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THEDIALOGUE

FEATURED Q&A

What Is at the Root of Anti-Mining Protests in Panama?

Demonstrators in Panama have taken to the streets for weeks over a major copper ,mining project. // Photo: Panamanian Government.

Q Panamanian President Laurentino Cortizo on Nov. 3 signed into law an indefinite moratorium on new mining concessions following weeks of protest over a contract that was granted to Minera Panamá, a local subsidiary of Canadian mining company First Quantum. The new law also prohibits the renewal of existing concessions, but it still allows Minera Panamá to operate the copper mine in Colón province for 20 years, with a potential extension for another 20 years. What concerns are at the root of the protests? How well has Cortizo's administration navigated the public pressure brought on by the controversy and demonstrations? What will the moratorium mean for business interests and the mining sector in Panama as well as for the country's economy?

A **Joaquín Jácome Diez, partner at Jácome & Jácome:** "What started originally as a legitimate protest against the Minera Panamá contract law—by wide sectors of the population claiming the contract was unconstitutional, abusive and harmful to the environment—evolved into a social eruption against the Cortizo administration and the National Assembly. Protesters were mostly young people summoned by social media, believing it was their patriotic duty to participate in a civilized way. Once the administration enacted a law declaring a moratorium on metallic mining in the country and Minera Panamá's contract law was challenged before the Supreme Court, demonstrations should have had ended. According to experts in constitutional law, the Minera Panamá contract law cannot be canceled by another law, but only by the Supreme Court of Justice. The country is expecting

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TODAY'S NEWS

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Kenyan Parliament Approves Sending Officers to Haiti

Kenya's parliament today approved sending 1,000 police officers to Haiti to help the Caribbean nation fight gangs. Haiti's prime minister appealed for international help more than a year ago.

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ECONOMIC

Peru's Recession Deepens as Economy Shrinks 1.29 Percent

Peru's economy contracted 1.29 percent in September as compared to the same month a year earlier.

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POLITICAL

Guatemalan High Court Rejects Arévalo's Motion to Halt Probe

Guatemala's Supreme Court on Wednesday rejected a motion from President-elect Bernardo Arévalo to halt an investigation against him by the attorney general's office.

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Arévalo // File Photo: Facebook Page of Bernardo Arévalo.

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POLITICAL NEWS

Kenya's Parliament Approves Sending Police to Haiti

Kenya's parliament today approved sending 1,000 police officers to Haiti to help the Caribbean nation fight gangs, the Associated Press reported. During heated debate on the measure, Kenyan lawmakers in support of the deployment said that the African nation had the moral obligation to help Haiti, while opponents said the move violated Kenya's constitution. Kenya's high court last month issued an order blocking the deployment, but it is set to rule again today on a case brought by presidential candidate Ekuru Aukot, who said the U.N.-based deployment would be "a mistake and a suicide mission," the AP reported. Burundi, Chad, Senegal, Jamaica and Belize have said they would send troops to bolster the mission. Haiti's national police requires at least 2,500 officers to restore law and order in the country, according to a Kenyan parliamentary report, Bloomberg News reported. The proposed budget for the Haiti mission is approximately $600 million, and the United States and United Nations plan to contribute to paying for the mission. The Kenyan police officers would be deployed to Haiti in phases for one year, with the first contingent arriving in early 2024, Bloomberg News reported. Gangs in Haiti have continued growing in power since the July 2021 assassination of Haitian President Jovenel Moïse, and the number of killings and kidnappings in the Caribbean nation has continued to escalate. The planned deployment also raises human rights concerns, Erika Guevara-Rosas, Americas director of Amnesty International, told the Advisor in a **Q&A** published Aug. 17. "Amnesty International's recent reports have documented police use of unnecessary and excessive force against protesters in Kenya, leading to numerous deaths and injuries, including of children," said Guevara-Rosas. "Moreover, past multinational operations in Haiti have been marred by severe problems, such as a cholera epidemic and sexual exploitation and abuse, with little accountability for the victims," she added. Violence in Haiti's capital, Port-au-Prince, escalated this week following the killing of powerful gang leader Iskar Andrice of the G9 gang alliance on Sunday, Reuters reported. On Wednesday, a Port-au-Prince hospital, Centre Hospitalier Fontaine, was forced to evacuate all of its patients after shots were fired at it, Reuters reported. "There were bullets shot at a glass door of the hospital near the maternity ward," Jean-Baptiste Loubents, a doctor at the facility, told Reuters. "We decided that in such a situation we needed to evacuate the patients," Loubents added. Twenty-seven patients were evacuated from the hospital, and 19 children were evacuated from its on-site daycare center, said a hospital director. Hospital personnel were seen carefully carrying newborn infants in what appeared to be incubators from one exit, Reuters reported.

