1985, GRT increased by
6.6 million tons, in a continuation of its positive growth tendencies. There has been a slight decrease in the growth rate of container carriers as of 1984. The freighter sector, a recoil tendency has been observed (0.5 millions GRT less in 1985 compared with 1984). The stability of this sector has been deeply affected as result of these tendencies. If we dare to make a forecast with respect to the future behavior of the world merchant fleet (see annex #2), a tendency towards tonnage decrease in the next few years is quite easy to foresee.

On the other hand, as perceived in 1985, the progressive again of the world fleet continues unabated. The percentage of ships less than 10 years old stands now at 45% of the total fleet, 48% in 1984 and 52% in 1983. Also, during the last 10 years, several noteworthy changes with respect to ship registration have taken place. On one side, we have that countries will traditional convenience flags present a continuous decline with respect to available warehouses while on the other hand, new countries are acquiring ever growing importance in the context of world shipping scenario. For instance, the Republic of Panama has been able to maintain a constant growth rate in its ship registry ever since the first world war. On the contrary, countries such as Great Britain, Italy, West Germany, and France are clear examples of countries whose fleets are in ware.

All this has led to a deconcentration of the world fleet in such a way that in order to surpass 80% of the total of the world fleet, it is necessary to add the tonnage of 20
NEWBUILDINGS DELIVERED 1976 - 1987

SOURCE: FEARLEYS
different countries. Only ten (10) years ago, the number of countries was 14. ( )

2.4. World Demand of ships:

During the year 1985 there was a noticeable decrease in world-wide demand for new ships, in a continuation of the declining trend initiated in 1984, shortly after the 1983 recovery. (GRAPH II.4)

According to data provided by Fearnleys, new construction requests at the beginning of 1986 stood at 1,052 ships and 367.5 million GRT, this may infer a 17.1% decrease in tonnage at the start of 1985. The decline in the number of ships was in the order of 280 units.

For the year 1985, tanker ships presented a volume of 10.4 million GRT (157 ships), which surpasses by more than a million tons the 1984 requests. Also, in 1985 request for new ships of 5 million DWT takes place, which supposes an increase with respect to the figures achieved in 1984.

In the 80-100,000 DWT, request increased from 24 to 33 ships, and the 60-80,000 DWT declined from 33 to 16 ships. In the VLCC group category new requests continue to grow. Therefore, we have that in 1985, requests for this type of ships rises to 11 units as opposed to 4 units the previous year.

A decrease is evidenced in the requests for ships in the
combined category. We have therefore, the amount registered in 1985 (18 ships) totalling 2.8 million DWT, is 15% lower than the level achieved in 1984. Bulk carriers amounted to 302 units totalling 17.9 million DWT at the beginning of 1986. However, before the year was over, there was a sharp decrease in the order of 7.7 million DWT in contrast to the previous year.

As for request for other type of ships, the decline in this sector, which started in 1977 evidences a continuous decline. At present, the data stands at 6.3 million DRT and 575 ships. Requests for new ships remained at the same level during the last few years with a 1985 volume of 4.5 million DWT.

According to Fairplay's Statistics (annex #3), countries with flags of free registry absorb approximately 30% of the registered tonnage and 20% in terms of units. Panama occupies the first place with respect to registered number of ships with more than 10% of total units.

Throughout our study, we have been able to notice that the future evolution of the naval construction market has been heavily conditioned by the foreseeable situation in international maritime traffic. Regardless of this factor, the Association of Western European Shipbuilders (AWES), in its latest report related to the requirements of the world fleet during the 1984-1995 period presents a positive scenario, where the recovery of the naval construction sector is quite evident.
In conclusion, according to Lloyd's Shipping Economist data, the supply-demand request for new ships during the month of January 1986 (see annex #6) was at 441 million DWT. This total was only 1.3% less than the amount recorded during the same month of the previous year.

Over capacity of the world merchant fleet during the same period (January 1986) was recorded at 143.1 million DWT; 14% less than amount recorded in January 1985. This translates into a 32% excess in the level of available demand for warehouse capacity.
CHAPTER III

MARITIME ACTIVITIES IN THE CONTEXT OF THE PANAMANIAN ECONOMY
REVENUES DERIVED FROM THE MERCHANT MARINE ACTIVITIES
BY ITEMS -1981-1986
(million of dollars)

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*Refers to Public Registry, Licenses, Telexes, cables, stamps.

(1)Includes Tonnage Measurement and certificates, Inspection Program and certificates, telexes and cables.

CHAPTER III

MARITIME ACTIVITIES IN THE CONTEXT OF THE PANAMANIAN ECONOMY

3.1 FEATURES OF THE PANAMANIAN ECONOMY.

Panama's economy is characterized by a strong influence of the commerce and service sector in the Gross Domestic Product. This feature has been prevalent throughout Panama's history when, as far back as the colonial period, the isthmus served as a transit point, and its economy was influenced by its geographical position.

3.1.1 GEOGRAPHICAL POSITION AND DEPENDENCY ON THE CANAL.

The Panamanian economy has always depended on its main principal feature: its geographical position inclusive, before it became a Republic in 1903. Panama was always regarded as a transit zone and commercial center. The 16th century Spanish conquerors and colonizers used the isthmus in order to move between the Atlantic and Pacific oceans, and centered their contact with the old world from Panama. It was in this territory where the famous Portobello fairs took place during the colonial period, and where all the gold and riches destined to Spanish count passed through.

Several historical events such as Simon Bolivar's
Amphictyionic Congress, the transoceanic railroad Count de Lesseps initial construction of the canal may serve to highlight the favorable position of Panama.

During the years following independence from Colombia, the construction of the Canal eclipsed all other events of the period. In this respect, a whole series of commercial activities grew around this engineering wonder in order to fulfill the needs of the population involved in this project.

After its inauguration, and up to the second half of the 1950’s, there is a relatively long period whereby the Panamanian economy bases its growth on the operation of the canal and on related activities.

The years between 1955-1974 are characterized by a strong growth rate, 6% from 1955-1969 and 8% from 1960-1974 (12). During this period, economic expansion, although closely related to secular patterns, laid the foundation for the structural transformation of the Panamanian economy. always within the framework of trade and services as fundamental dynamic activities, the development of the manufacturing sector begins to take place in answer to an import substitution economic policy.

After this period of economic growth Panama has been affected by severe symptoms of recession characterized by a high level of unemployment, chronic deficit in the merchandise items of the balance of payments ascending to US$542.3 million in 1986 (13), and a severe stabilization plan for public
finances.

**GRAPH NO. 5**

GROSS DOMESTIC PRODUCT BY ECONOMIC ACTIVITY

(IN PERCENTAGE) 1986

(CURRENT DOLLARS)

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**SOURCE:** Comptroller General of the Republic.

With this scenario, the structure changes that were being
recommended during the 1960's have changed drastically, and the service sector continues to greatly influence GDP. As can be observed in Graph No.1, various economists have predicted that this trend will not likely change in the near future rather, short and medium term perspectives do not appear too hopeful considering Panama's heavy dependence on the level of international trade, and the lack of vitality from sectors that at one time were very dynamic.

3.1.2 THE SERVICE SECTOR

The service sector has been the main leader in the economic development of Panama, and at present, continues with its increasing tendency. We also find that the maritime sector occupies a considerable percentage of the activity of this sector. It may safely be said that the maritime sector may someday replace the contribution of the financial sector to GDP, if these become saturated.

In order to adequately understand the service sector and its direct incidence in our economic development, it is necessary to review some data from past decades. This analysis is more valuable if we examine the relative contribution of different sectors of the economy during the last three decades. However, we shall concentrate on those sectors that most heavily contributed to economic growth, and not repeat the performance of those sectors that are irrelevant to our analysis.
In the period from 1950 to 1960, the four (4) sectors in order of importance, that contribute the most to economic growth were as follows:

1. Manufacturing 19.8\%
2. Services 15.5\%
3. Trade 14.7\%
4. Agriculture 13.5\%

These four sectors were responsible for 63.5\% of the economic growth registered during the period, and an annual average rate of 48\% (14).

During the 1960's, the behavior of the four sectors was practically the same:

1. Manufacturing 20.7\%
2. Trade 14.4\%
3. Agriculture 13.7\%
4. Services 11.1\%

It is interesting to observe the change in the order of the four sectors. We have that the agriculture sector displaced the service sector in their respective contribution to economic growth. We may attribute 59.9\% of total economic expansion during the decade to these four sectors, equal to an 8.0\% annual growth rate.

We have that during the 1970's, the order of relative importance changed as follows:
1. Transportation, Warehousing 19.90%
   Communications

2. Financial Sector 14.5%

3. Trade 13.8%

4. Services 13.8%

For the 1970's, annual growth rate averaged 4.7%, and these before mentioned sectors were responsible for 62.0% of total economic growth during this period (15).

It is quite evident that as of the 1970's an important change has occurred in the development of the various economic sectors. Two important sectors, manufacturing and agriculture, which in the preceding twenty (20) years were responsible for 34% of the total economic growth, during the 1970's can now only be attributed 14% of economic growth.

The sector that contributed most to economic expansion during the 1970's was transportation, warehousing and communications. This was due to the increased economic activity in the Colon Free Zone. This sector is followed closely by the utilities sector (reflecting the large investments in electricity projects), services sector and financial sector.

During the present decade, 1982 evidenced severe fiscal limitations. In 1983, the economy showed symptoms of severe contractions that continued until 1984 and 1985. However, during 1986 and part of 1987, the national economy has given
clear evidence of undergoing a very optimistic level of recovery.

3.1.3 THE MARITIME SECTOR

The geographical position of Panama and the existence of the
Canal, has transformed this country into a required passage
route for approximately 14,000 merchant ships annually. A
large portion of these ships fly the Panamanian flag, and
this activity has resulted in a very high degree of
development in all trade related activities thereby
benefitting not only the continent, but all the whole world.

The Republic of Panama, due to its involvement in the
international maritime industry, its political stability, the
development of its ports, its advanced international trade,
its canal, etc., is entitled to further develop all its
activities as a maritime country and benefit from these in
the highest manner possible.

