GLOBAL CONNECTIONS: PANAMA CITY

AS A RELATIONAL CITY

A Dissertation in
Geography
by
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ABSTRACT

Global Connections: Panama City as a Relational City

Since the handover of the Panama Canal in 1999, the Panama City, Panama metropolitan area has undergone a rapid physical transformation. In the central city, high-end condominium construction briskly altered the character of older waterfront neighborhoods, while on the peri-urban fringe, the rapid fabrication of mass-produced single-family housing drew the city’s working classes ever farther outward. Driven by strong demand attributable to remarkable economic growth, the first decade of the 21st century was characterized by a construction boom unprecedented in both scope and scale. Drawing theoretical inspiration from a wide body of literature interconnecting the urbanization process with global institutions and phenomena, this dissertation analyzes Panama City’s recent physical transformation from a morphological perspective across a variety of scales, ranging from individual parcels and buildings to the metropolitan area. Utilizing data from interviews, public archives, aerial imagery, and cadastral records, this study applies a unique, mixed-methods approach to investigate specifically how and why Panama City underwent such a rapid transformation, and how that was connected to global forces more broadly. The city features a robust service economy deriving from its connection to the Panama Canal and the adjacent Canal Zone, which was occupied by the United States until 1999. My analysis indicates that a concert of factors hinging upon the city’s intermediary economic role were important in shaping its growth, including particularistic historical, institutional, and political elements that created the proper preconditions for the city to absorb the effects of a dynamic global economy. This indicates considerable deviation from dominant global South urbanization patterns and calls for a new paradigm that I have termed the “relational city”.

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ACKNOWLEDGEMENTS

I first came to Panama in 2006 through a summer course offered in the Architecture and Landscape Architecture departments at Penn State. Before landing in Panama that June, I had very little knowledge of Panama City, and knew even less about the country more generally. In my head, the word “Panama” elicited many of the common stereotypes associated with Central America: mosquitoes, poverty, coups d’état, volcanoes, beaches, and cash crops. Upon arrival, I was whisked straight to an avant-garde bar in the city’s old quarter (the Casco Viejo), where I marveled at the district’s historic charm while enjoying the company of English-speaking Panamanians and expats from Europe and North America. This was Central America, I wondered?

Since my initial foray in Panama City five years ago, I have come to learn that eliminating mosquitoes was crucial to the construction of the Panama Canal, that although Panama does have chronic poverty it also maintains one of the highest aggregate standards of living in the Western hemisphere, that there has been only one coup d’état in all of Panamanian history, that Panama has only one active volcano (and it is nowhere near the city), that Panama City is located where it is precisely because the surrounding tidal flats kept invading vessels at a distance (hence, no beaches), and that Panama imports substantially more food than it exports. The rich diversity of Panama City and the country as a whole not only upended any preconceived notions that I had before arriving, but also piqued my interest in studying what might arguably be the most significant urbanization phenomenon in the Western hemisphere in recent history. From one year to the next, I watched Panama City’s myriad high-rise towers rise from the rubble of what only a generation ago was a low-rise “third world” capital city. Convinced that the only way to study Panama City was to live here, I moved here for 6 months, but ended up staying for over a year. And, in the middle of learning a many striking facts about the city, I somehow managed to finish writing this dissertation.

At times, I had serious doubts as to whether dissertations were ever meant to be written in Panama. During the summer months (January-May), I had to resist the
temptation of cooling off in a swimming pool as I peered out my office window at blue skies and palm trees, knowing that my native Pennsylvania was buried under inches of snow. In the winter months (June-December), intense rains often inundated the streets to the point where arriving to interviews on time, let alone dry, was virtually impossible. Despite these “setbacks”, I was indeed able to complete the document, and I would like to thank a few very important people without whom none of this would have been possible.

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would have been able to articulate my ideas as clearly as I did. I consider Álvaro not only a knowledgeable and resourceful colleague, but a friend as well.

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Chapter I: Panama City: A Brand New Urban World?

Introduction

Globalization impacts human processes and environments over space and scales in complex and often contested ways. Across the range of disciplines within the social sciences, research grounding the phenomenon of globalization – broadly defined – in the urban scale has become increasingly salient. In this sense, cities have garnered increased attention insofar as scholars regard them as entities within an intricately networked, global system rather than as discrete entities linked exclusively to their geographic hinterlands. Although frameworks identifying cities as nodes within a global system date back at least as far as the 16th century, the accelerated pace of global integration has rendered the two inextricably linked in urban research since the mid-20th century.

In this dissertation, I seek to connect the implications of political and economic globalization to the process of urban growth vis-à-vis a detailed case study of the Panama City, Panama metropolitan area. Since approximately 2003, the city has experienced an unprecedented urban growth boom. According to data from the Panamanian realtor’s association (Acobir), there were more housing units built in Panama City between 2005 and 2010 than in Miami between 2000 and 2010. Driven by economic growth (see Chapter VII), state subsidies on mortgages (see Chapter V), rampant speculation (see Chapter VI), capital flight from neighboring countries (see
Chapter VII) and an overall scarcity of housing\textsuperscript{1}, the boom was led by the residential market catering to a range of end users.

At the height of Panama City’s boom in 2007, growth in the construction sector was nearly 20\%. Construction was led by growth in the residential housing market, particularly at the high-end. That year, 10,807 residential construction permits were issued in the Panama City metropolitan area (population 1.7 million), more than in the entire City of Los Angeles (population 3.8 million), for example (Census, 2011; De Gracia, 2009). This frenzy of construction was marked by two distinct, yet parallel phenomena. Along the city’s waterfront, spacious residential units catering to the Panamanian elite and affluent foreigners sprouted from the rubble of the low-rise city that had existed only years prior. Among the many towers is Trump Ocean Club Hotel and Tower, developed by the eponymous developer of global notoriety. This $400 million tower will feature\textsuperscript{2} 260,000 m\textsuperscript{2} of luxury hotel and condominium units, in addition to a casino, and retail and conference space. At 70 stories, the tower will be the tallest building in Central America and one of the tallest in all of Latin America. The building’s sail-shaped design (figure 1.1) in many ways resembles the iconic shape of Dubai’s Burj Al Arab, an analogy that goes well beyond architecture (see Chapter IX).

\textsuperscript{1} Though there is no official statistic, it is estimated that – as of 2009 – there was a housing deficit of 140,000 units in the metropolitan area. See De Gracia 2009 for more information.

\textsuperscript{2} As of writing, the tower was nearing completion but not yet finished. According to a reputable real estate professional, the building was facing a $25 million cost overrun.
Further south along the waterfront, the city’s old quarter, known locally as the Casco Viejo, was transformed through the powerful forces of gentrification. As historic buildings of various architectural styles were renovated, the neighborhood’s mostly poor residents have been gradually replaced by expats in search of “culture” and “heritage” in the form of jazz bars, restaurants, and high-end condominiums. Edificio Montefiore (figure 1.2) is a prime example of this; in the wake of the building’s 2006 sale for $225,000, 18 families were relocated in order to make way for five condominium units and two commercial spaces. After the renovations were completed, the ground floor became home to a high-end steakhouse, where a meal for two might cost as much as a week’s wages for the construction workers, painters, and demolition crews who helped transform the space.
While high-end residential construction soared along the city’s waterfront, the urban periphery was experiencing another related phenomenon. Backed by both local and international banks through a burgeoning mortgage market, developers such as Sucasa and Provivienda have constructed thousands of units on small, subdivided lots in Panama City’s suburban and exurban areas. Developments such as Condado Real (figs 1.3 -1.5) apply patently Fordist techniques to the mass-production of relatively small single-family units geared toward Panama’s working class. According to the Panamanian realtor’s association, of the units sold in 2009, 75% were from the low-income category (<$80,000), as defined by the preferential interest law. As I will elaborate in Chapter V, although the city has expanded outward throughout the 20th and early 21st centuries, growth in the post-2000 period has been most significant.
Figure 1.3: Suburban residential unit in Pacora’s Condado Real development, as seen in an online sales brochure (Source: Grupo Sucasa website, http://www.gruposucasa.com/2009/)

Figure 1.4: Construction equipment at Pacora’s Condado Real development (photo by author)

Figure 1.5: Gated Entrance under construction at Pacora's Condado Real development (photo by author)
In the wake of this rapid urban growth along the waterfront and on the peri-urban fringe (see figure 1.6 above), several questions arise regarding how and why this occurred, and to what or whom it may be attributed. Given the impact of the boom, city residents and visitors are quick to postulate why the city expanded as briskly as it did. Popular explanations include the laundering of Colombian drug money through towers and widespread speculation by foreign investors. While these and other conjectural explanations are perhaps partially true, there were many other converging factors that led to the massive wave of growth. As I will show, *speculation was grounded in a legitimate increase in demand for housing*, and was tempered by the conservatism of Panama’s well-established banking sector. The combination of a decades-long dearth
of construction (figures 5.22-5.26) combined with a sudden spike in demand (chapter VII) pushed prices upward, attracting new buyers and investors to the city’s well-established real estate industry.

The main purpose of this dissertation is to explain how and why rapid growth occurred, and how it can be tied to global phenomena more broadly. My research is based on the assumption that this growth was, in large part, influenced by exogenous factors and that Panama’s political structures and economic climate contributed to a rapid influx of international capital. Using a morphological approach supported by a combination of qualitative research methods, I trace the lineage of urban growth in Panama City, which I define and quantify as the physical expansion of the built environment. Though the city-region has “grown” in myriad ways, I focus on changes in the built environment as an empirical variable in order to capture the process of change in a tangible manner. This method allows me to identify specific processes and actors that contributed to Panama’s rapid growth so as to be able to extrapolate beyond this case study to other comparable city-regions around the world. My intention is to link local (urban) processes to global phenomenon and contribute to the global cities and world cities\(^3\) literature, which I review in detail in Chapter II. Ultimately, I assert that ontologies defining the range of urban typologies are incomplete, and that a Panama City – and cities like it – can be best defined by a new category. I will through all of these chapters argue that the term *relational city*, which has been alluded to (Beaverstock, Smith, & Taylor, 2003 [1996]) but not specifically defined as a tool for

\(^3\) I use “Global Cities” and “World Cities” interchangeably here and elaborate upon how the two terms have been framed (and often equivocated) in Chapter II. Throughout this study, I will refer to the twin concepts as world/global cities.
identifying urban typologies, has considerable merit for understanding the new urban
growth model that is seen in Panama. A relational city is one whose raison d’être is the
intermediation of global flows. Relational cities are intermediaries that connect
producers and consumers both regionally and globally, specializing in trade and
commerce rather than on industrial production or processing. The majority of relational
cities that I have identified trace their origins back to colonial free ports, established for
the intermediation of goods between colonial producers and imperial consumers. This
cohort of cities inherently embodies a great deal of hybridity and “in-betweenness”,
insofar as relational cities lie both physically and metaphysically between economies
and cultures. Though Panama’s intermediary role was crafted largely in the post-
colonial period, the U.S.’s presence and involvement in building and administering the
Panama Canal left an indelible imprint on Panama City. The city’s economic success,
and concurrent growth boom, was in a large part predicated on the existence of U.S.
systems whose physical presence in Central America defied territorial constraints. As I
explain in the chapters to come, the actors and institutions that derive from this legacy
and shape the city are primarily mediators between flows of goods, information, capital,
people, and ideas.