Guatemalan Justices Reject Arévalo's Attempt to Halt Probe

Guatemala's Supreme Court on Wednesday rejected President-elect Bernardo Arévalo's motion to halt an investigation against him by the country's attorney general's office, Agence France-Presse reported. Since his election in August, Arévalo and his party have faced a barrage of legal challenges. Earlier this month, the electoral body in charge of regulating the country's political groups announced that it was suspending the president-elect's Semilla party over allegations of wrongdoing in its registration years ago, the Associated Press reported. Arévalo and the party have denied the allegations. In September, Arévalo asked Guatemala's Supreme Court to annul decisions against him and instead launch a prosecution of Attorney General Consuelo Porras, who has led the investigations against Arévalo and his party, AFP reported. Arévalo has also sought protection from judge Freddy Orellana and prosecutor Rafael Curruchiche. Porras, Orellana and Curruchiche are all on a U.S. list of "corrupt actors" and are barred from entering the United States.

NEWS BRIEFS

Biden, Xi Meet During APEC Summit, Discuss Fentanyl Production

U.S. President Joe Biden and Chinese President Xi Jinping met for several hours on Wednesday before attending the Asia-Pacific Economic Cooperation Summit in San Francisco, with issues including fentanyl production on the agenda. Spectrum News NY 1 reported. Regarding fentanyl, Biden said, "We are taking action to significantly reduce the flow of precursor chemicals and pill presses from China to the Western Hemisphere." The two leaders also discussed several other issues that included re-establishing military dialogue between the two countries.

Paraguayan Gov't to Re-establish Bilateral Relations With Venezuela

The Paraguayan foreign ministry announced on Wednesday that the country would be re-establishing its bilateral relationship with Venezuela almost five years after it was severed in 2019, Reuters reported. The decision follows talks between Paraguayan President Santiago Pena, who took office last August, and Venezuelan President Nicolás Maduro.

Venezuela Seeking to Sell 1 Million Barrels of Crude From Corocoro Field

Venezuela's state-owned oil company, PDVSA, is looking to sell one million barrels of crude from the Corocoro oil fields, Reuters reported Wednesday. The U.S. Treasury Department relaxed sanctions on PDVSA last month, opening new possibilities for production and export. Now PDVSA is seeking to sell its crude through middlemen that can deliver the product to refineries. In partnership with Italy's Eni, PDVSA has been producing 2,000 barrels of crude a day from the Corocoro fields and storing them at a floating storage and offloading facility.

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ECONOMIC NEWS

Peru's Recession Deepens as Economy Contracts 1.29%

Peru's economy contracted 1.29 percent in September as compared to the same month a year earlier, a worse performance than analysts had expected, Bloomberg News reported. September marked the fifth consecutive month of economic contraction in Peru. Among the nine analysts surveyed by Bloomberg, the median estimate was a contraction of 0.6 percent, less than half the actual figure. For nearly 20 years, Peru was consistently one the fastest growing economies in Latin America, but now the economy has been in recession for three consecutive quarters with few indications of a turnaround ahead. The El Niño weather phenomenon has disrupted Peru's mining and agricultural sectors, and statistics agency INEI has also pointed to the country's political instability, and socio-environmental conflicts, as contributing to the downturn, Reuters reported. In an interview with Peru's RPP radio, Finance Minister Alex Contreras said that signs of improvement in October and November would lead to an economic recovery in the first quarter of next year, Reuters reported. However, Pedro Francke, a former Peruvian finance minister, told the Latin America Advisor in a **Q&A** published Nov. 1 that recovery was unlikely. "The country is unprepared to confront the coming El Niño, and structural problems are not being addressed," he said.