3.2 IMPORTANCE OF MARITIME RELATED ACTIVITIES

In addition to all that has previously mentioned in order to
stress the role that activities related to maritime transport
has played in our economy throughout our history, it can
safely be said that this situation not only prevails, but in
fact, has increased in importance.
Besides being of unique value to the economy, maritime transport and related activities are still quite unknown to most people. This may possible have been as a result of the jurisdictional limitation that prevailed with respect to the canal and the port terminals of Balboa and Cristobal prior to the signing of Torrijos-Carter Treaty in 1977. To this time we may add, a rigid vision of maritime related activities that did not propitiate an adequate interrelation. Another drawback was that the Panamanian merchant fleet itself did not promote a strong relationship between owners and ships that was not strictly fiscal.

3.2.1 GROSS DOMESTIC PRODUCT

In order to simplify our analysis, we shall proceed to consider as pertaining to the maritime sector, all marine transport and its related activities.

In 1986, these activities contributed to GDP as follows:

- Maritime Transport: B/15.0 million balboas
- Free Zone: 77.0 million balboas
- Panama Canal Commission: 188.0 million balboas
- Pipeline: 138.0 million balboas

-------------------
B/418.0 million balboas

This amount represents 20.4% of GDP for 1986 which totalled B/2,053.2 million balboas. It is interesting to note that...
the banking sector contributed B/.61.5 million balboas or 3.0% of GDP (16).

### 3.2.2 FISCAL REVENUES

Analyzing current revenues received by the national government during 1986, we may also note the significance of revenues received from the maritime sector:

<table>
<thead>
<tr>
<th>Revenues from ship registration</th>
<th>B/.39.2 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canal Revenues</td>
<td>103.8</td>
</tr>
<tr>
<td>Pipeline</td>
<td>82.0</td>
</tr>
<tr>
<td>Free Zone</td>
<td>10.2</td>
</tr>
<tr>
<td>Other</td>
<td>51.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>B/.240.2 million</strong></td>
</tr>
</tbody>
</table>

This amounts to 23% of the total revenue (B/.1,044.5 million) received by the national government in 1986 (17).

### 3.2.3 BALANCE OF PAYMENT

In 1986, the merchandise account of the balance of payment showed a deficit of B/542.3 million balboas as a result of imports of goods amounting to B/2,954.7 million and exports totalling B/.2,412.4 million. The export account includes
B/.95.3 million balboas pertaining to the export of seafoods, primarily shrimps.

Revenues obtained in 1986 from activities related to the maritime sector amounted to B/.751.3 million balboas, divided as per the following:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchant Fleet</td>
<td>B/.39.2 million</td>
</tr>
<tr>
<td>Others</td>
<td>5.0 &quot;</td>
</tr>
<tr>
<td>Canal</td>
<td>322.7 &quot;</td>
</tr>
<tr>
<td>Others Canal</td>
<td>62.1 &quot;</td>
</tr>
<tr>
<td>Fuel Sale to ships</td>
<td>38.1 &quot;</td>
</tr>
<tr>
<td>Crude Oil Transport</td>
<td>184.1 &quot;</td>
</tr>
<tr>
<td>Seafood Export</td>
<td>95.3 &quot;</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>B/.751.3 million</strong></td>
</tr>
</tbody>
</table>

This amount surpasses the deficit of the balance of payment's merchandise account, which is further proof of the importance of this sector as a source of revenue (18).

### 3.2.4 EMPLOYMENT OPPORTUNITIES

The activities of the maritime sector are of particular importance in the promotion of new employment opportunities. During 1986, of a total labor force at a national level of 643,827 persons, approximately 5.4% were involved in sea related activities. According to statistical data provided by the Ministry of Planning and Economic Policy, 34,585
direct jobs were distributed as follows:

<table>
<thead>
<tr>
<th></th>
<th>Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canal</td>
<td>14,246</td>
</tr>
<tr>
<td>Fishery</td>
<td>6,631</td>
</tr>
<tr>
<td>Crude Oil Transport</td>
<td>600</td>
</tr>
<tr>
<td>Seafarers on Duty</td>
<td>1,000</td>
</tr>
<tr>
<td>Ports</td>
<td>2,906</td>
</tr>
<tr>
<td>Free Zone</td>
<td>6,202</td>
</tr>
<tr>
<td>Auxiliary Services</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>34,585</strong></td>
</tr>
</tbody>
</table>

**NOTE**: One balboa is equivalent to one U.S. dollar

### 3.2.5 PERSPECTIVES

The importance of all sea related activities to our economic growth can be easily established if we focus our analysis on these activities contribution to GDP, fiscal revenues, labor promotion and currency generation.

Both, the public and private sector must take awareness of these facts and seriously try to elaborate plans and programs that will promote these activities to its fullest extent. The actual economic structure of Panama is at an optimum position to achieve this purpose. Maritime transport and sea related activities, all carried within the framework of the service sector, have evolved in the same manner as the recent evolution of the Panamanian economy.
The coherent and sound development of maritime services, which we pretend to propose in the final section of this report, will not only benefit the country's role as a transit point, transshipment center, and critical point to a large proportion of international trade. This development will also result in the expansion of the economy as a whole and, after having acquired a higher technological level, auxiliary industries may even be created.

The main advantage we must keep in mind in that the focus we can give to the development of Panama as an international shipping center, in terms of required capital investments, can be relatively modest.

In a certain way, the objective proposed may even result in further diversifying the economy, because it would open the doors to new activities involving a consistent process of technological import which is extremely vital if we expect to obtain total control of the canal in the year 2,000. It must again be emphasized that if we expect to obtain this goal, serious efforts must be made in the training of human resources.

3.2.6 SUMMARY

a. The maritime sector we have proceeded to analyze is, at this point in time, of extreme importance to the present and future economic development of Panama. Our tradition as a
service oriented country, influences our desire to improve our capacity and efficiency in the service sector, thereby increasing our potentiality in related activities. In comparison with other industrial based, financing in order to promote activities related to the maritime sector, would be considerably lower.

b. The proven importance of the maritime sector, has not been sufficient to move our decision-makers to further promote this sector. In contrast, other less favored sectors of the economy are constantly being included in governmental policies, plans and strategies.

c. The advantages of this sector are:

- Increased opportunities for labor promotion.
- High contribution to GDP.
- Currency generation.
- Opportunities for higher fiscal revenues.
- Private sector participation.
- New economic activities.

d. Limitations

- Insufficient qualified human resources at a managerial and technical level.
- Lack of proper sectorial planning.
- Insufficient technology.
- Unavailability of sufficient funding.
- Administrative inefficiency in the public sector.
CHAPTER IV

FLEET CANAL AND PORTS OF PANAMA
Chapter IV

FLEET, CANAL AND PORTS OF PANAMA

4.1 Evolution of the Panamanian fleet

In 1986 the national merchant fleet consisted of 5,252 vessels with a total of 41.3 M gross registered tonnage. This data was obtained from statistics given by Lloyd's register of shipping and revealed a diminution of 260 vessels, eventhough there was an increase of 631 thousand G.R.T. (19).

These results show a significant reduction in the growth of the Panamanian fleet if we are to consider the increase of 9.2 % in the year 1985 to 1.5% in 1986, in terms of tonnage, obtained on July 1st 1986.

In reference to number of ships, the fleet was reduced from 5,512 in 1985 to 5,252 in 1986. Even so, Panama maintained its second place tonnage wise, following the Liberian fleet. In relation to number of ships Panama occupies fourth place after Japan, USSR and USA (see fig. ).

The results of 1986 reflect a change in the levels of growth of the Panamanian fleet which had grown tonnage wise as follows:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>INCREASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>631,808 GRT</td>
</tr>
</tbody>
</table>
1985  3,439,968 GRT
1984  2,578,725 GRT
1983  2,065,230 GRT
1982  4,943,705 GRT
1981  3,465,893 GRT
1980  1,866,749 GRT

The world tonnage decreased 404.9 M GRT's, a reduction of 11.4 M GRT's to be compared with a drop of 2.4 M in 1985 and 3.9 M in 1984. At present time, the participation of vessels flying the Panamanian flag in the total world tonnage is set at 10.2% (20).

In the context of countries of open registry, the Panamanian fleet represents 31% of the registered tonnage and more than 50% in terms of number of vessels.

The registering of ships in countries of open registry has experimented a very strong increase during the last few years. Making reference to the last decade, the tonnage has risen from 102 M GRT's in 1976 to the actual 129 M and a relative growth of 26.8%.

The participation of Panama in such process has been of particular importance for the equivalent of 90% of the increase has occurred because of the expansion of the Panamanian fleet. To this evolution it is worth mentioning the strong regressing process that Liberia, the main world fleet, has experience by observing its tonnage of almost 30 M GRT's decrease in the last eight years.

Cap4-2.2
The growth process of the Panamanian fleet is truly spectacular. Only 12 years ago, 1975, the registered tonnage was 13.6 M GRT's and only 2,400 ships. At present time the tonnage has triplicated and the number of registered vessels has been duplicated. If this evolution continues, Panama may very well become the world's main fleet in the coming years.

The consolidation of such position is one of the most important challenges that must be faced by the Panamanian administration, considering the growing competition of the traditional open registries and the creation of other new registries. It must be taken in consideration that besides the important sum of income that means to the country the maintenance and expansion of an elevated registry of vessels, this position may be furthermore and excellent platform for the possible development of activities under the merchant marine.

4.2 Distribution according to ships type

In has been experimented, during the past few years a change in the structure of the Panamanian vessels, in the same sense to the one pointed out for 1985. The tonnage of bulk carriers has strongly incremented its participation until becoming the principal component of the actual fleet with 38% over the total. On the other hand the area of tankers and OBO's would see a decrease in its participation from 32% in 1980 to the actual 28%, while this percentages would be 40% and 30%
respectively for general cargo ships (21).

In any case, the Panamanian fleet maintains its characteristics of some specialization in the area of dry bulk, in such way that the tonnage in the ensemble of general cargo ships and bulk carriers elevates itself to 68%. This pointer, for the ensemble of the world fleet barely surpasses the 50% of the total tonnage of the fleet being only 31% for Liberia, the principal world fleet (22).