Panama in Context

Panama City is the capital and primate city of Panama, the southernmost country
in Central America. Located on a narrow isthmus between the Caribbean Sea and the
Pacific Ocean, the country has functioned as a conduit for interoceanic traffic since the
16th century. Figure 1.7 shows Panama City’s position within the region.
The country’s past and present hinge upon its strategic geographic location, having first been the site of an overland trans-isthmian route in the Spanish colonial era, then a railroad triggered by the demands of California Gold Rush hopefuls, and finally the famous Panama Canal, built 1906-1913, which now allows large ships to transit between the Caribbean Sea and the Pacific Ocean in approximately 8 hours.

Panama lies on a narrow S-shaped isthmus connecting Central America to South America (see figure 1.8). Geographically speaking, the country is a natural fit for a canal, as the isthmus is only approximately 50 km across at its narrowest point. In contrast to other Central American nations, the city is oriented East-West, and thus
Panama Canal crossings are either northbound (Caribbean-bound) or southbound (Pacific-bound)\(^4\).

Panama City falls within Panama province on the country’s Pacific coast. The city functions as the country’s primate city in every sense of the term; it dominates the country’s political, cultural, economic, and social realms. Panama’s “second city” is Colon, which lies at the northern entrance to the Panama Canal. Though Colon is home to the world’s second largest free trade zone, it has waned in importance in the last 50 years and Panama province’s approximately 1.7 million residents far outnumber Colon province’s 200,000.\(^5\) Outside the Panama Canal (Panama City-Colon) corridor, the country is oriented toward Panama City’s agricultural hinterlands in the west. Points east of Panama City are very sparsely settled, due to the Darien Gap, an area which constitutes the only break in the Inter-American Highway between Alaska and Argentina. The majority of the rest of the republic’s towns and cities sprawl westward across the elongated country along the Inter-American Highway. Despite their status as “major” cities within Panama, cities such as Chitre, Santiago, and David (see fig 1.7) are little more than central places of 20,000 to 50,000 inhabitants serving regional political and economic functions. Panamanians refer to all points west of Panama City as the “interior”; this is indicative of the metropolitan attitude that dominates domestic affairs.\(^6\)

\(^4\) Interestingly, due to the shape of the isthmus, ships are technically sailing westward as they pass from the Pacific to the Caribbean, despite the fact that the Atlantic lies to the east of the Pacific.
\(^5\) As of writing, Census 2010 results had still not been released and thus precise population determinations could not be made. The most accurate available statistics are from 2000. Furthermore, there is no predefined boundary to Panama's metropolitan areas, and thus any attempts to quantify metropolitan populations are merely informed estimates based on numbers circulated in the media.
\(^6\) As such, Panama could be considered a city-state in a loose sense. The Panama City metropolitan area represents approximately half of the republic's population and, according to the most recent statistics, is home to more than half of Panama's businesses and approximately two thirds of its fixed assets (Contraloría, 2003). Discounting the activity in the Colon Free Zone, the domination of Panama
Rapid Growth in Panama

The explicit focus of this dissertation is explaining in analytical terms the rapid urban growth that occurred in the Panama City metropolitan area since 2000. The exact point of departure is less important that the phenomenon that it describes, referred to locally as el boom inmobiliario, which translates as “the real estate boom”. The year 2000 serves as a convenient starting point, however, given that full jurisdiction and sovereignty over the Panama Canal and the adjacent Canal Zone were transferred from the U.S. to Panama on December 31, 1999.

The growth that has occurred since 2000 is nothing short of spectacular. In the city’s central districts, more than 300 high-rises – several taller than 50 stories – were erected, and the skyline was dotted with cranes as far as the eye could see.\(^7\) In the course of 10 years, the skyline was transformed from that of a regional capital city to a Manhattan-like cluster of glass and concrete.\(^8\) “The skyline increasingly resembles a mini-Sao Paulo, a dense forest of steel and concrete towers that includes dozens of new high-rise condominiums and apartment buildings”, reported the Los Angeles Times (Kraul, 2008). The vast majority of these high-rises are high- and medium-end residential towers, as indicated by the prices and amenities offered. The parallel phenomenon on the urban periphery – the widespread construction of mass-produced housing – was in many ways analogous: developers were quickly erecting hundreds of

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\(^7\) Though this paper refers to the urban growth phenomenon in the past tense, as of writing the construction boom is ongoing.

\(^8\) Unlike the United States, high-rises in Panama are not built with steel-frame construction. In contrast, almost all buildings in Panama, even the tallest, are built out of reinforced concrete.
units on a very large scale. These dwellings, which are generally in the 40 m² to 100 m² range, are far smaller than the average North American home and generally house as many if not more residents. These were geared primarily to the lower-middle income bracket (with household incomes of roughly $500-$1000 per month) with access to the incipient consumer credit market. I will elaborate upon these twin phenomena (figure 1.8) in greater detail in Chapters V and VI, but it is important to note that urban growth in Panama was dramatic in both scale and scope.

Figure 1.8: Contrast of Suburban Expansion and High Rise Construction (photos by author)

This physical transformation of Panama City was accompanied by a profound revalorization of urban lands. Increased demand for urban real estate drove prices precipitously upwards throughout the metropolitan area, as I chronicle in Chapter V. In many neighborhoods, such as the Casco Viejo and Avenida Balboa, decrepit housing units were sold and often resold several times as speculative interests sought to profit from the upward momentum. In the former Panama Canal Zone, American-built
As the city was expanding both upward and outward, the Panamanian economy was also experiencing something of a boom. Fueled by growth in services, economic growth in Panama topped 11% in 2007, putting it at the forefront of the Central American region. That same year, Latin Business Chronicle named Panama the most globalized country in Latin America, and in 2010 named Panama the country with the best business climate in Latin America, based on an index considering numerous economic variables. As the country’s economy was expanding, Panama’s sovereign debt rating improved to BB+ in 2010, an investment-grade rating on par with Chile, Mexico, and Brazil. This economic prosperity attracted both capital and migrants, and was one of the key factors driving the city’s transformation.

However, though Panama’s rapid economic success has undoubtedly contributed to rapid urban growth, it does not tell the whole story. Several other economies have grown with equal or greater vigor in the past 10 years yet without the commensurate physical transformations. The phenomenon of urban growth in Panama defies global and regional patterns in at least four important ways. First of all, rapidly urbanizing cities – particularly in Latin America – are almost invariably characterized by extensive informal settlements inhabited by the urban underclass. Though informal
settlements do exist, they represent slightly more than 1% of overall housing stock (Contraloría, 2000a). These settlements have neither the symbolic presence of Rio’s favelas nor the spatial impact of the shanties in Mumbai. Second, rapid urbanization is often the result of brisk industrialization. For the migrants pouring into China’s southeastern cities in the 1990s (Cartier, 2001) or for those who relocated en masse to Chicago in the 19th century (Cronon, 1991), the primary motivation was the promise of a meager job within the cities’ industrial-manufacturing complex. There is virtually no manufacturing in Panama; absent are the sweatshops or even the processing plants found elsewhere in Central America. Moreover, while there was a steady flow of migration to Panama City from the interior of the country, construction far outpaced population growth in relative terms. Economic dynamism, and ostensibly the concurrent construction boom, was fuelled almost entirely by growth in the tertiary and quaternary sectors, an attribute seldom associated with global South development.

Third, Panama City is relatively small compared to other “global” cities. With a metropolitan population of 1.7 million, the city is substantially smaller than other dynamic cities in the global South such as Shanghai (19 million) or Rio de Janeiro (12 million); Latin American capital cities such as Lima (8 million), Mexico City (21 million), or Bogota (8 million); or other maritime entrepôts such as Singapore (5 million) or Hong Kong (7 million). This is significant, given the important role that Panama City serves within the national, regional, and global economies. Fourth, Panama lacks the considerable immigrant working class best exemplified by “global” cities like New York, London, and Los Angeles. Perhaps this is not surprising, given that Panama has a

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9 Figures are based on percentage of households in Panama province considered “improvised” based on the 2000 census. Figures do not represent those who are squatters in formal, yet decrepit, conditions.
reasonably large pool of local labor from the country’s interior. However, in contrast to similar cities such as Dubai and Miami, which have large migrant populations (see Chapter IX), over 95% of those residing in Panama province were born within the republic (Contraloría, 2000a). Thus, in many ways, Panama deviates from previously established urban growth templates. It is for this reason that I am persuaded that instead of drawing on concepts like “primate”, “entrepôt”, or “global” cities, it is profitable to draw on the relational city paradigm as both a valuable descriptor and as a model for urban growth in a globalized, service-oriented environment.

**Situating Panama City among other cities**

What has happened in Panama City since 2000 is in many ways unique, as the city has several distinguishing attributes that set it apart from other emerging global cities both within and outside of Latin America. However, this case study of Panama is not without empirical precedent. The idea of rapid urban growth in a globalized context nothing new, and while each case is different, there is a common thread among the trajectories of several other cities in the global South.

To this point, I have concentrated primarily on what Panama City is *not*, rather than what it is, and as such I must expound upon the basic tenets of its political-economic composition. The single most significant defining attribute of the Panamanian economy is an orientation toward the service sector. The most recent available data indicates that roughly 80% of economic activity in Panama is concentrated in the service sector, with only 13% in manufacturing and 5% in agriculture.\(^{10}\) In large part,

\(^{10}\) These data are from 2006. The numbers do not add up to 100% due to the way they are aggregated by the Comptroller’s office in published tables.
this is due to the existence of the Panama Canal and the resultant ancillary industries that formed around it. This was not an accident of history, however, and as I will show the Panamanian state was a highly influential in creating a service-oriented agglomeration economy, which built upon the country’s legacy of transoceanic and maritime trade, but expanded this niche with the development of a producer services cluster specializing in international (offshore) banking, legal services, logistics, and more recently corporate headquartering. In short, the Panamanian state has pursued developmentalist logic framed by technocratic, pro-growth ideologies. In this sense, Panama resembles many other countries that have pursued similar development agendas with varying degrees of success. Developmentalist doctrines pervade many national political-economic agendas, and similar rates of tertiary and quaternary (service-sector) economic activity are commonly found throughout the post-industrial global North and across small, resource- or labor-poor states in the global South.

Beyond this service-led orientation, however, there is another defining attribute that distinguishes Panama and economies like it: an intermediary role in the global economy. Panama’s economic functions are and have historically been tied to its geographic situation as a mediator of interoceanic and interhemispheric flows. In this sense, Panama has come to be regarded as the hemisphere’s “middleman”. As compared to other countries in Latin American that have been formulated as sites of production, Panama “produces” very little, and instead focuses on mediating flows of goods, ideas, and capital. As such, Panama is an intermediary node in an intricate network of international connections and acts as a basing point insofar as flows pass through, rather than to/from Panama. This is a key development, in the sense that it
allows one to understand localized processes – notably rapid urban growth – within the context of the geo-economy and a broader national development framework. “Flows, rather than organizations, become the units of work, decision, and output accounting” (Castells, 1989a, p. 142, italics in original text). Panama City has emerged as a major global and regional node in a new global economic environment where power is constituted by the intensity of flows. The city’s growth reflects the broader phenomenon of “the historical emergence of the space of flows, superseding the meaning of the space of places. By this we understand the deployment of the functional logic of power-holding organizations in asymmetrical networks of exchanges” (ibid, p. 348). It is precisely these flows that define Panama City’s place in the contemporary urban system, creating the preconditions for rapid urbanization. Beyond these attributes, however, there is another which is perhaps the most important. As an intermediary, Panama is in between places; it is neither Caribbean nor Pacific, neither North nor South America. Panama exhibits a liminal quality that is beyond the territorial limits and political constraints of the actors that it represents. It is an extra-jurisdictional extension of the Colombia political economy, the U.S. monetary system\(^1\), Venezuelan society, and the Caribbean economy. 23% of the world’s commercial shipping vessels (measured in terms of deadweight tonnage) are registered in Panama, yet many never enter Panamanian waters, and Panama’s stock-in-trade in the banking world is offshoring, a term that inherently implies otherness and extraterritoriality.