BUSINESS NEWS

Mexican Support for Pemex Unsustainable: S&P Director

The Mexican government's support for heavily indebted state oil company Pemex is unsustainable, a director of S&P Global Ratings told Bloomberg Línea Wednesday in an interview. S&P has a BBB rating on Pemex, but that rating would drop to CCC+ without the support the company receives from Mexico's government, said Omar de la Torre, who is also a head analyst at the ratings agency. "If for some reason this is modified and the sovereign's relationship with Pemex becomes different, that would of course imply a modification in Pemex's ratings," said De la Torre. "Right now, we assume that the support is maintained," he added. Mexico's government will inject $8 billion in order for Pemex to cover its maturing debt, and it will reduce the company's tax burden from the shared profit tax to 30 percent from its current level of 40 percent. [Editor's note: See related **Q&A** in the Oct. 27 issue of the Dialogue's weekly Energy Advisor.]

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this ruling by next week. However, radical groups have kept the country shut down for more than three weeks, causing great harm to the economy and the well-being of the silent majority of the population. Inaction by the administration in establishing law and order throughout the country has created a power vacuum, enabling these radical groups to hijack the country. It is clear that what these radical actors (who are most likely internationally financed) are pursuing has nothing to do with mining but rather destabilization of our country. This situation is of great concern to most Panamanians. It is most likely that the Supreme Court ruling will declare the contract law unconstitutional and the republic will be forced to face international arbitration. As a consequence of the current situation, the moratorium and possible international arbitration, Panama as a friendly place to foreign direct investment will suffer greatly, and negative economic repercussions are still undetermined."

Alejandro Valerio, founder of Valerio Consulting Group: "The concerns at the root of the protests are not only about the mining concession, as can be inferred by their scale. Indeed, the protests that have recently rocked Panama showcase that it is not only about environmental rights, mining or the country's economic model, but also about the underlying problems affecting the bread-and-butter issues of Panamanians, such as inequality, corruption and the quality of public services. The Cortizo administration is in a difficult balancing act composed by the state's economic needs and popular demands. Regarding the former, Cortizo understands that Panama needs the revenue from the mining project, Cobre Panamá, as it has been a lifeline for the country's recovery after the Covid-19 shock that sank its GDP by 18 percent in 2020. Cobre Panamá contributes 4 percent of Panama's GDP and roughly 75 percent of its export goods, thus a drastic halt of its operations could ignite an economic maelstrom that might cause further governance instability. Also, rolling back the legislation that extends the concession of First Quantum Minerals (FQM), will not only trigger a complex international arbitration procedure that Panama is likely to lose, but also weaken the country's attractiveness to lure more foreign direct investment amid a complex international juncture. The fact the protests have continued despite conciliatory efforts from Cortizo's government indicates the moratorium will not appease public anger, hence putting more pressure on the Supreme Court to declare the FQM contract unconstitutional as the most feasible offramp of the crisis, at least in the short-term."

Graham A. Davis, professor emeritus of economics and business at the Colorado School of Mines: "Mining companies and their financial backers are exposed to significant risks when investing in efforts to find and develop mining properties like Cobre Panamá. They seek countries with a steady and secure set of mining laws and codes. Panama's rapidly changing legal landscape will likely deter future investments in mining projects in Panama, as investors

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will instead seek to invest in more stable jurisdictions. The effect of this reduction in investment on Panama's economy will depend on whether the gap is filled by other investment activities, such as in developing ecotourism or expanded canal services."

Orlando J. Pérez, professor of political science at the University of North Texas at Dallas: "The National Assembly passed the Minera Panamá concession in record time and with little debate. Some have speculated about the possibility that illicit payments were made in exchange for its approval. The protests, which environmental groups initially led, soon mushroomed into a national movement including labor unions, students, educators, civil society groups and regular citizens, many of whom have never before protested. The underlying causes of the protests are an accumulation of grievances, ranging from the cost of living, inequality, rising crime and endemic corruption. All of this is exacerbated by an administration that has run out of steam and lacks credibility. Apparently, it is incapable of leading a national dialogue to resolve the issue. Cortizo first seemed to ignore the protests. Then he sought a popular referendum and decreed a moratorium on future mining. Finally, under intense pressure, the president abandoned the referendum idea and sought legislation to codify the moratorium. However, protests have continued affecting the supply of goods and services across the country. Business groups estimate that there are nearly $80 million in losses daily. The resolution of the conflict now seems to be in the hands of the Supreme Court, which is weighing the constitutionality of the mining concession. Even if declared unconstitutional, it is almost certain that Panama and the mining company will be involved in international arbitration for years. The effects on next year's presidential elections are still to be determined. But what is clear is that this issue has made Vice President José Carrizo's chances of winning next year's presidential election even more remote."

> **"The underlying causes of the protests are an accumulation of grievances..."**
>
> **— Orlando J. Pérez**

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

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