In this sense, the structure of the Panamanian fleet would find itself having some similarity to that of a country such as Greece where the participation of the cargo vessels is approximately 60%.

4.2.1 Distribution by size

On July 1st 1986, the average size ship in the Panamanian fleet was approximately 7,895 GRT’s. A very minute increment (7%) from that of the previous year when it registered 7,379 GRT’s. This growth is consequence of the important registering of medium tonnage bulk carriers. In respect to the average size of the world fleet (5,379 GRT’s) it position itself well above it, meanwhile it is very inferior in relation to the countries of free registry (12,189 GRT’s). The later difference in mainly due to the Liberian fleet which average size ship reaches almost 32,000 GRT’s (see fig.)
4.2.2 Distribution by Age.

During the year 1986, the Panamanian fleets shows that 47.7% of its tonnage is under ten years of age, (comparing to 46% in 1984), and only 4.4% is over twenty five years of age (the previous year 5%) (23).

4.2.3 Managerial distribution

In regards to number of ships as well as tonnage, Japan is the main proprietary of the fleet, with more than 20% of the total. Right behind Japan, follows Hong Kong and Greece with the same level of importance and approximately 16% participation each one. The fourth place, by tonnage, corresponds to the USA with 12% (24).

In consequence, this four countries or territories own, almost the two thirds of the Panamanian fleet.

4.3 The Canal traffic

During 1986, the number of transits through the Panamanian canal was of 13,278, an increment of 4% to the previous year. This volume of traffic, is nevertheless inferior in more than 16% in respect to the historical maximum (15,271 transits) in 1982.
The same way the ships net tonnage increased 4% situating itself in 183.5 M, far from the 200 M tonnages in 1982.

The transported cargo, equally, suffer a light increase of 1 M tonnes, remaining a bit under the 140.0 tons.

Ninety per cent (90%) of the transits were done by commercial ships that transported 139.8 M tonnes of cargo in 11,926 transits with a registered canal net tonnage in the vicinity of 182.7 tonnes.

According to all estimates, a confirmation to a recovery of the world maritime traffic, the capacity of the canal could remain surpassed in the next decade of the 90’s. Attention to this estimates have recently triggered a serious of studies for the improvement of the canal, built almost 73 years ago (25).

4.3.1 Distribution by flags

The major number of transits were carried out by ships of Panamanian, Liberian, Japanese, American and Greek flags, in this corresponding order. As a group represented 51% of the total.

Even larger was the participation of these five countries by tonnage of transported cargo with 78.7 M tonnes over 56.3% (26).
4.3.2 Traffic of merchandise

The traffic of merchandise from the Atlantic to the Pacific reached over the 52% of the total, since the 138.9 M tonnes of cargo that crossed the canal, 72.1 made its transit east bound (Atlantic-Pacific).

The main cargoes that transited the canal were: grain, oil, and its derivatives, lumber, manufactured iron, steel and minerals (27).

4.4 National traffic

During 1985, the national port system excluding the oil terminals, received a total of 11,053 ships, which does represent a growth of 2.7% with respect to the year 1984. In terms of merchandise its circulation increased by 2.45 M tonnes and experienced a very important increment of traffic 13.5% in relation to 1984. This increase in the national maritime traffic re-assures the expansion process of the Panamanian ports system that has been accompanied by an increase in traffic in terms of attended vessels (28).

The effort made by the port authority, in view of improving the nation’s port infrastructure, proves the optimism of the former data that serves as support to the future development of Panama Centropuerto Project. This means an ambitious step
towards a major capitalization process to one of the main resources of the country, its geographical position. Centropuerto, taking advantage of this strategic position in the world’s commerce, presents itself as an international center for the transshipment of containers through the ports at the doors of the transisthmian way, Balboa and Cristobal. These two main ports will serve both shores, from central and south America to the Caribbean area by means of supply ships and the use of the port installations properly adapted to this function.

In regards to the number of vessels attended, a slight decreased was observed, continuing its down fall evolution of previous years. This evolution in consequence, brings along an increase in medium tonnage, promoted by ships that operate within Panamanian ports. Attending the types of cargo, a similar structure to previous years is maintained with a 56% tonnage in general cargo, 27% containerize cargo and 16% bulk.

In reference to containers foreign traffic they follow the same expansion lines of years gone-by, registering and increment, tonnage-wise of 17% (29).

The specialization of the national port system maintains an equivalent distribution with respect to yesteryears: the port of Cristobal, Balboa, Almirante and Armuelles, as a team, cover more than 80% of the total foreign commerce by sea. In concrete, through the port complex of Balboa, Panama imports all the wheat and corn, in such way that in the
vicinity of 50% of the bulk commerce moves through this port.

In turn, this very same port complex, the complex of Cristobal and Bahia Las Minas, altogether, exert total control of all containerized cargo, while the fruit ports of Almirante and Armuelles absorbs almost 70% of the total general cargo commerce.

The ports of Aguadulce and Pedregal are the main sugar export centers of the port system.

4.4.1 Coastal trade

Altogether by 1985, the coastal trade has been estimated to have reached 100,000 tonnes of merchandise. This estimates show an important traffic expansion surpassing the historical maximum in 1982, also estimated to have been in the vicinity of the aforementioned.

In terms of vessels attended, the registered number of ships was of 6,716, with an increment of more than 5% in respect to the previous year, but still under the estimate of 1983, year of the historical maximum, reaching a level of 6,900 units (30).

4.4.2 Traffic of containerized ships

The total volume of containerized cargo in the national port
system during 1985, was 664,152 tonnes, almost 17% over that of the previous year. In units, the growth was of more than 18% making a total in the neighborhood of 93,300 containers. The preliminary figures for 1986 indicate an increase of 130,000 metric tonnes of containerized cargo, an increment of 20%. The general cargo diminished from 1.4 M tonnes to 1.2 M tonnes. The total number of containers transported amounted to 109,423.

Other data of interest is the distribution of containers handled by size. During 1985, 54% of the units were 40 ft. in size, and the remaining 46% were only 20 ft., facing the distribution at 50% of each size from the previous year. If there would have been an increase in the average size of 20 ft. containers, the traffic would have increased to 148,522 units, assuming an increase of 11% in the aforesaid measurement with respect to 1984.

It would have also produced an improvement in the use of the container's maximum capacity. 63% of the transported units were done with cargo, facing 61% of the previous year, obtaining an average of 10.9 tonnes by container (10.4 in 1984) (31).

4.4.3 Oil terminals

Due to the lack of definite data, corresponding to 1985, some of the main characteristics of this traffic, in the previous
year, are summarized here. During 1984, 432.7 M oil barrels and its derivatives were loaded and unloaded in the three different oil terminals and it meant a decrease of 13.5% in respect with 1983.

This traffic is basically constituted by the one registered in the port of Charco Azul where 208 M barrels proceeding from Alaska were unloaded and transferred through the transisthmian pipeline to the terminal in Chiriqui Grande (Atlantic Side). This terminal embarks an average of 17.3 M barrels per month on route to the United States.

In the port of Bahia Las Minas, a total of 17,7 M of barrels were transported, 73% correspond to the unloading of crude oil (32).

4.5 Registry and Deletion

According to data provided by the Directorate General of Consular and Maritime Affairs, the new registries in the Panamanian fleet, for the year 1986, have arisen to a total of 847 vessels, with a total of 10.5 million GRT’s. This number signifies a decrease of 9.4% with respect to that of the previous year.

On the other hand 836 ships were deleted from the Panamanian registry, the tonnage deleted was 7.0 million GRT’s, 20% higher than the number in 1984. The net growth of the fleet would have been, according to this data, 11 units and a
little more of the 3.5 million GRT’s, a number that
eventhough, is lower than the 5.8 millions of the previous
year, maintains a high increment on the fleet, tonnage-wise,
as it has been observed in the past few years. (24)

In reference to new registries, for 1986, it is worthwhile
mentioning that more than 3.3 million GRT’s (196 vessels)
correspond to vessels built in the same year. This number
represents a 32% of the total Panamanian registries, as well
as a rejuvenating period fro the fleet. (35)

Taking into account the advantages of Panama, within the
maritime sector, which would generate a major source of
income, as well as an innumerable amount of job
opportunities, it becomes necessary to revise the structure
of the administration of this vital resource and adapt it to
the demands of today’s world in order to confront with
optimism, the challenges of the year 2,000.
CHAPTER V

THE PANAMANIAN MARITIME ADMINISTRATION
<table>
<thead>
<tr>
<th>Function</th>
<th>Responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy</td>
<td>Ministry of Treasury and Finance</td>
</tr>
<tr>
<td>Maritime Administration</td>
<td></td>
</tr>
<tr>
<td>Income and Taxes</td>
<td></td>
</tr>
<tr>
<td>Promotion</td>
<td>Ministry of Treasury and Finance</td>
</tr>
<tr>
<td>Maritime safety</td>
<td></td>
</tr>
<tr>
<td>Conventions Control</td>
<td>Ministry of Treasury and Finance</td>
</tr>
<tr>
<td>Legal Matters</td>
<td>Ministry of Treasury and Finance</td>
</tr>
<tr>
<td>Pollution Control</td>
<td>Ministry of Treasury and Finance</td>
</tr>
<tr>
<td>Ports</td>
<td>National Port Authority</td>
</tr>
<tr>
<td>Maritime Transport</td>
<td>National Port Authority</td>
</tr>
<tr>
<td>Pollution Control</td>
<td>National Port Authority</td>
</tr>
<tr>
<td>Nautical Studies</td>
<td>Ministry of Education</td>
</tr>
<tr>
<td>Coast Guard</td>
<td>National Defence Forces</td>
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<tr>
<td>Search and Rescue</td>
<td>National Defence Forces</td>
</tr>
<tr>
<td>Marine Employment</td>
<td>Ministry of Labour</td>
</tr>
<tr>
<td>Registry of Titles and Mortgages</td>
<td>Ministry of Government</td>
</tr>
<tr>
<td>Fishery</td>
<td>Ministry of Commerce and Industry</td>
</tr>
<tr>
<td>Communication</td>
<td>Telecommunications National Inst.</td>
</tr>
</tbody>
</table>

Graph. No. 7
CHAPTER V

THE PANAMANIAN MARITIME ADMINISTRATION.