\(^1\) Panama uses the US dollar as its currency. Although it is locally enumerated as the “Balboa”, there is no such thing as a Balboa and there never has been. This reinforces the argument that Panama was effectively a U.S. colony until 1999 and strengthens the idea of economic relationality.
Chapters to Follow

In the chapters that follow, I elaborate in greater detail the theoretical framework that supports my study as well as the data that I gathered to support my argument(s). In Chapter II, I frame my argument using several disparate yet interconnected strands of literature so as to articulate how the phenomenon I studied fits within the realms of globalization and urban theory, situating it conceptually within the work of scholars from across disciplines. In Chapter III, I justify and describe my research methods. The only way to integrate “hard” evidence to model transformations to the built environment in Panama City with tacit information otherwise lacking in public records was to apply a unique, mixed-methods approach. I explain in depth both the data sources that I used for this study as well as how each of several research techniques contributed to an explanation of urban growth. Chapter IV provides a detailed overview of Panama’s political economy and history. This mostly descriptive chapter is crucial to understanding the temporal development of institutions and practices that ultimately led to rapid urban growth in the capital city in the 2000s.

Chapters V and VI are the core empirical chapters in which I present my data. The first of these focuses on the outward expansion of the city. Drawing upon historical aerial imagery combined with numerous supplementary sources, I trace the physical expansion of Panama City toward the rural hinterland. In the second empirical chapter, I focus on the concentrated investment and growth along the city’s waterfront. Drawing upon data from the city’s cadastral records as well as interviews and archival material, I trace land value shifts over a 20-year period in three adjacent yet emphatically different neighborhoods.
After I have presented my empirical data in two chapters, Chapter VII focuses on pinpointing specific factors that have caused growth in Panama City. I have divided these factors into two sections – “domestic” and “exogenous” – so as to differentiate between active (i.e. state and industry led) factors and passive (global) triggers for growth. I follow with Chapter VIII, which serves as the core analytical chapter in which I interpret my data and extract my conclusions. After laying out the concept of the relational city in Chapter II, I return to it with greater attention in Chapter IX. In this penultimate chapter, I draw upon several parallel examples of relational cities from around the world, including Doha, Dubai, Johannesburg, and Miami. Finally, I conclude my dissertation in Chapter X by synthesizing my evidence and analysis into a few discrete ideas, and offering insights for future research that may evolve from this case study.
Chapter II: Cities in a Global Context

Introduction

The literatures examining urban processes and phenomena are almost as diverse as cities themselves. Scholars across a broad range of fields including Geography, Architecture, Sociology, Urban Studies, Political Science, Anthropology, and Development Studies have written about cities from multiple perspectives using myriad methodologies and thematic approaches. The purpose of this chapter is to narrow the body of literature from which I draw my argument, and to elucidate particular strands of literature that have both influenced and informed this case study. Although my central research question hinges upon a discrete occurrence of urban growth, I seek to illustrate that it falls within a much broader debate on the role of globalization and global forces in leading urban transformations.

An analysis of a singular phenomenon is valuable only insofar as it serves to inform scholarship in a greater sense. As such, the purpose of this case study of Panama City is not just to understand urban growth as a local phenomenon, but as a global process that can be conceptually linked to parallel cases and broader processes. My main point of departure is the world/global cities literature, which possesses an inherently globalist and comparative slant. Within this literature, I frame my argument within the work of others whose focus has been on socio-technical, economic, and political processes of urban growth.

In the first section of this chapter, I introduce the conceptual link between the global and the urban scale. Drawing upon the work of Wallerstein and others, I make
the case that the contemporary global economic and political system is a fundamentally urban system, and that cities are the nodes of connectivity that articulate the capital flows upon which capitalism is predicated. I draw specific attention to both the role cities have had in “making globalization happen”, as well as what the advancement of Western, hegemonic world-system has implicated for urban systems.

In the following section, I transition to the vast body of scholarship that is the world/global cities literature. Within this nebulous body of literature, the terms “World Cities” and “Global Cities” are used relatively interchangeably in reference to both cities at discrete entities (site), and cities in a global network (situation). Given these two divergent ways in which world/global cities are theorized, I have split the literature into two strands: case-based and network-based approaches. I first highlight case-based approaches to understanding global city formation. A great number of scholars (e.g. Knox, 1991; Nijman, 2000a, 2007; Sassen, 1991) have published case studies that are in many ways analogous to how I have approached this study of Panama City. I then move to network-based approaches to global city formation, highlighting many of the quantitative and positivist understandings of world/global cities. Research in this realm (Beaverstock, Smith, & Taylor, 2000; Taylor, 2005) often applies numerical data sets to “prove” the “global-ness” or importance of cities in a hierarchic sense. In this sense, cities can be “more” or “less” global within a hierarchized urban order. As I detail, this order can be based on a variety of attributes, the majority of which center on economic variables. While Nijman (2007) refers to this perspective as the variable-based approach, I have chosen to label approaches that situate cities within a global urban system as network-based approaches due to the strong emphasis on connectivity.
through global linkages in much of the most germane literature (Castells, 1996; Friedmann, 1986). Although these two strands exhibit a significant amount of crossover, I have tried my best to cluster ideas among others applying like methodologies. I conclude the chapter by setting the stage for the new urban paradigm that I present, the relational city. After establishing the theoretical gap that I wish to address, I define the term and suggest other contexts in which it may be applied.

Cities in a World-System

Although indicative of two vastly different scales, the relationship between the “global” and the “urban” is profound and stronger than ever. The contemporary world-system, as defined by Wallerstein (1976a) and others (Abu-Lughod, 1989; Amin, 1973; Gunder Frank & Gills, 1999 [1993]), is reliant on urban centers for circulating capital and concentrating political power. However, though cities have been basing points for capital since even before the advent of capitalism, the global urban network was not fully elaborated before approximately the 16th century. Before that, only a handful of cities qualified as “global” in any significant way (Abu-Lughod, 1989). These were primarily cities along major transcontinental and intercontinental overland trading axes, or the capitals of great empires such as Rome and Constantinople.12

During the “long 16th century”, great advances in technological and political systems enabled European powers to expand their influence overseas (Wallerstein, 1976a). The colonial world-system that began in the 16th century firmly established the

12 Though great cities had existed in the pre-Columbian period both in the Americas as well as in Asia and Africa, they operated within an autarkic system and served largely as administrative centers with localized political and economic command functions.
primacy of nation-states, particularly among the hegemons of Western Europe. As monarchies folded, their power was ceded to political sovereigns whose jurisdiction was exercised through formalized channels and whose legitimacy was enforced by a legal monopoly on violence (Weber, 1919). Thus, power from competing monarchies and city-states was consolidated, allowing for an up-scaling of political and economic organization. Though a few city-states survived (e.g. San Marino, Luxembourg), nation-states gained strength through the development of protected, national markets (Braudel, 1984; Chase-Dunn, 2004 [1991]). The transition to a global nation-state system was solidified by the collapse of the last remaining empires in the early 20th century (China’s Qing dynasty in 1911, the Russian Empire in 1917, the Ottoman Empire in 1923). Particularly in Western Europe, strong state political structures enabled the conquest of distant lands, and the fundamental divide between the powerful “core” states, and the less developed “peripheral” areas (Wallerstein, 1974) was firmly established, setting the stage for the uneven development that characterized the 20th century.13 Wallerstein argues that by the early 20th century, a singular capitalist world-system had expanded across the entirety of the world.

As the nation-state ascended into a position of primacy, there were numerous implications for cities. Urban centers in core countries gained importance as nodes of political and economic power. In contrast to the feudal political structures that had preceded the capitalist world-system, nation-states required large, centralized bureaucracies in order to consolidate power, which was exercised over both domestic and foreign (i.e. colonial) lands. Thus cities, as opposed to their agricultural hinterlands,

13 I refer to core states and peripheral areas, given that states in the periphery are inherently weak.
became primary sites of capital accumulation. As the capitalist world-system has expanded since the 16th century, factors of production (labor, capital, and resources) have increasingly converged in cities as successive mercantile, industrial, and finally post-industrial systems have all relied on cities as centers of command.

Over the course of the 18th and 19th centuries, the nation-state system flourished. In the core, imperialism ensured a unilateral flow of resources from colonial territories back to the European metropoles. In the periphery, nation-states were formed from the territorial configurations that were colonies. Paradoxically, as the nation-state system has become the dominant global political scale, the forces at work within the capitalist world-system have eroded certain aspects of national power (Brenner, 2004). Economic globalization, enabled by increasingly free trade and an international division of labor, has rendered national boundaries ineffective in containing markets (Friedman, 2007 [2005]). This process has driven the secondary sector (assembly and manufacturing) increasingly to the periphery, while the core has retained higher-order tertiary (services) and quaternary (research & development, administration) sectors. Critical to the process of economic globalization were advancements in global transportation networks (see chapter VII on containerization) and telecommunications, allowing the rapid distribution of material goods and instantaneous connectivity between distant locations.

The advanced capitalist mode of production of the 20th and 21st centuries has rearticulated power from nation-states to cities. While the power brokers of the 16th-19th
centuries had been nation-states\textsuperscript{14} and sovereign enterprises\textsuperscript{15}, the post-colonial world order ensured that nation-states were no longer the primary source of global capital. The main reason for this was that the 20\textsuperscript{th} century was characterized by a profound reorganization of production, exchange, and consumption under industrial and later advanced capitalism, facilitated by both technological change and a new world political-economic order. As such, multinational corporations (MNCs) began to assert an increasingly important role in the global economy, diminishing the power of nation-states in relative terms. While nation-states still continued to be important actors in the geo-economy, “global” cities ascended in the new economic world order, and became home to increasingly large numbers of the MNCs and banks that produced and reproduced capital.

As Panama is a non-core area, its post-Columbian history\textsuperscript{16} can be well situated within this framework. Until independence from Spain in 1821, Panama was little more than an appendage of Gran Colombia (the first independent predecessor to what is now Colombia) and a peripheral backwater within the world-system, functioning primarily as a conduit for South American precious metals destined for Europe. No major indigenous civilizations existed in Panama\textsuperscript{17}, and European colonization was limited to the bare minimum necessary to operate the trans-isthmian route. It was not until 1903

\textsuperscript{14} Using Modelski’s (1987) model, Portugal, Spain, Britain, and the United States were the global hegemons during that period, respectively. Furthermore, I recognize that London, Amsterdam, and other cities within those states played important roles in directing circuits of capital, but it should be noted that corporate headquarters rather than national capitals are more important in determining Global/World City status.

\textsuperscript{15} Examples include the Dutch and British East India Companies.

\textsuperscript{16} That is, post-1502, when Christopher Columbus first landed in Panama.