5.1. General View

In order to understand an process of evolution of the maritime sector in Panama, the starting point must be the fact that, during the initial years of our republic life, the notion prevailed that ours was a country of transit, primarily dependent on its condition as a "bridge" and a route for passengers and cargoes headed towards other countries. As consequence, it was though that the personality of Panama was determined by its capacity to provide different services, thereby giving scant opportunities to the development of the primary and secondary sectors of the economy.

This concept has been the object of severe criticism, and the reality of 84 years of republic life has helped to dispel this notion. A revisionist reaction has occurred which has tended to demonstrate that, Panama's geographical position and the construction of the Canal are not the only resources...
the country can count with. Indeed, there are other sources within the economy itself that are contributing to a more diverse economic character and balanced structure.

It is widely accepted today, the significant contribution of both the transit and other productive sectors in the overall development of the economy. By taking this concept into account, great advancement have been procured in order to define adequate socio-economic and political measures that will contribute to the improvement of our countries' natural and political realities. This has been a process of self-improvement in which all Panamanians have to a greater or lesser degree, participated. It is widely believed by Panamanians that the search for self-improvement can trace its origins to the recovery of our sovereign rights and jurisdiction over our complete territory in 1979.

It is within this framework of sovereignty and independence of our country that the definition of maritime country develops, in the same manner as we have mentioned in previous chapters.

Therefore, it is essential to review all aspects related to the management of our maritime resources, which is what we intend to do in this chapter.

According to the Comptroller General's Office, gross domestic product (GDP), increased by 28% in 1986, which also implies a slight increase in GDP per capita. Within this same data, the services sector which contributes 73% to GDP, increased a generalized manner, although unevenly.
The Canal’s contribution to GDP grew by 6.1% reflecting a comparable increase in inter-interoceanic transit amounting to 185.1 million net tons and generating revenues of US$324.5 million dollars to the Panama Canal Commission. However, it does not seem likely that this growth rate will be maintained if management of this sector is not optimized to its maximum. The winding down of the world economy and natural events such as land slides caused by heavy rain storms, resulted in a decrease in the level of activity in the canal during the latter part of 1986. Fernand Manfredo, Deputy Manager of the Panama Canal Commission, recently predicted based on present trends, that for 1987 the growth canal activities would not exceed 3.0% (36).

If we analyze the relevant data presented by the Comptroller General’s Office, we observe the following: within the heading transport, storage and communications, revenues originating from the canal commission are at the forefront, while estimated revenues for 1986 related to pipeline operations evidence a declining tendency as results of a drop in the price of crude oil. Free zone activities maintains its increasing tendency, which allows us to look at the future of this sector with much confidence and optimism. (see annex )

All this indicates that if we can present an adequate and efficient managements of our natural resources, we may be able to correct some of our mistakes that are at present blocking our efforts to obtain higher revenues from this sector that is so important to the future development of this
Panama's position as a maritime nation was re-affirmed by the entry into effect of the Torrijos-Carter Treaties. These transformed Panama into an active partner in the management of the Canal and clearly establishes the deadline when sole control and jurisdiction of this waterway will revert.

To this we may add that possession of the port terminals of Balboa and Cristobal which in conjunction with the ports of Bahia Las Minas, Coco Solo, Almirante in the Atlantic, and Puerto Armuelles, Charco Azul, Aguadulce and the fishing port of Vacamonte in the Pacific form an international port complex that are complemented by other minor terminals used for coastal trading (37).

In addition, Panama strongly defends its interests and rights in developing its merchant fleet that, with the main feature of its open registry, occupies a very high stature within the world merchant fleet. Another positive feature of Panama is related to the functioning of the Petroterminal Pipeline, which transfers Alaskan crude oil, through pipelines, from the Pacific to the Atlantic, to a final destination in the east coast of the United States.

Panama has often declared its willingness to participate in any regional international cooperation as it relates to maritime transport. IN this respect, it fully cooperates with the efforts of the other developing countries to obtain a greater participation in international trade. This is
Graph 8
Organigram of the Directorate of Consular and Maritime Affairs.
(1987)
confirmed by the fact that Panama is an active member of NAMUCAR a Caribbean multinational shipping company, the ships of which are registered in Panama and sail under the protection of the Panamanian flag. The commercial activities that take place in the Colon Free Zone, have their origins in the geographical function the isthmus plays and, in addition, fishery exports is one of the most important items in obtaining currency.

5.2 General Directorate of Consular and Maritime Affairs, Ministry of Treasury and Finance

Legal Base: Law Nro. 2 - January 17th, 1980 (§).

Objectives: The directorate General of Consular and Maritime Affairs has as main objectives the registry and administration of the national merchant fleet, the collection of taxes and the supervision of all consular activities and that of the merchant marine. The latter element of supervision is accomplished through the Panamanian Consulate accredited in foreign countries.

Functions and organization: For the development of its functions, the directorate counts on the following administrative units:

- General Direction

Functions: The planning, direction and coordination of
operations in every office within the directorate general, taxes, appraisals and rights related to the fleet, advice and instruction to consular officials in matters of supervision and administration to exert coercive jurisdictional functions for the collection of rates that correspond to it.

- Legal Advisory

Functions: The strict enforcement and application of legal norms in relation to all vessels, navigation, safety of life at sea, hygiene, training, certification, pollution control, to sanction and fine vessels that violate legal dispositions in effect, to draft preliminary projects for new laws, resolutions and decrees that are within the competency of the directorate.

- Economic Advisory

Functions: To gather and analyze necessary economic information for the service of the directorate, to prepare budget estimates, to present collection reports and growing status of the national fleet, to elaborate the operating budget and prepare a report on its execution, to keep up to date data bank statistics and to create others for use in other governmental dependencies, to carry on technical training that may lead into the improvement of the system and procedures, to elaborate annual plans and programmes and, to prepare the reports that are to be used by the main office.

- Administrative coordination
Functions: To supply equipment, materials and office utensils important to the proper functioning of the directorate, to prepare and register payments for the provision of services and goods, to handled cash register funds, to handled mail and to enforce internal regulations.

- Ships department

Functions: To aprove, authorize, register and attend all the registries and cancellations in the Republic as well as abroad, through the consular representatives, to control and collect taxes appraisals and other rights that must be paid by the ships of the fleet, to control the administration of radioelectric frequencies of the mobile maritime service and to maintain control of ship's documentation.

- Consular Department

Functions: Analize and control collections carried out by consular officials accredited in foreign countries, port inspectors, merchant marine inspectors, governmental agencies, immigration offices, to prepare income liquidations originated from consular remittances in concepto of services. To expedite clearance certificates to consular officials and ex-consular officials in account to their actions in consular offices. To control the printing and shipment of all forms and valuable affairs to all Panamaninan consulars offices. To register all office equipment and other equipment that is property of state, to prepare applications for payment of 3% in concepto of registry, to all consuls.
- Computer Department

Functions: To undertake studies and analysis of new computerized systems, to attend the needs of the directorate and other departments in terms of data processing. To keep up to date listings of programmes, to create accounts for vessels and to emit certificates of competency and identifications cards.

- Technical Department

Functions: To maintain standards of training, certification and well-being of seamen. To expedite certificates of competency necessary in order to operate on board Panamanian vessels. To maintain control over the examination system for officers and ratings, to expedite identification cards, to perform inspections, evaluations and measurements of vessels registered in Panama, as well as everything related to accidents, to inspect coastal trade ships and yachts, to enforce pollution control and international regulations.

- Maritime Safety Office in New York

Functions: To authorize the inspections to all Panamanian registry vessels in different parts of the world and coordinate respective payments, to process and prepare survey statistics, to follow up on matters involving maritime safety, prepared by the International Maritime Organization, to control the printing quality of technical certificates on maritime safety, to insure the accomplishment of international
agreements ratified by Panama and to represent the
Directorate General on International Events in reference to
the maritime activity in general (88).

5.3 PANAMA CANAL COMMISSION

In accordance with the Panama Canal Treaty, in force October
1st., 1979, the United States is responsible for the
functions, maintenance and improvements of the canal, up to
the year 2,000. In such date the control of the entire
waterway would revert to Panama.

The United States carries out its responsibility, primarily,
through the Panama Canal Commission, the US Government Agency
in charge of looking for the necessary steps that assure an
efficient and up to date operation.

The Panama Canal Commission is lead by an administrator who
must be a U.S. citizen and a sub-administrator who must be of
Panamanian nationality; this condition would last until the
year 1990. After this year, the roles would be inverted and
a Panamanian citizen would occupy the position of
administrator.

The administrator and sub-administrator receive advice from a
board of directors formed by five U.S. citizen and four
Panamanian nationals. The composition of such board mantains
itself without any changes through out the entire life of the-
treaty. As an agency of the United State, the Commission and its board of directors are under the full supervision of the executive branch of the United States Government and the Congress in relation to budgetary affairs and operations.

It is important to understand and to keep in mind this organisation aspects of the Panama Canal for the arrangements of these are continuously reflected in the administrative actions and each and every day operations of the waterway.

The Panama Canal Commission is in its eight year of operations under the treaty. (40)

5.4 THE NATIONAL PORT AUTHORITY

The National Port Authority was pounded May 2nd, 1974 under Law No.42. It was founded as an autonomous entity of the Panamanian state and it is responsible for the administration of the national port system.

The main objectives of the National Port Authority is to promote, guide, plan and coordinate the development of the National Port System and in consequence to formulate and execute the adequate politics for this purpose. As well, the National Port Authority must build, improve, enlarge and preserve the ports and installations to commercial ports for
public use. The ports and respective installations destined to the fishing industry are also considered jurisdiction of the National Port Authority.

In addition to the development and operation of all the port services under its administration, the port authority controls and maintains all installations that are not under its direct responsibility.

For reaching its goals, the Port Authority executes the following functions:

1. It elaborates and executes, by itself or in collaboration with other public or private entities, national or international, a general plan for the development of the national port system.

2. It operates ports and installations that have not been given by concession to private enterprises or those of military character.

3. It plans, designs, builds and improves the national ports. The execution of the works falls upon itself or by interchange of other specialized entities of the state or particulars.

4. It grants concessions for the exploitation of the existing national ports and those to be build in the future.

5. It is responsible for all aids to navigation, the
handling and docking manoeuvres of vessels that call upon our waters and ports. In overall, the general services that are required for the efficient transference of cargo and usual supplies in any port and regulating this activity within the port areas.

6. It is also responsible for loading and unloading operations, transportation to and from, storage and deliveries to the consignataries or their representatives of the merchandise and product or other goods that are unloaded or destined to be embarked. This activity as accomplished by the port authority by means of custom officers.

The politics and plans of the National Port Authority are established by its Executive Committee that in actuality is form by:

1. Ministry of Commerce and the Industry
2. Ministry of Public Works
3. Ministry of Treasury
4. Ministry of Planning and Economic Politics
5. The Representant of Port Workers
6. The Representant of Port Users

The general controller of the Republic assists to the meetings of the executive committee. As well as the General Director to the institution who participates in such meetings in the category of secretary.
The economic development of Panama has always been linked to the international commerce which benefits from US, not only through out the National fleet, but also due to the easiness for expansion in our commercial activities.

A large number of international routes, transporting valuable cargo, converge in Panama. Conscious of such responsibility, Panama assures itself that such traffic is taking care off in the efficient and safe manner.

In order to achieve this Panama counts with a physical and institutional infrastructure, the Panama Canal, ports that allow ships of large draught, an international airport, the commercial sector, the banking and financial district, the free zone, telecommunication agencies, insurance companies and professional services.

Dating back to the Torrijos-Carter Treaty Panama has made a point to use, the best possible way, the ports of Balboa, Cristobal and Coco Solo as means to exploit Panama’s privileged geographical position.\(^{(4)}\)
A SHORT OUTLINE COVERING THE EXAMINATION SYSTEM FOR PERSONNEL IN THE MERCHANT MARINE OF PANAMA

Panama Marinexam Corp., is the institution responsible for the planning and administration of the Republic of Panama’s examination system. This system functions under the technical control of the Directorate General of Consular and Maritime Affairs of the Ministry of Finance and Treasury, the government body responsible for the management of this country’s merchant marine activities.

The company began operations in September 1984 after the Panamanian administration had accepted its bid made as a result of public tender No.2-84 dated 11 of May, 1984, which was based on the provision of the Seafarer’s Training, Certification and watch-keeping.

The tender included the requirement that personnel from the national merchant marine past an examination to demonstrate their proficiency for the posts held and thereby obtain a statutory licence or certificate valid for 5 years.

The new system operates by means of the issue of transitional certificates of competency, documents which allow merchant marine personnel to work on ships in this registry.

The transitional certificate of competency is requested by

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anyone interested either when work is begun for the first time or when the provisional certificates under the old system expires. In the case of officers it allows work to continue for a period of 15 months and in the case of ratings for 24 months. During this time the bearer has to appear in person at any of the 34 examination centres throughout the world and take the relevant examination.

The issue of transitional certificates of competency is the responsibility of authorised merchant marine consulates, which at present number 49.

The examinations for national merchant marine personnel are written, and based on multiple choice, with questions selected at random by means of an automatic data processing system. This allows many examination questionnaires to be printed and rotated frequently thereby reducing the chances that candidates at any session in the same centre will receive the same questions.

The policy of Panama Marinexam Corp., is to supply different exams to each centre, changing them at intervals in accordance with the particular demand for these services at each examination centre.

The questionnaires for these tests are prepared in six different languages, Spanish, English, Korean, Chinese,
Japanese and Greek, which are the most commonly used among personnel in the Panamanian merchant marine.

Each exam questionnaire is identified by a code number which refers to the category or post on the bearer's transitional certificate and is prepared from a data bank of 4000 questions.

The exam questionnaires are produced and edited in the Republic of Panama, in accordance with one of the clauses in the contract signed by the State and the company awarded the concession for preparing the examination system.

In the same way, the reply sheets from the examination taken are evaluated in Panama, by means of an electronic visual scanning system. Three results are possible: pass, fail or validation.

Anyone who passes the examination, receives within a period of no more than 3 months after the date of the examination, a licence or certificate of competency, which permits them to go on workings for 5 years in the case of an officer or 3 years if a rating.

If an individual fails the examination, two more chances are given to take it again, this being considered adequate from an educational viewpoint, to prove proficiency as a
professional.

Validation is the result given a candidate for taken the examination and passed those sections crucial to maritime safety and related to the post held, as well as reaching a satisfactory average in the sections which do not seriously affect life at sea. Given these circumstances, the candidate receives a validation certificate, permitting employment for a period of 3 years within which the examination should be taken again.

Study guides have been especially prepared for these examination for all categories and languages in which the examination may be taken and these are readily available in consulates for the candidates.
In the document that was presented by the Republic of Panama in 1982 to the International Maritime Organization Technical Committee, it was pointed out that the contributions offered by the experts of the IMO had resulted in an excellent and valuable aid in consolidating and directing the measures that were put into effect by Panama aimed towards a more efficient management of its maritime responsibilities. The beforementioned assertion recognizes the efficiency of the technical assistance received and its incidence in the positive achievements in matters related to management of maritime safety. This acknowledgement from national institutions such as the Directorate for Consular and Maritime Affairs (SECNAVES) has been more than forthright. However, there is still a lot of ground to be covered in the process of obtaining sufficient technological transfer, which Panama urgently needs, in order to improve the efficiency of its management capacities.

In this same context, it must pointed out that the bureaucratic structure that actually coordinates technical assistance in Panama has not been able to fully exploit these opportunities that are being offered by the IMO or by other institutions with the system of the United Nations.

Thus, it may be said that the office of Consular and Maritime Affairs (SECNAVES), in contrasts to the National Port Authority, has been able to obtain more benefits from the various technological transfers. The priority with which the
office of the Executive Directorate for the Canal Treaty Affairs (DEPAT) attends all political, economic and judicial affairs related to the execution of these treaties between Panama and the United States, has unfortunately, ignored all initiatives Panama should have in matters related to transportation technology. To mention one case in fact: at present there is no efficient channel pilot training programme in use that will ensure that by the year 2000 Panama will count with 300 highly trained technicians to take over these duties.

These limitations have not only been caused by bureaucratic factors, but also by the economic difficulties that Panama is undergoing at present. Severe austerity programmes aimed at decreasing public spending has negatively affected the development of projects such as those offering assistance to the Panamanian Nautical School. In spite of what has been stated, Panama has been able to achieve significant improvements in matters related to Maritime Security Management.

Perhaps the greatest achievement has been the establishment of the Technical Department of the Directorate of Consular and Maritime Affairs office. This department, which is formed by Panamanian nationals working together with foreign experts, is in charge of planning, managing and controlling the compliance of all international regulations related to maritime safety, navigation, marine pollution prevention and control.
At present, and in compliance with all that has previously been mentioned, a large percentage of the Panamanian fleet is inspected by surprise each year in order to verify that all international safety standards are being met.

The cooperation of the IMO has also been profitable in assisting our national authorities in creating internal regulations related to maritime safety, therefore, we interpreted existing international safety regulation in a more efficient manner.

As for port management, technical assistance has mainly evolved around controlling pollution from ships moored at ports and the handling of dangerous, toxic and unstable cargoes.

To a great extent, this is an overview of what, at this point in time, encompasses the management of our maritime resources, even though we have not been able to centralize all marine related operations and, thereby optimize to its maximum, the efficient use of our resources.

Therefore, it is necessary that as of now, we proceed to seriously outline the main objectives required in order to achieve a greater and much better development of this sector which is so important to our national economy. This will only be possible if we are able to improve certain significant aspects of our economy such as balance of payments, obtain increasing revenues, promote new employment and improve our exports earnings, compete with foreign
shipping companies, develop activities connected to the maritime sector, etc.

Only by performing a serious and objective diagnosis of this sector will we really comprehend to what extent we really need to improve our maritime administration, from a modern concept, as demanded by the different changes that are constantly taking place within marine transportation.

An agency or institutional body should exist whereby all aspects related to management of resources and technical assistance would then be centralized. This agency would then be charged with planning in an orderly manner, the development of the maritime sector, which would proceed at the same pace of the planning programmes for other sectors of the economy, instead of lagging behind. This is where the true and real meaning of a modern management, where control of all aspects is the main feature and the national assignment of resources, physical as well as human, will be the most efficient as possible.

Only in this way will we be able to fully integrate in an efficient and functional manner the development of this sector of particular importance with the other economic sectors of our country. It is towards the outlining of this objective where we will direct our forthcoming comments.
CHAPTER VI

THE INTEROCEANIC CANAL AND OTHER MARITIME RESOURCES
6.1 Geographical position and its advantage.

The geographical position of Panama has played a very important and decisive role in the country's history and political destiny, as well as its economical, cultural and social development. Its location at the centre of the Americas and its characteristics as an isthmus, convert Panama in a narrow bridge across the Atlantic and Pacific oceans. Such conditions made Panama the centre for and departure point of all international communications and relations between the two hemispheres.

In effect, it was the time of the Spanish Conquistadores and it is worth mentioning Balboa's expedition across the most harsh of environments, the Darien wilderness. It was in the year of our Lord 1513, that Balboa and his expedition team were to discover what he named the South Sea, which is today, known as the Pacific Ocean. This discovery, clearly established the importance of this new path across the oceans, for it meant a faster and more economical route joining the busy ports of the west with the orient.

This geographical position emerged, as the most important natural resource in the country and from its natural development, of unlimited social and economic proportions, the Royal Path was first built, crossing rivers and dense tropical forest; also the discovery and colonization of small empires, inhabited by aboriginees of the Pacific coast, took place.
This path was to become of great economical importance to Spain as it became the route for Peruvian gold making its way to the old continent on board ships awaiting on the Atlantic shore. Centuries later, the Royal Path gave way to the Trans-isthmian Railroad that made possible, among other things, the conquest and development of the west coast of the United States during the California Gold rush.