\textsuperscript{17} There were indigenous settlements in Panama, but no major civilizations. Panama has very little fertile, arable land, and the wet, hot climate was not as amenable to major civilizations as the highlands of neighboring countries. There are currently at least 8 recognized tribes, which even today maintain indigenous traditions and languages.
that Panama gained independence (from Colombia) and asserted its position within the capitalist world-system with the construction of the Panama Canal. This is an interesting point of departure, as the republic had been newly formed, and yet was never truly independent, given the perpetual American presence. Furthermore, one could argue that Panama “leapfrogged” the nation-state period, as Panama was the last country in Latin America to gain independence, and from the republic’s foundation onward, Panama City and the adjacent transit corridor asserted unequivocal primacy in the country’s affairs. Thus, the city’s history is intertwined with the country’s history, and the majority of the processes that shaped the transformation of Panama City into its contemporary form were unique to the postindustrial and informational economies of the 20th and 21st centuries. Thus, for the purposes of this analysis, I take the 20th century as a starting point from which to analyze urban growth in Panama City. Returning to a broader theoretical stance, the intimate link between the global and urban scales is a fundamental tenet underlying this study. Just as Panama City was from its inception tied to the global – rather than national – economy, urban development more generally in the 20th century has in many cases been tied to global processes and phenomena. However, the relationship between the “global” and the “urban” is reciprocal: cities are now more than ever tied to other cities vis-à-vis a global urban network, just as cities play pivotal roles in articulating circuits of capital in the contemporary world-system. Scholars have asserted both positions, insofar as cities are active agents in the globalization process (case-based approaches) and are embedded within the process itself (network-based approaches). In the following two sections, I elaborate upon both

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18 As I will explain in subsequent chapters, this was a gradual process, as an American-built railroad established Panama’s first permanent trans-isthmian route in the mid-19th century.
19 Excluding Belize, Suriname, Guyana, and English-speaking islands in the Caribbean.
schools of thought so as to frame growth in Panama City as both a localized process and as part of a greater global system.

**Case-Based Approaches to Understanding Global City Formation**

Case-based approaches focus on understanding the dynamics of one city or a particular set of cities that exhibit certain dynamic qualities. Studies focusing on a particular city (Boddy, 2004; Olds & Yeung, 2004; Yeoh, 2003) often concentrate on a distinguishing phenomenon (e.g. rapid urban growth) that makes that city worthy of attention. Others apply case-based approaches to comparative analyses (Nijman, 2007; Olds, 1998), which draw attention to parallel phenomena from multiple sites of analysis.

Case-based approaches to understanding cities focus on drawing conclusions from the nuanced particularities that broad, quantitative analyses often dilute. The objective is to apply a level of detail that is not possible with larger, numerical datasets. Ragin describes this approach as follows:

> The goals of case-oriented investigation often are both historically interpretative and causally analytic. Interpretative work attempts to account for significant historical outcomes or sets of comparable outcomes or processes by piecing evidence together in a manner sensitive to historical chronology and offering limited historical generalizations which are sensitive to context. Thus, comparativists who use case-oriented strategies often want to understand or interpret specific cases because of their intrinsic value. (Ragin, 1987, p. 35 cited in Nijman 2007, p. 93)

Case-based approaches often include a socio-historical background and an overview what specifically makes the case compelling and attention-worthy. Research
methodologies include historical-morphological (Cronon, 1991; Hornsby, 1997); phenomenon-based (Boddy, 2004; Knox, 1991); and deep description (Nijman, 2007), among others. There is no standard method of analysis for case-based approaches, and methods are contingent upon the contextual background of each instance. Hence, this strand of global cities literature is diverse and often unique in methodological terms. Despite this broad range of thematic and methodological approaches, case studies serve to provide valuable insight into specific processes and general trends. Any well-constructed case will serve to instruct the reader in both a particularistic context as well as in generalizable terms.

A primary locus of concentration for case studies in global cities research has been the industrialized economies of the North Atlantic. An early focus by scholars such as Hall (1966) and Geddes (1915) on London as the world city cemented a Western bias within the literature. In Knox and Taylor’s (1991) edited volume World cities in a World-System, eminent scholars such as Friedmann, Knox, and Abu-Lughod contribute with a series of chapters on various facets of world city research. Despite their varied themes, one common strand is that the majority are in the U.S., Canada, Europe, or Japan. In her comparative chapter on New York, Chicago, and Los Angeles as world cities, Abu-Lughod states “no one has ever raised an objection to including New York…and others suggested that San Francisco, while smaller than Los Angeles is really ‘more worldly’” (1995, p. 176). While determining the “worldliness” of these cities may be a matter of contention, the point is that there are very few instances where academic literature mirrors this debate in terms of Lagos vs. Dakar or Buenos Aires vs. Santiago. Sassen’s The Global City (1991) focuses specifically on the importance of
New York, London, and Tokyo, and though her analysis is largely variable-based and positivist, she builds her analysis around three cities as case studies. A common theme within most case studies is the presupposition that certain cities are preordained as inherently “global”. As Abu-Lughod had emphasized, there would not be much contestation over the “fact” that New York is a global city.

My focus on Panama City draws much of its inspiration from antecedent literatures on dynamic, high-growth areas outside the global North. With the recent economic dynamism of the Pacific Rim, another significant focal point has been the emergent global cities of Asia and the Pacific coast of North America. McGee has written extensively on the formation of cities in Southeast Asia (1967) and later on qualitative changes in urban China. In reference to Shanghai, he cites “the growth of new industrial estates designed to attract foreign investment” and “the outwards spread of population and rapid commodification of the land market that encouraged the growth of new housing developments and estates” are factors responsible for driving the transformation (McGee et al., 2007, p. 127). Though the political-economic and scalar context were quite different, the processes transforming Shanghai’s waterfront and periphery in the past 10 years were much the same as those in Panama City.

Similar cases have been documented elsewhere in the Pacific Rim, notably Cartier’s (2001) treatment of the globalization of South China and Olds and Yeung’s (2004) analysis of world city formation in Singapore. Boddy’s (2004) work examines the importance of Vancouver as a model for urban development across the world, citing a unique socio-political context as an explanation for the city’s success. Following the comparative tradition, Boddy draws parallels to Hong Kong, San Francisco, and other
high-density Pacific Rim cities. Recent research on Asia has focused on the emergent
global cities of the Middle East (Elsheshtawy, 2006, 2010; Maghoub, 2008). The city-
states of Dubai, Abu Dhabi, Sharjah, and Doha have experienced recent waves of
growth, and as a result there has been a renewed interest in the Middle Eastern city in a
global context. These cases also reveal that many urbanization models draw inspiration
from distant global cities that have been explored in these literatures; Boddy writes that
a “full-scale replica of Vancouver’s False Creek is today even being carved out of the
desert sands outside of Dubai in the United Arab Emirates” (2004, p. 18). Such
parallels provide the basis for comparative case study analyses, which tie together
disparate locales with common themes.

My treatment of Panama City applies a case-based approach in which I seek to
explain a particularistic, contemporary phenomenon in a global context. With the
exception of the work of a few Panamanian scholars (Riba, 2008; Sandoya, 2009;
Uribe, 1989), case studies of Panama City have been limited in scope. The paucity of
literature contextualizing Panama City as a global city is symptomatic of the global
South more generally. As Robinson suggests, “there are a large number of cities
around the world which do not register on intellectual maps that chart the rise and fall of
global and World cities” (2002, p. 531). While Taylor does pay lip service to the idea of
multiple networks (2005, p. 1594) beyond economic foci and Friedmann includes cities
from the global South (albeit on lower orders of primacy), the primary orientation of most
world/global cities literature is toward the industrial economies of the North Atlantic and
East Asia. As I also show to be true with network-based approaches, case study
approaches tend to concentrate on established global cities such as London or New
York, rather than focusing on the periphery. Some of the more recent literature is reversing that trend (Grant & Nijman, 2004; Robinson, 2002), but the fact is that the global South remains understudied in the realm of global cities literature. I seek to narrow this divide, and hope that the nuances of the Panama City’s historical, temporal, and political-economic dimensions provide invaluable insight that can be extrapolated to broader understandings and thus future research.

**Network-Based Approaches to Understanding Global City Formation**

Network-based approaches seek to frame cities as actors within an interconnected series of global, urban networks. The implication of these approaches is a renewed focus on *situation* rather than *site*, which emphasizes cities’ relative, rather than absolute, qualities. In part, this had to do with a ‘relational turn’, particularly within the subfield of Economic Geography. According to Beaverstock et al. (2009), a “new conceptualisation of World cities as nodes in networks rather than basing points for global capital in urban hierarchies pioneered the development of relational economic geography from the late 1990s onwards” (p. 1). Yeung describes this as an “analytical focus on the complex nexus of relations among actors and structures that effect dynamic changes in the spatial organization of economic activities” (2005, p. 37). He identifies three relational frameworks that have emerged: relational assets in local and regional development, relational embeddedness in networks, and relational scales (2005, p. 40). These frameworks largely reflect the interdisciplinary impulse to grasp the nexus of forces broadly framed as *globalization*. 
Although many earlier theories such as Central Place Theory (Christaller, 1933) and Zipf’s Law (Zipf, 1949) situated cities as sites within a greater network, it was not until more recently that a robust set of literature has concentrated on cities as actors within a global system. Christaller’s Central Place Theory (1933) asserts that urban hierarchies are determined by the distances that people are willing to travel to obtain certain goods and services. Perishable or everyday goods need to be available on a routine basis, while advanced services such as health care would only be located in greater-order cities, located at a greater distance from the average citizen. Building upon Christaller’s work, Zipf asserted that mature economies will possess a log-linear distribution of urban population when ranked hierarchically. This is to say that the second most populous city would have $\frac{1}{2}$ of the population of the most populous city, while the 30th most populous city would contain $\frac{1}{30}$th its population. In contrast to more contemporary scholarship, however, Christaller and Zipf situate their theories within national systems bound by the limits of well-defined nation-states. In fact, most of what was published until the latter part of the 20th century regarded cities as discrete entities whose political, social, and economic networks were mediated and contained within the nation-state. In Hall’s monograph *The World Cities* (1966), he notes that, in addition to their traditional administrative functions, the world’s great cities have expanded their roles in media, institutions, and trade, but makes little mention of cities’ roles within international networks.

This focus on national urban systems began to change as cities were increasingly framed in a global context. While the precise genesis of this “global shift” is difficult to pinpoint, the de-territorialization of that national state is generally associated
with the early 1970s (Agnew & Corbridge, 1994; Brenner, 2004). Sassen (1994) points to a growing body of scholarship in the 1980s focusing on the different types of “economic linkages that bind cities across national boundaries” (p. 47). Regardless of the exact starting point, research in the late 20th century shifted toward conceptualizations of cities as belonging to multiple and interlocking urban systems that most transcended national boundaries. These scholars placed less importance on cities’ roles within national systems in favor of international systems, particularly through economic linkages.

Global network-based approaches have implicated an understanding of how cities are interconnected through networks. One such approach has been to elaborate a global urban hierarchy by identifying which attributes/variables are constitutive of power and examining the geometries of that power. Methodologies within this approach range from quantitative to qualitative and from statistical to descriptive. At the forefront of quantitative analysis is the Globalization and World Cities Research Network (GaWC) at Loughborough University. According to Taylor, “to understand World cities requires relational data on cities…GaWC's niche has been to fill this lacuna by focussing [sic] on inter-city relations, their measurement and their socio-spatial meaning for globalization” (GaWC2010a). Figure 2.1 shows one particular interpretation of the global urban hierarchy produced by Beaverstock et al (2009; 1999) at GaWC, based on advanced producer services such as accountancy, advertising, banking/finance and law.
Research at GaWC has focused on quantifying both the relative and absolute importance of cities within a global network so as to establish an ordered hierarchy of cities based primarily on various metrics of international connectedness. GaWC’s approach is generally very positivist and the hierarchy invariably favors cities in the global North, as indicated such as the number of advanced producer services. London and New York share the top position in GaWC’s hierarchy as determined by their position within the global economy. “If London is indeed to be interpreted as a ‘global city’ it will be because many other cities, through their dependences and interdependences with London, make London special”, writes Taylor (2005, p. 1594).

The methodology advanced by Taylor and GaWC draws heavily upon the work of their predecessors (Friedmann, 1986; Godfrey & Zhou, 1999; A. King, 1990; Sassen,
Though certainly not the first to elaborate the concept of a “World City”, Friedmann’s (1986) contribution was the concept of a hierarchical global urban network as determined by a strong presence of corporate headquarters and international institutions (Beaverstock, et al., 2009). Friedmann (1986) set forth seven key points that define world cities including economic functions and patterns of social polarization, and ranks cities in terms of their importance, with Alpha order cities at the top of the hierarchy (figure 2.2).

Figure 2.2: Friedmann’s Global cities (from Friedmann 1986, p. 71)

Despite its heavy nodal focus on the northern hemisphere, Friedmann’s hierarchical model clearly shows a global network insofar as linkages are made between countries and continents. Applying language from Wallerstein’s world-systems theory, Friedmann distinguishes not only between primary and secondary cities, but also between the core
and the semi-periphery. The highest order is reserved for cities in the core, and though Rio de Janeiro, São Paulo, and Singapore are classified as primary cities, they are lower in the hierarchy due to their semi-peripheral location.\(^{20}\)

Sassen (1991) builds upon Friedmann’s foundation but stresses the role of technology in facilitating economic flows. In her seminal book on New York, London, and Tokyo, she writes

> the spatial dispersion of economic activities and the reorganization of the financial industry are two processes that have contributed to new forms of centralization insofar as they have occurred under conditions of continued concentration in ownership or control...[the] fact that telecommunications and information technologies are essential to both processes has added yet another force for agglomeration. (1991, p. 19)

Sassen’s focus on technology and advanced producer services as hallmark attributes of urban connectivity succeed in “maintaining” the hegemony of the core in terms of world/global cities. Though she does not endeavor to create a hierarchical list, Sassen’s most “global” cities were fundamentally the same as Friedmann’s and GaWC’s Alpha order cities.

Others focus on the technological aspects of urban networks without the hierarchical attributes of the aforementioned theories. Castells has written extensively about the importance and implications of digital connectivity (1989b, 1996). He argues that the world is becoming increasingly urbanized and at the same time segregated by

\(^{20}\) If Friedmann were to make the same map today, it would likely be radically different. The map from 1986 features no cities from mainland China, India, or the former Eastern Bloc. Given the events following the end of the Cold War and the economic liberalization of India and China, it is not only likely that cities like Moscow, Bombay(Mumbai), and Shanghai would figure in the hierarchy, but that they would be in the highest order, as GaWC considers them Alpha order cities.
technological divides. This has potentially deep-seated implications for the current global urban hierarchy, insofar as digital telecommunications undermine the need for firms within an industry to co-locate. “Footloose” industries, particularly those in the tertiary and quaternary sectors with low locational requirements (e.g. call centers), are no longer bound by geography and are free to relocate as long as sufficient human capital is available. Despite this possibility, however, numerous scholars (Graham & Marvin, 2001; Zook, 2005) maintain that technology actually reinforces the primacy of certain cities and regions. As Zook’s map (figure 2.3) shows, domain name registries in New York are concentrated in Manhattan, with the highest intensities in the business districts of midtown and downtown.

![New York City Map](http://mappa.mundi.net/maps/maps_016/)

**Figure 2.3:** Map of .com names in New York City (Source: Zook, 2000, from http://mappa.mundi.net/maps/maps_016/)
Given the important role of phone lines, fiber optic cables, and other networked infrastructure in interconnecting distant nodes, contemporary world/global cities have been adapted to accommodate the physical requirements of advanced telecommunications. In *Splintering Urbanism* (2001), Graham and Marvin frame cities as ongoing socio-technical processes, supplied and supported by networked infrastructures of all types. By this logic, cities garner global importance by transmitting global flows through fundamentally local infrastructural channels leading to larger, global networks. Drawing upon the work of Giddens (1990), Graham and Marvin posit that this leads to systematic unevenness by creating divisions within, rather than between, cities.

The majority of those applying network-based approaches to understanding world/global city formation rely upon data from one particular industry or an index based on a related set of variables, generally in the realm of high-order services. However, as Allen *et al.* (1998) note, there are multiple parallel urban networks, most of which are centered around Europe and the United States. What Allen and others argue is that there are multiple methods for defining “global-ness”. The global urban system is conceptualized as a set of interrelated networks in which multiple hierarchies exist. These perspectives suggest multiple pathways to world/global formation, and suggest some deviation from the orthodoxy of economically defined networks.

**The Relational City in Context**

Understanding how scholars have framed both case-based and network-based approaches to world/global city formation lays the foundation for this study, which
situates the urbanization process in Panama City both as a discrete entity, and as a product of globalization. Drawing upon these related strands of literature, I have established that cities play an important role in the capitalist world-system, and that the majority of what are considered world/global cities are located in the global North. Furthermore, both approaches privilege economic and technical processes and phenomena, and draw upon cities of sets of cities with a high level of connectivity to other high-order conurbations.

This study, and my framing of the relational city, is inspired by a large gap within these literatures. First, the literature focuses overwhelmingly on the global North. While this is changing\textsuperscript{21}, there is still a considerable dearth of research on how cities in the global South are integrated within the world-system, particularly as primary actors. The majority of popular publications on Panama focus on the Canal (J. Greene, 2009; Maurer & Yu, 2011; McCullough, 1977), and in particular on the role of foreign engineers, financiers, and labor forces to build it. Panama City has been overlooked as an active agent in globalization and the articulation of global capital. I assert that Panama City is a dominant, rather than subordinate, node in the capitalist world-system, and that this role is defined by its intermediary position between multiple regional economies. Second, there is a paucity of language with which to describe new paradigms of urbanism. While “world cities” and “global cities” are valuable descriptors as umbrella terms for the diffuse body of work coupling global and urban systems, there is considerable room for more precise categorization within these literatures. As I contend in the chapters to follow, Panama City plays a very specific role within the

\textsuperscript{21} Buenos Aires, Mumbai, Kuala Lumpur are now among GaWC’s Alpha Order cities.
global urban system, eliciting the term relational city as an addition to the academic lexicon.

A number of established urbanization paradigms lay the foundation for the concept of a relational city. Through various stages of the capitalist world-system, specific language has been developed to describe urban processes and phenomena. A number of these terms refer to cities that in many ways mirror contemporary Panama City. In some sense, Panama City is an “entrepôt”, indicating that it connects larger systems as a trading port. Derived from the French term for warehouse, an entrepôt is a trade intermediary. Due to a significant rise of trade since the 17th century, particularly of raw commodities from European colonies and the Orient (meaning coastal Asia), and processed goods from Europe (Ogborn, 2000), entrepôts gained increased importance as centers of trade. In the present day context, entrepôts act as distributional nodes for the global economy. Today’s entrepôts are cities that house the logistical infrastructure for container ports (Shanghai, Hong Kong, Singapore, Hamburg), passenger airline hubs (Frankfurt, Tokyo), or air cargo hubs (Louisville, Memphis, Anchorage) (Dicken, 2007, p. 430). In many ways, Panama is a regional entrepôt, mediating flows between North America, South America, the Pacific Rim, and the Caribbean.

If Panama’s function in many ways takes on the characteristics of a regional entrepôt, the city’s rapid growth boom elicits the term “shock city”. The term was first used by the English historian Asa Briggs in 1963 in reference to a city undergoing rapid economic and socio-cultural changes in response to brisk population growth. In Victorian Cities, he writes:
if Chicago was the ‘shock city’ of the 1890s, one of the British nineteenth century cities – Manchester – was the shock city of the 1840s, attracting visitors from all countries, forcing to the surface what seemed to be intractable problems of society and government, and generating as great a variety of options as Chicago did later or Los Angeles did in the 1930s or 1940s. Every age has its shock city. (p. 56)

Briggs wrote with specific reference to Victorian England. During the Victorian era, British cities such as Leeds, Manchester, and Birmingham, as well as cities in the British Empire such as Melbourne, had experienced unprecedented growth brought about by industrialization. In a more contemporary context, shock cities are those which embody all of the attributes of capitalist expansion through rapid, uneven growth. Examples include Las Vegas – whose metropolitan population grew from 16,000 in 1940 to roughly two million today – largely due to its expanding entertainment industry and Dubai, where expansion in producer services, real estate, and tourism sectors has triggered massive urban growth: from a population of less than 60,000 in 1968 to over two million today.

Though entrepôt, shock city, and other labels are useful in describing specific processes and phenomena, I advance the term relational city with specific regard to Panama City and others like it. The concept of the relational city is fundamentally predicated on describing a city that mediates flows. In the modern22 capitalist world-system, flows are disparate in form and function, and range from physical flows of goods and people to invisible, metaphysical flows of knowledge or information. These flows are mediated by networks and articulated by actors within those networks.

22 Unless capitalized or in quotation marks, I use the term modern here in the literal sense, without reference to particular historical periods or schools of thought.
To be explicit about what I mean by the term relational city, I offer the following definition: *a city that plays a primary role in the intermediation of global flows*. This orientation can be by design (i.e. state policy) or by accident (i.e. fortunate geography), but is generally a function of both. Intermediary roles are generally promoted by resource- or labor-poor states under a developmentalist framework, which favors economic growth as a means to achieve social development (Geertz, 1963; Rostow, 1960). Although there is much room for debate within this literature and developmentalism has been the source of much contestation (Escobar, 1995), developmentalist doctrines continue to guide both national and international development policies. Developmentalist traditions tend to be teleological, indicating a final “goal” of “development”, which has been interpreted as high level of consumption. Developmentalist governance comes in a variety of configurations, ranging from neoliberal (de-regulation and minimal government intervention) in the United States to autocratic (high degree of government intervention combined with policies promoting private investment) in numerous Gulf States to hybrid systems in China and elsewhere.

I have identified at least a dozen cities and city-states that fit the bill of relational city, and I suspect that many more would surface in a comprehensive survey of global cities. Among these are Middle Eastern cities mediating flows of petro-capital (Abu Dhabi, Doha, Manama, Kuwait, and Dubai); city-states with a large expatriate business elite (Mauritius and Singapore); and traditional offshore havens (Zurich, Monaco, and Gibraltar). Perhaps the most publicized example of all of these is Dubai. The emirate features a highly autocratic political system and the national development doctrine that favors capital-intensive technocratic projects with the potential to attract capital from
abroad. By all accounts, Dubai has literally risen up out of the desert, just as Panama’s skyscrapers have risen over the neighboring jungle. Though Dubai differs from Panama in several important respects (significantly, that it imports almost all of its labor from abroad), the idea I advance though the term relational city applies to the geo-economic functions and political frameworks of both. Moreover, the trajectory of the two cities has been remarkably analogous, as both have experienced rampant construction in the recent past. After laying out my case for Panama City in the following six chapters, I reorient my attention back to solidifying these comparative cases in Chapter IX, drawing on examples from Dubai and three other relational cities from around the world. Just as Nijman (2007) compares Miami to Amsterdam, Hong Kong, Shanghai, and Dublin, through “deep analogies”, I make a similar case for a comparison between Panama City and Dubai, Doha, Miami, and Johannesburg.

Conclusion

In this chapter, I have summarized some of the major thematic and methodological approaches within research on cities. After grounding the study of cities within the capitalist world-system, I have specifically focused on literatures within world/global cities research, concentrating on network-based and case-based approaches to framing urban processes and phenomena. Understanding how and why cities have been “globalized” by the capitalist world-system is the key focus, and this is the point of departure for my research.