Later on, during the last quarter of the XIX Century, the initial steps for the opening of a canal took place. This quest was to shorten the maritime routes and communications between the two oceans. This first attempt was launched by Count Ferdinand de Lesseps who was forced to give up due to the toll nature was taking upon his men. The responsibility for the construction fell upon the United States.

Ten years of hard labor and an extraordinary demonstration of the most advanced technology of the time plus the creativity of human ingenuity, turned into reality what would be considered the most important feat arising from the geographical position of Panama's fundamental natural resource. For almost seventy years, the interoceanic canal, eventhough a product of Panama's natural resource, rendered most of its benefits to the United States of America. It is self-explanatory that the United States was receiving most of the benefits, for it was this country's initiative as well as its planning and economic investments that turn the impossible into reality.
Only in a very indirect way, was Panama able to collect some benefits through minute leasing rights of lands and waters, the generation of jobs, sales as well as services in general.

The operation of the Panama Canal and its service to the international maritime transport were to become of great influence in the development of other aspects of Panama's maritime future. Even though adequate policies were not yet defined, and plans and programmes had not been designed, little by little, in a very natural and spontaneous form, the characteristics of Panama as a communication centre as well as a centre for the receipt, transit and distribution of merchandise originating in almost any place in the world, with its destination the rest of the American Continent, as well as the rest of the world, was growing and becoming more marked.

Here the high degree of acceptance of conditions and characteristics that made Panama specially attractive for the open registry of vessels; for the increase in the fishing industry local and/or foreign; for international commerce (free zone, Colon); the inter-American airline traffic; As an international financial centre and for other activities that may be considered, directly or indirectly projections of the geographical position and Panamanian natural resources.

6.2 Torrijos-Carter Treaty

The aforementioned project, up to then natural and spontaneous, begins to acquire a systematic profile of national poli-
When the negotiation process for Canal status begins. The Panamanian nation always manifested its disagreement with the obviously unjust handling of Canal benefits, dating as far back as the early days of the Republic and the settlement of the Hay-Bunau-Varilla agreement.

It took Panama, seventy years to achieve its juridical claim in the Torrijos-Carter Treaty; the country was already defining its maritime policies. The modernization of legislation referring to open registry of vessels; the construction of an infrastructure for the development of transportation by land, air or sea and its disposition in relation to financial and banking policies, were the adequate preliminaries. The gradual reversion of common assets, installations and equipment related to the operation, maintenance and defence of the canal would become Panama's full responsibility by December 31, 1999. (43)

6.2.1 Productivity

The Republic of Panama had always been fully aware of the significance of its geographical position as its fundamental natural resource for the encouragement of progress, for social and economic development and even for political value.

Dating back to the time of the colony, when people began to acquire nationalistic opinions, there were tendencies to react in defence of the rights and benefits that the country could derive from transisthmian transit. These encouraged the view that encourage insufficient and unjust advantage was
beign taken of such natural resource. First the Transisthmian Railroad, and then the Canal project later, were decisive factors that accelerated seceding movements that culminated in 1903, with the separation of Colombia and the formation of a Republic.

A "Generational Escalading Process" has been defined as the one developed and which culminated with the Torrijos-Carter Treaty. This treaty agrees to the gradual reversion of the Canal assets until Panama gains full jurisdiction by the end of the century. From this point, during the negotiating process of such treaty, the Ministry of Planning and Special Commissions would make headway in different studies. They would elaborate plans directed to take advantage of this valuable project about maritime resources consisting of the inter-oceanic canal, the port installations and other correlated activities. "The Most Social Possible Way" is also defined as the one to be given to this enterprise when its incorporation in the nation's patrimony becomes effective.

Consequently, it can be established that for present and future generations, it is of vital importance to adopt new policies and plans, as well as scientifically founded technical programmes. Also to refer, not only to the use of the canal, but also to the responsibility that this implies for the world of navigation and in regard to the influence and effects that the inter-oceanic route may have on other aspects of the social and economic world of the country.

Certainly, at least until the year two thousand, we have to
adjust the exercise of our sovereignty and jurisdictional rights over the canal and adjoining areas to the stipulations of the treaty. This means that for a period of little more than a decade, we would only be partners with the United States in the administration, operation, maintenance and defence of the canal. This means, as well, that sixty percent of the lands and waters that formerly were considered the Canal Zone in other words Panamanian land under U.S.A. jurisdiction, have already reverted to Panamanian jurisdiction with all installations, equipment and corresponding improvements.

Perhaps the most complex issue lies in the future, which is very close. When the reverting period comes to an end we must, not only be prepared to operate the canal efficiently but also to widen and improve the services given to international navigation, as well as to develop it productively for the benefit of the social and economic state of the national community; also any other services and productive enterprises that may be derived from its existence.

All the aforementioned facts required the completion of investigations, studies and assessments that may serve to determine what Panama desires and hopes from this powerful resource. Planning and programming then becomes important in order to make the expected results possible and keep within the limits of reality.

At this point, completely foreseeable tasks need to be carried out in order to overcome the practically static phase that up to now has been necessary to strengthen or establish the ope-
rational and institutional structures that the state requires for the accomplishment of such tasks and to take advantage of such a maritime resource because only then may we able to enjoy it in full.

6.2.2 Actual Conditions

Almost simultaneously with the approval of the Torrijos-Carter Treaty, the United States Government enacted law 96-70 commonly known as Murphy's law. Such law establishes basic regulations that govern the behavior of the U.S. During the process of putting into action such treaty up to the year 1999. Panama has complained on a number of occasions, stating that the arrangements alluded to misrepresent the spirit of the agreement and deeply hurt the economic and political interests of our country.

For its part, the government of Panama established an agency named the "Autoridad del Canal", (Canal Authority) and its function was to supervise and direct the application procedure of Panamanian interests with reference to the reversion process as well as the joint administration of the enterprise.

This entity was eliminated shortly after beginning its functions. Subsequently, under the wings of the Ministry of the Presidency, the "Direccion Ejecutiva para Asuntos del Tratado", (DEPAT), (Executive Directorate for Treaty Related Affairs) was founded and still continues, even though it operates with a limited budget and suffered a cutback in person-
nel. This ministerial directorate only has limited responsibilities. A very narrow operational margin and reduced capacity of action. All these factors impede the effective planning and development of its respective task.

The necessity to adopt adequate legal agreements has repeatedly been pointed out if the Panamanian State is to launch its plans of development and programmes as well. This is of significance to the Republic, in order for it to begin harvesting the benefits of the reversion which may be considered as one of the most powerful sources for its growth and for the progress and well being of the country.

Obviously, it is very costly for a nation to maintain a situation that has inoperative or unprofitable results. The need is urgent to create capable entities to assume the whole responsibility of work directed to the improvement of the Canal resources, which are the most valuable of all in the nation within its maritime potential and geographical position.

6.3 The National Directorate of the Canal

Because of the insufficiencies, omissions and limitations that we are facing at the present time, it seems convenient to create an entity of transitory character that may be the National Directorate of the Canal. This entity should be assigned to the Presidency of the Republic, but should exist on its own resources sufficient powers. This proposed entity, with political capacity at Ministry level, must be able to operate in all phases and request for the planning, program...
ming and development of the resources which have already re-
verted and the participation of Panama in all operations of
the interoceanic canal, in accordance with the Treaty.\(^{(45)}\)

It is worth mentioning that among other functions it should
bring up to date, complete and strengthen the resources and
actions that now are carried out by DEPAT (Dirección Ejecuti-
va para Asuntos del Tratado/ Executive Directorate for Treaty
Related Affairs) and reorganise them adequately including
the need to coordinate state maritime policies and orientati-
on in order to take advantage of their respective resources.

Also included in its functions are orientation of and coordi-
nation with the Panamanians participating in the board of Di-
rectors of the Panama Canal Company and supervision of the
progress made on the reversion process which has already been
programmed as well as consideration and determination of cri-
teria and policies of the commissioners representing Panama
in the Tripartite Commission for the study of the canal al-
ternatives.

In addition to these functions, the Canal’s Directorate could
initiate or promote actions or jobs that may be required so
that the legislative and executive entities may design, pro-
mote and approve legislation that may be necessary for better
performance and be of benefit to all related Canal resources.

Concerning the new Legislation that this Directorate must put
forward, the following may be suggested:\(^{(46)}\)
To establish operating standards for Panamanian citizens in the executive process and accomplishment of the Torrijos-Carter Treaty.

To establish Legislation referring to the maximum social, political and economic advantages available to Panama in areas already reverted.

The third suggestion is to formulate Legislation with the intention of defining. Organising and establishing the juridical instruments to regulate the Panama Canal in the year two thousand.

Once these are accomplished, in addition to dealing with other problems and other specific tasks that may be encountered the suggested National Directorate of the Canal would cease to exist and would be replaced by the institution entity or juridical machinery ensuring the greatest range and coverage within the institutional operative structure.

6.4 Alternative to the Interoceanic Canal

It was on the basis of article XII from the Torrijos-Carter Treaty that in September of 1982 the formal process to widen and consolidate the aforesaid studies, began to take its initial steps. In this important step of universal benefit the Japanese government was invited to participate.

Within an elevated concept of its national and international responsibilities and an encouraging attitude of understanding
and cooperation the Tripartite Agreement was established, counting upon the full participation of Panama, Japan and the United States. Through this agreement, the three countries agreed to plan, programme and develop a study and evaluation of the alternatives for the canal and its future needs in international maritime relations.

The three nations fully shared the criterion that world maritime transportation must serve the progress and well being of all nations in a peaceful and safe environment. For this purpose a series of vital analyses will be made of new technological advances in engineering, the economy and the risks ecology must confront following any drastic changes in the environment; as well as a diversity of very important points that may affect the life of the nation and the future operation of the Canal.