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Technically speaking, Dubai is an emirate within the UAE, but because of the confederalational governance structure, each emirate has a highly autonomous political and economic system.
Panama City not only provides a robust case in and of itself, but also addresses some of the lacunae in the world/global cities literature. First, there is a substantial deficit of literature considering global city formation in the global South. As I have shown, studies tend to focus overwhelmingly on the industrialized global North, with particular focus on “traditional” global cities such as New York and London. My objective in this respect is to bolster perspectives advocating a greater focus on the global South or those which offer multiple pathways to global city formation.

Second, there has been no comprehensive study of how Panama City falls into the global urban system. Though a few Panamanian scholars have elaborated how the city took its current form (Sandoya, 2009; Uribe, 1989), little to no work has been done on how Panama falls within a broader context of urban development or how processes affecting change in Panama City can be scaled upward to global perspectives on urbanization. My goal is to put Panama “on the map” of global cities and to situate Panama within a global, urban system. In many ways, it could be argued that Panama City is more global than many of the “traditional” global cities, insofar as Panama’s raison d’être is to provide a conduit for global flows and that the de facto business language in the Panama City is in many cases English.

Third, and perhaps most significantly, there is a paucity of well-situated case studies connecting cities through broader themes. As Nijman writes:

There are a fair number of examples of world city studies that set out to employ the case-oriented comparative method, but many do so rather poorly from a conceptual point of view. For example, many edited volumes on world cities or global cities or “mega” cities
are, in fact, loosely connected descriptions of single case studies that have little more in common than their size or, once again, continental location. (Nijman, 2007, p. 93)

I seek to show not only why Panama is significant as a global city, but also to draw theoretical parallels between the city and others like it. As such, I will argue that the concept of the relational city can serve as a valuable tool for situating Panama in a global context. In demonstrating that several other nascent global cities can be classified as relational cities, I hope to suggest a theoretical framework for understanding the dimensions of how and why cities are “global”.

In the following chapter, I provide a detailed overview of which methods I used to conduct my research and why I chose them. My study applied a case-based approach, similar to many of works cited in this chapter. I chose this approach due to the methodological antecedents that inspired my research. Just as others have investigated the processes driving growth impulses in Dubai, Shanghai, and Singapore, I have investigated Panama City as a specific case, focusing on creating a comparative framework rather than merely a descriptive approach.
Chapter III: Methods

Introduction

A unique research question merits unique research methods. In this study, I have applied a *sui generis* mixed-methods case study approach to investigating the phenomenon of rapid urban growth within the framework of world/global cities research. Research in Human Geography has been increasingly oriented toward mixed-methods approaches, as place-specific concerns are often difficult to address through purely quantitative methods (Cope & Elwood, 2009; Elwood, 2009; Rocheleau, 1995). While stand-alone methods have their advantages, a combination of two or more methods is in many cases the most appropriate way to investigate complex, multifaceted questions and phenomena.

Johnson and Onwuegbuzie define mixed-methods research as “the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study” (2004, p. 17). Mixed-methods investigations have gained popularity in the past decade, as social scientists are wary of relying exclusively on a single method that may overlook particular scale-related factors. Mixed-methods investigations bring together what Sayer (1992) labels intensive (small sample) and extensive (large sample) methods, which is analogous to the case-based vs. network-based divide within the world/global cities literature. By studying the growth process in Panama City as a discrete process and by situating it within other paradigms of urbanization, I have drawn together two complementary scales.
As Creswell notes, “entire books now exist about procedures for conducting mixed methods studies – similar books were not available a decade ago” (2003, p. 208). These books (Brewer & Hunter, 2006 [1989]; J. C. Greene, 2007; J. C. Greene & Caracelli, 1997) focus on drawing the researcher’s attention to the potential deficits of a single-method approach and highlighting how quantitative and qualitative methods can be synergistic and complementary. In a comprehensive review of fieldwork from articles in *The Geographical Review* over the past 100 years, DeLyser and Karolczyk (2010) find that the majority of authors since 2000 that mention fieldwork applied two or more methods, and in many cases quantitative evidence such as remote sensing or sampling was mixed with qualitative methods. They also point out that fieldwork has increased overall since 2000, and that an increasing number of authors grounded their work in informal interviews, participant observation, and oral history. In a special-edition double issue of *The Geographical Review* in 2001, for example, contributing authors chronicle an astounding number of methods involving fieldwork, including archival fieldwork (Harris, 2001), participant observation (Dowler, 2001), and oral histories (Perramond, 2001).

Specifically, I applied a strategy that Creswell (2003) refers to as *concurrent triangulation*, which “generally uses separate quantitative and qualitative methods as a means to offset the weaknesses inherent within one method and the strengths of the other method” (2003, p. 217). Campbell and Fiske (1959) are widely credited with having popularized triangulation as means by which to cross-validate findings. No single research method would have been adequate by itself and as such I had to use a unique combination of approaches that were both theoretically grounded and
methodologically justifiable. Just as past studies have, for example, integrated landscape mapping with ethnography (Zimmerer, 1999) or census data with interviews (Pooley & Turnbull, 1996), I have utilized a diverse variety of techniques that qualify as both intensive and extensive.

Within this case study, I applied four different methods. The first of these was an urban growth analysis based on historical aerial imagery. The purpose of this was to trace the city’s physical expansion over time. Over the course of the last 100 years, the metropolitan area has grown from a small settlement of just a few km$^2$ to its current extent of over 300 km$^2$. This method allowed me to analyze the city’s morphology using primary data (historical aerial images), in order to understand both the spatial and temporal dimensions of urban expansion. The second method takes a similar visual approach to exploring historical change in the built environment, but applies vastly different techniques. In this stage, I used cadastral land records from Panama’s public registry to investigate the reformulation of the city’s waterfront. I narrowed my sample to three specific zones that have undergone rapid change in the past 10 years. Within my three sample areas, I aggregated and analyzed all of the transfers and mortgages that had been recorded in the public registry between 1990 and 2010. The purpose of this was to draw specific conclusions about the nature of land tenure and property speculation in the districts with some of the most concentrated land development. Accordingly, I used parcel level data, which revealed the actions of individuals (often acting through corporations) on the city’s property market; when aggregated, these records showed broader trends in how the city was transformed through speculation and land use cycles. Third, I conducted a series of semi-structured interviews with a
variety of people involved in Panama’s development process. These served mostly to edify my argument with tacit knowledge otherwise lacking in public records. Interview data was valuable in filling “between the lines” of the numerical data, as well as providing urban histories that are surprisingly absent in Panama. Fourth and finally, I drew data from public archives and other supplementary data sources—these formed an important component of my analysis in that they provided a great deal of background context on Panama City and Panama more generally.

The combination of these four research methods serves to provide a holistic answer to a multifaceted question. Each method targets one or more of the foci of my research question, providing answers to both how and why rapid growth occurred in Panama City and how global forces have been responsible for shaping it. Table 3.1 details which methods were used to address which of these respective questions.

### Methods

<table>
<thead>
<tr>
<th>Questions</th>
<th>Growth Modeling</th>
<th>Cadastral Analysis</th>
<th>Interviews</th>
<th>Archival/Supplementary</th>
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<td>YES</td>
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<tr>
<td>Why did rapid growth occur?</td>
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<td>YES</td>
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<tr>
<td>How has Panama City been shaped by global forces?</td>
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<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
</tbody>
</table>

*Table 3.1: Applicability of mixed-methods approach to research question*

Using this combination of research methods and data sources, I am able to address multiple dimensions of the same research question, which is fundamentally multifaceted and complex.
All of the data were gathered and analyzed between January and October of 2010. In order to obtain a robust set of recent data, I spent this period in the field in Panama City. Many of the data were obtained from public sources, such as libraries, archives, and databases. Some of the data, particularly the aerial imagery and the interviews, were obtained with the help and cooperation of local scholars. In the following sections, I elaborate each of my four methods in greater detail, explaining how the data were obtained and my rationale for applying each method.

**Outward Growth Analysis**

The first component of my research was a spatio-temporal analysis of the outward expansion of Panama City. This component draws its inspiration from the urban morphology tradition within Geography, which is primarily concerned with the growth of the city as a human habitat. As Moudon defines it, urban morphologists “analyse a city’s evolution from its formative years to its subsequent transformations, identifying and dissecting its various components” (1997, p. 3). Early urban morphologists such as Conzen (1960), Whitehand (1967), and Park, Burgess, and McKenzie (1925) applied mostly descriptive methods to trace the historical development of settlements. These early studies in urban form traced change through socio-economic processes, detailed to individual parcels of land (Conzen, 2009). Though many of these studies had visual components, methods were limited by technological constraints in a pre-GIS period.

As methods became more sophisticated with the advent of GIS, urban morphology shifted to more quantitative visual analyses relying on aerial, and later,
Much of the more recent work on urban morphology relies on multispectral Landsat imagery that can be automatically interpreted (Bell, Acevedo, & Buchanan, 1995). The application of these methods has considerable advantages; large data sets can be rapidly interpreted, and Land Use/Land Cover (LULC) patterns can be classified according to standardized canons (Anderson, Hardy, Roach, & Witmer, 1976). However, while automatic interpretation methods are perhaps appropriate for morphological analyses incorporating multispectral satellite imagery, historical analyses are often best carried out manually due to the unavailability of satellite imagery before the 1980s. Furthermore, an overreliance on automated methods can lead to false conclusions about growth and/or has the potential to overlook important historical factors. In this component of my research, I have brought together two traditions in urban morphology – descriptive and visual – as a means by which to trace Panama City’s outward expansion over time. Moudon (1997) lists the three fundamental elements of morphological analysis as form, resolution, and time. My analysis focuses on all three, as I trace the temporal trajectory (time) of the Panama City metropolitan area (resolution) by tracking the expansion of the urbanized area (form).

This is the first step of my analysis insofar as it must first be established that Panama City did experience substantial growth before any sort of meaningful explanations or global connections can be drawn. This morphological analysis was based principally upon large sets of historical aerial imagery of the metropolitan area. In some cases, sets of imagery were complete and covered the entire metropolitan area;
in others, significant portions were missing. Table 3.2 details the completeness of coverage for each of the available years:

<table>
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</thead>
<tbody>
<tr>
<td>Quality</td>
<td>poor</td>
<td>poor</td>
<td>poor</td>
<td>fair</td>
<td>fair</td>
<td>fair</td>
<td>good</td>
<td>good</td>
<td>fair</td>
<td>good</td>
</tr>
</tbody>
</table>

Table 3.2: Coverage of available aerial imagery of Panama City

Given that there were a fair number of gaps in coverage, there were some areas for which data was lacking in certain years. This is a peril of any study involving historical data. Gaps in coverage were addressed by manual interpolation techniques or by deriving data from corresponding historical maps and slides.

The process of modeling outward urban growth in Panama City consisted of four stages. The first of these was data collection. Aerial imagery was obtained from the Panama Canal Authority library archives, the Tommy Guardia national cartographic institute archives, and from the personal collection of Álvaro Uribe, a prominent Panamanian urban scholar. Though the earliest aerial imagery is from 1947, I was able to obtain maps dating back to 1911 and thus analyze growth over a 100-year period. However, due to large inconsistencies in some of the earlier data sets, I decided to begin a more thorough visual analysis beginning in 1970. In order to georeference the imagery, I obtained a variety of shapefiles representing road networks, political boundaries, hydrology, and data points of various types (e.g. airports, urban centers) in order to ground-truth with maximum accuracy. These were obtained from various sources, including the Panamanian census bureau within the comptroller’s office, the national land administration, and from academic colleagues.
In stage two, I scanned and mosaicked several hundred aerial images, maps, and slides. The data were scanned and imported to ArcGIS 9.3 as jpeg files. Files were georeferenced and orthocorrected over a base layer of roadways and hydrographic features. The images from each set were tiled together to form a “mosaic” of the metropolitan area. Figure 3.1 depicts the mosaics in ArcGIS© 9.3. Each of the rectangular tiles represents one aerial image that has been scanned in and added to ArcGIS as a jpeg image, and the red layer superimposed upon the tiles represents the city’s road network.

Stage three consisted of creating a set of polygons that represent the extent of Panama City’s built-up area during each successive decade. However, the distinction between urban and non-urban was not immediately apparent. There were many cases in which urbanization was non-contiguous, or where contiguous areas were very
sparsely settled. Thus, defining what to include or not include as “urbanized” area was subject to my discretion and it was necessary to establish a set of guidelines so as to maintain consistency. Table 3.3 details the classification scheme that I applied to distinguish urban from non-urban land.

<table>
<thead>
<tr>
<th>Urban Land</th>
<th>Non-Urban Land</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Contiguous areas of non-agricultural human land uses</td>
<td>1. “Natural” land uses (i.e. mangroves, forest, water)</td>
</tr>
<tr>
<td>2. Non-contiguous areas of dense human uses within 2010 metropolitan boundary</td>
<td>2. Agricultural land uses</td>
</tr>
<tr>
<td>3. Principal roadways within 2010 metropolitan boundary</td>
<td>3. Non-contiguous settlements that were beyond 2010 metropolitan boundary</td>
</tr>
<tr>
<td>4. Military/industrial lands</td>
<td>4. “Open” land uses (i.e. vacant fields) that were at least one city block in size (based on size of adjacent blocks)</td>
</tr>
<tr>
<td>5. New urbanization where a street grid was in place</td>
<td></td>
</tr>
<tr>
<td>6. Urban parks, if surrounded on four sides by urban land</td>
<td></td>
</tr>
</tbody>
</table>

Table 3.3: Classification Rubric for Urban and Non-Urban Land Uses

Given the range of quality in the source materials (i.e. incorporating low resolution and high resolution data), urban areas were classified as accurately as possible. Areas of ambiguity (due to poor coverage or resolution) were cross referenced against other sources including imagery from other sets, and verified by Álvaro Uribe, a Panamanian urban planning expert. For the purpose of reducing the amount of data in my analysis, I
clustered the mosaics by decade and created one polygon for each. Polygons were created for 2010, 2000, 1990, 1980, 1970, 1960, 1940, and 1910. The logic behind this was to center each cluster of data around the decennial census, so that population figures could be linked to the polygons.

The fourth and final stage consisted of analyzing and interpreting the data. The data ultimately yielded two vehicles of analysis. First, I created a series of maps tracing outward growth. This series provides a temporal visualization of how urban growth sprawled outward in Panama City over 100 years, from a small historic core of 30,000 to a sprawling metropolis of 1.7 million. My data indicates that the metropolitan area has grown to over 300 km\(^2\) in extent, characterized by growth along three main axes: westward along the Inter-American Highway, eastward toward (and beyond) Tocumen International Airport, and northward along the Trans-isthmian Highway. Second, the data reveal more nuanced information about the nature of urban growth in Panama City. A critical component of my argument is that urbanization occurred along formalized, economic channels, in contrast to the informal nature of much of Latin America’s urbanization. I have chosen two specific areas on the city’s urban fringe as examples of how the informal urbanization process was “controlled” by the state and economic interests.

The data revealed by this urban growth analysis form a valuable empirical backbone to the study. It is only after showing how the city has transformed over time that one can even begin to postulate why the city grew or what forces were responsible for that growth. The model shows a clear general pattern of outward growth over time.
and a closer examination of the specific patterns in the landscape provides a good starting point for investigating the processes that shape land use and growth over time.

**Cadastral Analysis**

The cadastral analysis component of this study also draws theoretical and methodological inspiration from scholarship in urban morphology (Koster, 1998; Muratori, 1959). While the outward growth analysis was performed primarily at the metropolitan scale (though some data were analyzed at the neighborhood scale), the cadastral analysis was carried out using data at the individual parcel scale. These data were then up-scaled to the neighborhood scale as they were aggregated to yield particular metrics relating to property speculation and re-valuation. My analysis draws upon parcel-scale data from public land records in order to examine the process of urban growth at a neighborhood scale. In contrast to the outward growth analysis, which focuses on tracing new development, the cadastral analysis focuses on older neighborhoods that have experienced change through a transformation of the built environment. I concentrate specifically on three neighborhoods – the Casco Viejo, Avenida Balboa, and Punta Paitilla – that have experienced concentrated investment as evidenced by vast amounts of speculation and construction. Each of these neighborhoods has very distinct qualities, yet all share the attribute that they are sites of intense urban transformations. The Casco Viejo – the city’s old quarter – is the original Spanish city, which is undergoing a wholesale gentrification as expatriates and affluent locals transform the neighborhood’s colonial-era buildings into luxury.

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24 Technically, the Casco Viejo is the 2nd Spanish settlement, as the original settlement – today referred to as Panama Viejo (Old Panama) – was destroyed by pirates in 1671.
condominiums, art galleries, and other amenities that showcase its “historic” charm. A kilometer or so to the northeast, Avenida Balboa is the city’s bayside esplanade where for the past 10 years, construction crews have been busy lining the urban waterfront with a row of concrete and glass high-rise towers beside La Exposición, a working-class district situated a block back from the bay. Moving up the coastline to the rocky peninsula known as Punta Paitilla, a high-density enclave of residential towers dominates the city skyline. My analysis focuses specifically on these three neighborhoods as sites of transformation, and as exemplars of the urban growth occurring in Panama City more broadly.

The primary objective of the cadastral analysis was to analyze the spatial, economic, and temporal dimensions of the reformulation of Panama City’s waterfront areas. This was accomplished by gathering data from a set of 468 land parcels in these three waterfront neighborhoods, each with unique physiographical characteristics. While taking a standardized sample size from each would have been ideal, the uniqueness of the individual neighborhoods precluded me from doing so. In Punta Paitilla, I took a sample of 198 parcels from 11 adjacent blocks. This sample includes every parcel in the district, as I defined it. Using Punta Paitilla as a baseline, my intention was to take a similar sample size from the two other districts. In Avenida Balboa, I took 184 samples from 14 adjacent blocks. I concentrated on the western end of Avenida Balboa, which was approximately halfway between Punta Paitilla and the Casco Viejo, where much of the real estate activity since 2000 had taken place. Given that my samples were based of the reformulation of the waterfront, I took samples in each district that were up to, but no more than, two blocks from the bay. While
obtaining a fairly standard sample size in Punta Paitilla and Avenida Balboa was relatively straightforward, doing so in the Casco Viejo proved more difficult for a variety of reasons, where I was only able to include 86 parcels from a total of eight non-adjacent blocks. This smaller sample size is attributable to several factors. First, parcels in the Casco Viejo are quite uneven in size and dimension. Some parcels were as small as 43 m$^2$, while others as large as 1427 m$^2$. Also, while many are rectangular parcels (like those in Avenida Balboa and Punta Paitilla), others are oddly shaped slivers between larger plots, or L-shaped parcels wrapping around corner lots. Second, there are a finite number of blocks in the Casco Viejo for which sampling was viable. Given that my intention was to analyze all the plots on particular blocks, I included all of the parcels on the eight blocks that I judged to be representative of the gentrification taking place. Third, given the “historic” character of the Casco Viejo, there were more micro-geographic considerations at hand when determining the sample area. Gentrification is limited to a specific few blocks, and I wanted to ensure that the sample was not diluted with non-gentrified areas. Although this selection process is inconsistent with standard sampling procedures, I emphasize that my sample was not intended to be random, but rather directed to areas that I determined to be areas undergoing rapid transformation.

After isolating the three specific areas, parcel numbers\(^{25}\) were transcribed to a spreadsheet from large, paper maps available at the national cadastral office. In the next stage of analysis, I documented every recorded property transaction for each of the

\(^{25}\) Parcels are called \textit{finca}s in Spanish, which literally translates as “farms”.

58
468 properties over the past 20 years using data from the Panamanian public registry. To be clear, the transactions were linked to the parcel, not the building. In the Casco Viejo, long built up, the parcel and the building footprint were often the same, but in Avenida Balboa and Punta Paitilla, parcels ranged from completely vacant to fully occupied by a building footprint. I created a spreadsheet with a total of 2267 property transactions, including mortgages, transfers, and several others. For each transaction, I also recorded the date, the amount (if money changed hands on record), the location, whether the transaction was full or partial (often only a portion of a property is sold), and whether the acquiring entity was a corporation or a person. Figure 3.2 is an example of one transaction record.

Figure 3.2: Example of a Property Transaction Record from the Panamanian Public Registry

Panama has a particularly well-organized and data-friendly public registry in comparison to other ministries and data sources in the country. The reason behind this is that ships, which register in Panama as a “flag of convenience”, are listed on the public registry and strong data organization adds transparency to the registry process.
In this particular example, the two red ovals highlight the amount of the mortgage – $2,535,937.43 – and the value of the property – $70,000 – respectively. I knew that this was a mortgage and not a transfer or other type of transaction by the word hipoteca at the top of the page, and I can see that it was purchased by a corporation (as opposed to a person) by the letters S.A. after the buyer’s name (green ovals). This is a particularly good example of a case in which the value of the property was greatly underreported for taxation purposes.

After a comprehensive database was created, data were summarized by parcel using Microsoft Excel. The data were spatially joined to representative polygons at the district scale in ArcGIS 9.3, and projected in a series of maps to visualize patterns of investment in the three neighborhoods. My analysis focuses on summary tables created using Excel and a visual analysis of investment along the waterfront using the maps formed by these data. A total of 11 spatial, temporal, and economic attributes were analyzed, which I discuss in greater detail in chapter VI.

**Interviews**

In order to elicit much of the information that opaque statistics do not reveal, this study was bolstered by a series of semi-structured interviews. I conducted a total of 15 formal interviews with a total of 17 participants and no fewer than 15 informal interviews.\(^27\) Interviewees came from a diverse cross-section of industries, including politics, business administration, academia, finance, consulting, property development, and academics regarding the rapid urban growth that has taken place and the global connections that Panama has.

\(^{27}\) The main difference between a formal interview and an informal interview was whether or not they were presented an IRB form to sign. In addition, I have had ample conversations with Panamanian developers and academics regarding the rapid urban growth that has taken place and the global connections that Panama has.
and institutional administration. Due to how I structured my interviewee waivers for the institutional review board (IRB) approval process, I am not free to reveal the identities of the interview subjects and cannot be more specific with the organizations or companies my subjects represented. Much of the information that I gathered from interviews was provided to me in confidence, under the implicit guarantee that I would use the information for academic purposes only. Thus, it was necessary to protect the identities of interviewees so as to elicit candid information that might not otherwise be available “on the record”. Interviewees were chosen based on the various facets of urban development that I wanted to investigate: the reversion of the Panama Canal and the Canal Zone; the gentrification of the Casco Viejo; the residential construction boom; Panama’s service economy; Panama City’s history; and special industries such as banking and finance. My goal was to interview at least three experts in each of these six areas, which – including those who were knowledgeable in more than one area – was ultimately accomplished.