The object of this is to identify and evaluate the feasibility of a project to modernize the Transisthmian transportation system in the Republic of Panama to be executed as the best possible alternative to the Canal.

Within these appraisals, the project consists of a series of specialised studies, all divided into specific subjects, with the idea of defining, in a final report the best alternative to the Canal.

Once the aforementioned is completed, we will proceed to identify the Panama Canal alternatives; seeking possible improvements and the expansion of the Canal, such as by Cap6-2.11
a third set of locks and others; the possibility of a
possibility of a canal at sea level; a complementary
system to the traditional one, such as ducts, railroads,
highways etc.; also the evaluation of other logical and
coherent alternatives.

6.5 Other Considerations

Over and above these evaluations, serious and delicate consi-
derations prevailed and troubled the nation. For instance,
what would become of the people once the projects were under-
way? Would the country folk abandon their fields to move to
the towns and share a transitory bonanza created by this en-
terprise? What would become of this large group of people,
once the seven years of abundance had passed? These and more
are the questions and issues that deserve full attention and
it is for the new administration to look into these uncerta-

The study must be wide but urgent in order to avoid the con-
ditions created during the early decades of the 1900's when
massive migration from the countryside into the cities took
place. People were searching for better opportunities and,
in consequence, a better way of life that the country could
no longer offer.

It is, indeed, a very delicate issue that demands attention
and I would like to emphasize its importance in this paper.

The subjects to be examined would be the following:
As a basic element and general guide, all available information accumulated throughout the years from previous studies of the Panama Canal and other pertinent studies should be compile, in this way avoiding duplication of efforts. This information would be the basis for the study and would be used as a reference in the execution of the study components.

The components of this study should be executed by consultants hired for this specific purpose and the list of components should be built up by a diagnosis of the following elements: The geographical, economic, political, social and ecological position of Panama; a biological status or inventory; a historic analysis of world commercial tendencies, a report on the present state of the Panama Canal, the importance of the Canal to international commerce and the present state of competing transportation systems.

A projection of traffic demand would be necessary with appraisals the projection of goods, analysis of commercial routes and the characteristics of vessels and their respective evolution during the coming century. It would be wise to make a detailed analysis of Panama Canal Prospects, covering considerations like the ways in which the canal can stand by itself at the present time. It is also worth considering an evaluation of the need for alternatives.

It is of great importance, before finishing this work, to
point out once again the need to create an additional administrative entity for the Canal area, that may administer its resources and derive from the same great wealth for our economy. Concrete proposals, such as the outline for a Canal National Directorate, represent evidence as to how a well-organized study and careful planning may contribute to the maritime development of the country. This entity would also be responsible together with a Panamanian economic model, for trying to turn entries originating from the service sector to the other two sectors back of the economy, taking the country along a highway of positive development.

Centralizing everything concerning the maritime sector would enable more effective decisions than those at present. All branches within the maritime sector would be appointed to the main one, leading to a more positive development of the same.

Maintaining a strong belief in the tertiary sector of our economy, a fact many a times proven by history, this could be considered an effort to exercise better control over one of its significant entries which deserves attention; specially if the future of our people depends upon it.
CONCLUSIONS
In the document that was presented by the Republic of Panama in 1982 to the International Maritime Organization Technical Committee, it was pointed out that the contributions offered by the experts of IMO had resulted in an excellent and valuable aid in consolidating and directing the measures that were put into effect by Panama aimed towards a more efficient management of its maritime responsibilities. The before mentioned statement recognizes the efficiency of the technical assistance received and its role in the positive achievements in matters related to management of maritime safety. This acknowledgement from national institutions such as the Directorate of Consular and Maritime Affairs (SECNAVES) has been emphatic and forthright. However, there is still a lot of ground to be covered in the process of obtaining sufficient technological transfer, which Panama urgently needs, in order to improve the efficiency of its management capacities.

In this same context, it must be pointed out that the bureaucratic structure that actually coordinates technical assistance in Panama has not been able to fully exploit these opportunities that are being offered by IMO or by other institutions within the system of the United Nations.

Thus, it may be said that the office of Consular and Maritime Affairs (SECNAVES), in contrast to the National Port
is formed by Panamanian nationals working together with foreign experts, is charged with planning, managing and controlling compliance with all international regulations related to maritime safety, navigation, and marine pollution prevention and control.

At present, and in compliance with all that has previously been mentioned, a large percentage of the Panamanian fleet is inspected without warning each year in order to verify that all international safety standards are being met.

The cooperation of IMO has also been profitable in assisting our national authorities to create internal regulations related to maritime safety and, therefore, we have interpreted existing international safety regulation in a more efficient manner.

As for port management, technical assistance has mainly evolved around controlling pollution from ships moored at ports and the handling of dangerous, toxic and unstable cargoes.

To a great extent, this is an overview of what, at this point in time, is encompassed the management of our maritime resources, even though we have not been able to centralize all marine related operations and, thereby, optimize to the maximum the efficient use of our resources.
Therefore it is necessary that as of now, we proceed to outline seriously the main objectives required in order to achieve a greater and much better development of this sector which is so important to our national economy. This will only be possible if we are able to improve certain significant aspects of our economy such as the balance of payments, obtain increasing revenues, promote new employment and improve our export earnings, compete with foreign shipping companies, and develop activities connected to the maritime sector, etc.

Only by carrying out a serious and objective diagnosis of this sector will we really comprehend to what extent we really need to improve our maritime administration, from a modern concept, as demanded by the different changes that are constantly taking place within marine transportation.

An agency or institutional body should exist where by all aspects related to management of resources and technical assistance would then be centralized. This agency would then be charged with planning in an orderly manner the development of the maritime sector, which would proceed at the same pace as the planning programmes for other sectors of the economy, instead of lagging behind. This is the true and real meaning of modern management, where control of all aspects is the main feature and the national assignment of resources,
physical as well as human, will be the most efficient possible.

Only in this way will we be able to integrate fully in an efficient and functional manner the development of this sector which has particular importance in relation to the other economic sectors of our country. It is towards outlining this objective that we will direct our forthcoming comments.
RECOMMENDATIONS

Based on analysis and evaluations performed during the course of this thesis, as it relates to the Republic of Panama, we hereby recommend the establishment of a national entity at the highest level as allowed by our constitution presently in force. This entity will concentrate and coordinate the organization and performance of the different offices that are at present involved in the exercise of national maritime policies, development and management of our marine resources.

For such purpose, we suggest the creation of an "Institute", with autonomous character into which the different departments, directorates, and sections actually involved in some aspect of our maritime policy will be incorporated. At the same time, we also recommend the establishment of several bodies within the framework of the "Institute", that will be responsible for promoting or increasing all aspects related to the research, evaluation and promotion of our condition as a maritime country, and the proper use of our corresponding marine resources.

As we have been able to establish during the development of this paper, all matters related to Panama's maritime policy and resources are scattered among various dependencies, each located within the confines of a different ministry. This situation not only fully explains the unproductive use of
personnel and equipment, but also the time consuming and lengthy process in performing all related tasks.

On the other hand, unnecessary complications tend to develop and delay transactions that need to be rapidly attended to. In instances such as when officials belonging to different Ministries have to work together, there is a lack of proper coordination and efficiency in adequately developing a specific project. This is possibly due to the manner each official tends to interpret existing policies, as they relate to his/her specific Ministry.

The establishment of an "Institute" would be geared towards unifying existing criteria with respect to government policies and towards a more efficient and less costly management of all programmes related to vital national and proper use of all our rights and resources. Panama's status as a maritime country with one of the largest merchant fleets in the world, the only interoceanic canal, a geographical situation that includes extensive seashores in both the Atlantic and Pacific makes the need for a national ruling body that will coordinate all maritime related activities more relevant.

Among the most immediate benefits we can expect from the adoption of the before-mentioned proposal, we can mention the centralization of all duties related to the management of the merchant fleet registered in Panama. This would include
matters from licencing requests, ship supervision, operations and crew, up to communications and regulations related to sea protection. All services required by shipowners, builders and operators would be effected more rapidly and safely, at lower cost and with greater profit opportunities for the National Revenue Department.

The measures that have been pointed out would have to be translated into the best coordinated, coherent and most efficient management of our maritime related activities, the economic field which at present time amounts to $$$$$$$ annually. Panamanian registry would thus become more attractive to shipowners and builders, work opportunities would be increased both directly and indirectly, technological transfers would take place and the level of the merchant fleet would benefit as result of management efficiency.

By applying certain conservative criteria, it may be estimated that approximately one thousand (1,000) new jobs, as an annual average, might be created in the first five years of operation of the recommended organization. The initial investments would be less costly, if we take into consideration certain economies of scale that would take place as result of the centralization brought about by the creation of the "Institute", especially as these relate to aspects such as nautical education and the promotion of employment opportunities to Panamanian professionals. It would be sufficient
to take advantage of only thirty-four (34) of the six-thousand ships that annually cross the Panama Canal or call at Panamanian ports once or several times per year, in order to place at least five thousand (5,000) Panamanian seamen.

From the technical point of view, it becomes even more necessary for Panama immediately to adopt appropriate measures in order to be able to count with adequate equipment, installations and trained personnel to comply with its duties and obligations, taking into consideration its extensive coastline in both oceans, and the number of ships that enter its territorial waters. Intense marine traffic entails risks and problems such as accidents, breakdown, pollution, boarding and repair situations that can only be handled properly if we can count with a capable and highly trained centralized national body.

Aspects related to the acquisition of new technology for the improvement and the training of human resources, are quite clear in certain matters related to every day life of the canal's operation. The gradual reversion of management, operation and maintenance of the canal, the ports, the growth of the merchant fleet, drydocks, the transisthmian oil pipeline, the development of the fishing industry, services and auxiliary firms, are factors that emphasize the need to incorporate new technologies into our present marine management system and can be best be obtained through the establishment
of a centralized ruling body, such as the proposed "Institute".

Besides generating direct employment, such as those related to incorporating new seamen, shipping agencies, supply firms, and legal representatives, other opportunities also become available and which may be promoted through sound incentive policies and the construction of a new infrastructure that does not require much investment. The "Institute" could coordinate the tasks that must be undertaken such as minor repairs, maintenance, painting and other similar services. To achieve this, it must be kept in mind that an average of more than twenty (20) thousand ships annually transit the Canal or call on one of the ports of Cristobal, Bahia Las Minas, Charco Azul, Balboa and Vacamonte. The majority of these ships require period of time of approximately twenty (20) or thirty (30) hours to transit the canal.

The establishment of an "Institute" would entail a decrease in the level of bureaucracy actually existent, the excess of which is directly related to the lack of proper coordination and effective performance within the sector. However, this excess personnel could be relocated to similar positions where their performance could be more productive.

With the establishment of the "Institute", those dependencies having specific responsibilities and certain special specific
functions and certain special characteristics would maintain their actual status. Such would be the case with the Port Authority, fishing policy, participation in managing the oil pipeline, and the institutions that must attend to judicial, economic and political matters related to the canal. Proper coordination between these dependencies and the "Institute" would be more functional, Panama would then count with a more modern management of its marine resources and develop adequate policies in accordance with its specific interest.

It would be the Institute's responsibility to prepare all plans and programmes directed towards carrying out researches studies and evaluations with respect to the evolution of the merchant fleet on a world-wide level, its expansion and business forecast also freight processes. With respect to this last point, it should be kept in mind that port costs and the average amount of freight that is mobilized through these ports, may have direct bearing in increasing or decreasing freight movements. Therefore, it would be necessary to carefully study this point and consider certain measures towards cost reduction not only to benefit importers, but also exporters. These reduction efforts would be amply rewarded by the effects these measures would have on the decrease on price of imported goods by domestic consumers, the improved competitiveness of Panamanian exports, and the opening of new job opportunities in export oriented enterprises.
It is worthwhile pointing out the convenience of transferring to the "Institute" such duties as those related to ownership registration, mortgages, insurance, re-insurance and changes in the ownership of ships registered in Panama. By centralizing such operations in one sole entity, it would be possible to stimulate the growth of the merchant fleet and its operations, obtain greater facilities at lower costs to the shipowners, and greater fiscal collections. At present we count on legal precedents such as the Registry of Industrial Ownership and with computerized installations in the Directorate of Consular and Maritime Affairs (SECNAVES), and with similar advances in the Public Registry. With this in mind, transferring duties can be effected without any difficulties.

The most solid starting point from which to put into practice the policies and programmes aimed at transforming Panama into an "International Shipping Centre", would be the extension and modernization of present systems and organizations, all centralized in the "Institute". The international centre proposed would possess features similar to those that have promoted the growth of the Financial Centre in Panama. The promotion of offices of ship builders and operators, auxiliary services such as insurance, reinsurance, naval mortgages, legal offices, receiving agencies, freight forwarding and transference placement and personnel classification, and other marine related services, would add a positive dimension to the development of one of our most important items derived
from the principal resource of Panama, which is its geographical position.

In the same manner, it is important to keep in mind the positive advantage which the establishment of the "Institute" would mean to one of our most promising projects: the creation and operation of Centerport. By means of adequate coordination, it would be possible to strengthen and endow an institution that would unify the activities of receiving and dispatching freight through the port in Cristobal, the Transisthmian Railroad and the port of Balboa in the Pacific, separated by only 80 kilometers of railway.

Also to be kept in mind, is the topic of coastal navigation. This method of navigation provides an inexpensive alternative to the transport between productive regions of the country that are in some cases totally isolated and that under better conditions could improve their respective exports.

In conclusion, based on the results of the research, analysis and evaluations gathered in this thesis, that the creation of the "Institute" is a recommendation fully backed by numerous advantageous possibilities for Panama and to its rights and obligations as a maritime country. The activities which this Institute would be required to perform, promote and develop would have a direct and positive impact in generating new employment opportunities, the development of added
productivity, increase in fiscal revenues and in the reduction of prices to the consumer. It is our belief that we have been able to prove that Panama, by following the path recommended could become an International Shipping Centre, if the legal framework and administrative measures which allow the most advantageous use of our maritime resources, which attract new technologies and which train the personnel charged with designing and implementing the corresponding policies properly are duly adopted.
1. The Maritime Transportation Institute is created as an autonomous entity of the State, with juridical and own patrimony.

2. All functions, that by law and in reference to Merchant Marine and Navigation are the responsibility of the Ministry of Finance (Treasury Dept.), through its Directorate General of Consular and Maritime Affairs, are to be transferred to the Institute.

3. The Institute will act as a tax collector for the Ministry of Finance, of all those rights, appraisals and taxes that are related with the registry of ships of the National Merchant Marine or with ships already registered. Here a paragraph would be included stating the receipt, by the Directorate General of Maritime and Consular Affairs, of consular dues from the Panamanian Consuls in foreign floor. These are not dues corresponding to the National Fleet.

4. Functions such as registry of title deeds and mortgages are by law, the responsibility of the Public Registry, and entity of the Ministry of Justice. The Government would be responsible for the necessary provisions that, by decree, would state the formalities pertaining the transference, of such responsibilities to the Institute.

Annex-2.1
5. The Institute would have a Board of Directors integrated by the President, the Minister of Finance, Planning and Economic Policy, Work and Social Welfare, and would be presided by the Minister of Commerce and Industry. The Board would also be integrated by a representative to the shipowners, a representative of the users of the maritime transportation system and a representative to those men that basically, earn their living from the sea (fishermen, seafarers, launch operators, etc). This last group and respective substitutes would be appointed by the Government. The Ministers would be substituted by the respective Vice-Ministers or whoever they, the Ministers, consider suitable to be appointed.

6. The Institute would have a Director General and a Sub-Director General. Here, a statement would be given on the Generic functions of the aforementioned public servant and their faculties to hire, etc., in accordance with the fiscal code and the experience of other institutions.

7. The Board of Directors of the Institute, as recommended by the General Director would approve the institution chart. In this manner every function that has been transferred would be properly accomplished. Other responsibilities of the Institute are:

Annex-2.2
a. The exercise of the administrative functions related to the organisation of the maritime transportation and the National Merchant Fleet as well as the organisation of Maritime Traffic and pleasure boating.

b. The protection of the Marine environment and goods under maritime public control. Also, the organisation of coastal trade operations as well as safety at sea and support operations during salvage, search and rescue missions.

c. The Institute would accomplish, either by itself or by proper delegation, technical studies in relation to construction projects, repairs and modifications to merchant and fishing vessels. The Institute also would contribute by submitting technical reports on appraisals for marine and fisheries credit.

Everything in relation to shipbuilding surveys, admeasurments and maximum load lines as well as.

d. The Institute would direct, promote and regulate the Ministry of Education, the Ministry of Work and Welfare, respectively, would promote and direct Higher Education Courses within the system of the Nautical School as well as all training to be given at Ratings level. The programme for Superior and Intermediate studies would be approved by the University of Panama and the Ministry of Education.
In order to promote nautical training in Panama, a tariff of five cents (B/.0.05) per GRT is to be collected every two years and must be paid in advance. The Institute would be responsible for the administration of this resources, in order to achieve the previously mentioned goals.

e. The Institute would also be responsible for the creation of maritime employment service that would promote the hiring of Panamanian seafarers onboard Panamanian vessels. A registry would be established for Panamanian officers and ratings holding documents, certificates and licences that have been expedited by the very same institution. Measures to promote the well-being of personnel on board would be created, as well.

f. The Institute would regulate the operation of individuals or agencies promoting employment to Panamanian nationals as seafarers and would supervise the fulfillment of working contracts and supply legal advisement to workers when owners do not comply with previously accorded terms. On the same token, the Institute would suspend workers' licences for periods of 1 month to 5 years, according to the seriousness of the case, if the worker was not follow the terms in the contract.
g. The Institute would authorise and regulate the operation of classification societies in everything relevant to technical certificates to be issued to ships of the National Fleet in accordance to International Conventions and National Regulations in force as state laws.

h. Within its organisation, the Institute would have a planning area that undertake responsibilities such as studies in reference to Maritime Markets and Traffic, as well as establishing relations with International Agencies. Also, under its responsibilities, the Institution would undertake, studies on the evolution of the world's fleet, costs of operations and loans, transportation of cargo and freight tariffs.

NOTES:

a) It is suggested that the law must be in its simplest form. The legislation in force on registries, maritime safety, pollution control and registration of titles and mortgages is functional.

For this, the most simple form and perhaps the one to avoid a distortion on the goals of the proposal, is precisely the transference of responsibilities to the new Institute; not pretending to concentrate for now, everything in one legal instrument as it may be desirable from a juridical
stand point.

b) It is suggested, also, as "additional measures" the exoneration of import tax - with the exception of the ITBM - to all equipment or parts that are utilized in the preventive maintenance and repairs of ships of any nationality. As well, the National Financing Corporation would intend to finance this activity.


7. - I3ID.... pp 23-27.

8. -

9. - I3ID..... pp 16-20

11.- IBID.....pp

12.- Ministerio de Planificacion y Politica Economica. Estrategia para el Desarrollo, 1.960, 1.970. Panama 1.963


14.- IBID....... Informes Economicos 1.950-1.960.

15.- IBID....... Informe Economico 1.970.

16.- IBID....... Informe Economico 1.986. pp 16-17

17.- IBID....... pp 20-23

18.- IBID....... pp 23


20.- IBID..... Crecimiento Neto de la Flota Mercante Nacional p.

21.- IBID....... p 28.

22.- IBID....... p 29.

23.- IBID....... p 32.

24.- IBID....... p 38.

25.- BOVET, David. op.cit. p 12.
26.- Contraloría General de la República. Situación Económica

27.- IBID. p 41.

28.- IBID. p 39.

29.- IBID. p 43.

30.- IBID. p 46.

31.- IBID. pp 45-52.

32.- IBID. pp 45-60

33.- Ministerio de Hacienda y Tesoro. Dirección General
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34.- IBID. p

35.- IBID. p

36.- MANFREDO, Fernando. Descripción de Importancia del Canal
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37.- Autoridad Portuaria Nacional. Informe Anual. 1.986
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