The primary purpose of the interviews was to understand the dynamics of Panama City’s rapid transformation from the perspective or those in the “development” industry. Actors from diverse professional backgrounds were extremely helpful in lending their perspectives on development in Panama City. Many of the nuances of urban development – tax laws (benefits/loopholes), supply and demand dynamics, organizational processes – were candidly revealed to me in these interviews, adding substance to the mostly numerical and spatial data that I had drawn from other sources. This method draws upon an increasingly common practice of triangulating other types of data with tacit information drawn from interviews (Briggs de Souza, 2008; Nijman, 2008)
Interviews were generally held in interviewee’s offices, though occasionally in restaurants, coffee shops or other “neutral” spaces. Most lasted approximately 1.5 hours, though some were up to 3 hours long. Interviews were conducted in both Spanish and English, based on the preference of the interviewee. Subjects were chosen based on their professional backgrounds and their perceived knowledge of the topic of urban growth and development. The interview format follows what Schoenberger refers to as the “corporate interview” (1991), a method applied by numerous scholars in Economic Geography (Glasmeier, 1988; Scott, 1988). Schoenberger notes the richness of detail and historical complexity that this technique elicits, which is strongly complementary to other techniques. Interview subjects were informed of their rights as a participant, as per IRB requirements, and each formally interviewed subject signed an informed consent waiver. Each interview consisted of 5-6 pre-written questions and a final open-ended “anything to add?” question. Information was hand-recorded and interview forms were filed away in a locked room for security.

Given the relatively few histories of urban growth in Panama City (Riba, 2008; Sandoya, 2009; Uribe, 1989), interview data provided an invaluable oral history to guide my research.

Archival and Supplementary Data Sources

The fourth category of data that I apply to this study comes from archival and supplementary sources. The principal distinction that I make between archival and supplementary sources is that the former are historical sources while the latter are current or at least recent data sources. I have combined multiple sources of data –
books, magazines, unpublished articles, census data, statistical publications, data sheets, flyers, websites, pamphlets, exhibits, conference notes, and newspapers – into one category as a matter of organizational structure rather than methodology. However, as Harris contends, archival research “cannot be contained within a single methodology” (2001, p. 330). Many of these sources that I have drawn upon have in fact little to do with each other, besides falling outside of my core three methods.

Archival data came primarily from the Panama Canal Authority (ACP) library and the Simón Bolívar library at the University of Panama. From these sources, I was able to peruse hundreds of documents and photocopy those which were applicable to my study as background information or circumstantial evidence. I use a large number of these supplementary sources in chapter IV, which provides geographic, socio-economic, political, and historical background on Panama City and the country more generally. Supplementary data came from a variety of public and private sources. Information on Panama’s legal framework came from pamphlets from the Ministry of Housing (MIVI), the Ministry of Public Works (MOP), PowerPoint presentations given to me by other scholars, and various informational websites. Data on commerce and shipping came from Colon Free Zone (ZLC) publications and the census/statistical bureau (INEC). Data on buildings and construction came from promotional materials of a number of developers, contractors, and promoters, as well as from publications by the Panamanian Chamber of Construction (CAPAC), INEC, and MIVI.
One particularly useful supplementary data set was compiled into a spreadsheet with all of Panama City’s high-rise buildings.\footnote{The precise number of high-rises is unknown, as each data source listed a different number and the amount of current construction makes it difficult to get an accurate pulse on the number of buildings. There are approximately 300 completed high-rise buildings, most of which were built in the past 15 years.} This was valuable in understanding the scope of the recent high-rise boom; a total of 617 high-rise (10+ stories) buildings were identified as either “finished”, “under construction”, or “proposed”. Data came from various sources, including real estate agencies, websites, and promotional materials. Each of the records identified building attributes such as height, date of completion, number of stories, etc. In many cases, this information was not available or was inconsistent between two data sources. However, the list provides a solid dataset from which to begin an investigation of why the city grew so rapidly, as there are some clear temporal and spatial patterns that result from it. It is important to note that data on high-rise construction and data on land speculation are separate, as land may change hands several times before a large structure is erected on it.

**A Note on Fieldwork**

As stated, I collected all of the data in Panama between January and October of 2010. Physically being in Panama was critical to being able to execute this study and it would have been much less detail-rich had it been done remotely. My presence in Panama allowed me to collect the aerial images, interviews, archival data, and cadastral maps in person, and also allowed me to be immersed in Panamanian political culture while conducting the research.

My time in the field echoes an increasing trend in Geography and the social sciences. In their recent article, DeLyser and Karolczyk (2010) find that fieldwork has
been more prominent since 2000 than during other periods in geographic research. They note that fieldwork as has not only become more prominent as a method of investigation, but has come to be dominated by qualitative and mixed-methods approaches. Perhaps this reflects a trend across the social sciences, but this indeed confirms that the tradition of fieldwork in the discipline of Geography is alive and well. Despite the fact that fieldwork is expensive and cumbersome, it continues to be applied as a popular approach to gathering data that are often unobtainable remotely. Datasets obtained online or otherwise remotely are opaque to the researcher in the sense that there is no meaning behind figures and statistics. This opens up the propensity for misinterpretation of the data and/or broad conclusions that defy socio-historically specific contexts. Gaining a sense for the stories behind the figures was instrumental in helping me understand the urbanization process in Panama City. I did much of my data entry from a local coffee shop, where I would overhear bits and pieces of the conversations of entrepreneurs, real-estate brokers, and other agents and actors in the urbanization process. Some of my most enlightening moments were spent sitting in gridlocked traffic in stifling heat, or just after narrowly avoiding stepping into an uncovered, meter-deep storm drain. I was able to see with my own eyes not only on-the-ground realities of “development” in Panama City, but also the deep contradictions that underlie the glossy veneer of travel brochures, business reviews, and magazine articles touting Panama City as the next Singapore. Over the course of my time in Panama, the same city that is widely advertised to have “first world infrastructure” was repeatedly plagued by power outages, drinking water shortages (ironically, due to too much rainfall), or paralyzing flooding along major avenues.
Another major advantage to fieldwork is that datasets collected or analyzed remotely are finite and there is no room for changes in methods and no opportunity to gather more data. Although the research question has not wavered throughout the study period, I had to be adaptive to local conditions, particularly to the amount and type of data publically available. Ultimately, everything went according to the original research plan as outlined in my proposal, but being able to gather data locally and understand local conditions was an added benefit of being in the field.

Conclusion

Given the broad scope of my analysis, I have applied a mixed-methods approach to this case study. Among these are a GIS-based peri-urban growth analysis, a land speculation analysis using cadastral data, a series of interviews, and a plethora of archival and supplementary sources. The methods used in this study are diverse and may appear eclectic at first glance. However, each addresses my multifaceted research question from a unique dimension. Together, they provide a holistic perspective on urban growth in Panama City and its respective international dimensions.

Though my analysis incorporates a fair amount of statistical data and a numerically-heavy GIS analysis, the study would be largely considered a mixed-methods qualitative study. Such techniques are increasingly common in geography and the social sciences, and as DeLyser et al. contend,

today, with a strong tradition of methodologically sophisticated qualitative geography and with the battles of the qualitative- quantitative divide now mostly behind us, qualitative geographers pursue work not only from our own methodological groundings, but reach out also to incorporate quantitative work in mixed-methods research (2009, p. 8)
The combination of methods within the case study tradition assures that the “hard” data from the cadastral and urban growth analyses are pieced together with information from interviews and ancillary sources. In the next chapter, I delve into Panama City as a case study in greater depth both to justify why it was chosen as a study site, and also to provide the reader with a better understanding of the city’s geographical, political, and socioeconomic context.
Chapter IV: Panama City in Context

“Panama, which has embarked on a $5.25 billion scheme to expand its canal, has a chance of becoming a Singapore-style entrepot for Latin America”

-- The Economist, p. 10, September 11th, 2010

Introduction

In order to better understand how and why Panama City grew, and how that growth is attributable to exogenous influence, it is necessary to understand the city’s geographic, historical, and socio-economic context. Accordingly, this chapter serves two main purposes. First, my intention is to offer a contextual understanding of Panama City and the country as a whole. Though more descriptive rather than analytical in nature, it is critical to understand the processes that have transformed Panama as a country in order to understand the nature of rapid growth and international linkages in its capital city. Second, and perhaps more importantly, this chapter serves to justify why I chose Panama City as the site of this study. Panama’s geographical, historical, and economic uniqueness converge to form a site of intense dynamism. Without a solid understanding of Panama City in a national and regional context, it would be quite difficult to fully understand the significance of this study.

Five sections each add a different facet to the contextual framework. I first discuss the geography of Panama, with specific regard to the capital city’s setting within the country. Next, a brief history of Panama focuses primarily on the nation’s political history and the role of the United States, two elements which were paramount in
shaping Panama City’s growth. The third section treats the Panama Canal, without which neither the city nor the country would exist in its current form. The fourth and fifth sections deal with the economy of Panama, beginning with a general overview and then transitioning to a more specific focus on Panama’s service-oriented agglomeration. I have identified six components to this agglomeration economy, and I elaborate upon each in some detail.

**Panama’s Geography**

Lying on a narrow isthmus between North and South America, the fate of Panama is and always has been determined by its geographic role as a point of convergence. In pre-Columbian times, the isthmus provided a critical point of transit for migrants passing from North America to South America. Since the 16th century, it has served as a connection between the earth’s two great oceans. The isthmus provides an interoceanic route between the East and West coasts of North America that is approximately 13,000 kilometers shorter than a voyage around Cape Horn.

Panama is a Central American country of 3.3 million inhabitants.29 The country lies to the east of Costa Rica and to the west of Colombia (see figure 4.1) on a 1000 kilometer-long S-shaped isthmus. To the north of the isthmus is the Caribbean Sea, while the Pacific Ocean lies to the country’s south. The country is 78,200 square kilometers, similar in size to the U.S. state of South Carolina. Panama lies along an east-west axis, defined by a central *cordillera* (mountain range) and small coastal plains, which provide the bulk of the country’s arable land.

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29 These data refer to the preliminary results of Census 2010. Updates since my original draft have put the number at 3.5 million due to an alleged sampling/counting error.
Due to its equatorial location, Panama enjoys a year-round warm climate characterized by a dry “summer” and a wet “winter”. Summer is defined as the period between December and April, while long winter is the rest of the year. As a result of the country’s latitudinal position, it falls completely within the “A” climate category under the Köppen-Geiger classification system. Panama receives warm, moist northeasterly trade winds for the majority of the year, ensuring that the northern (Caribbean) coast receives more rainfall than the southern (Pacific) coast.

Panama has a unitary political system, and nearly all government functions are administered through the various ministries in Panama City. The president is both the head of government and the head of state, and is elected by popular vote every five years. The National Assembly is the government’s legislative arm, whose 71 members are also elected to concurrent five-year terms. Perhaps because the United States...
military was always at arm’s length 31, Panama has historically enjoyed great political stability and, unlike many other countries in the region, has been plagued by neither civil war nor repeated coups d’état. The one significant exception to this stability was three successive military dictatorships following the death of Omar Torrijos, 32 from 1981 to 1989. Most notably, the regime of General Manuel Noriega commandeered Panamanian politics from 1983 until his ousting in 1989. Noriega was forcibly removed in the American invasion codenamed Operation Just Cause on allegations of drug trafficking, money laundering, and threatening the neutrality of the Panama Canal. 33 After Noriega’s capture, the Panamanian Defense Force (i.e. the military) was dissolved, and Guillermo Endara became the country’s first democratically elected leader in 1989.

At a sub-national scale, the country is divided into nine provinces and five autonomous indigenous homelands called comarcas. Provinces are further subdivided into districts, and then into boroughs/townships called corregimientos. Approximately half of Panama’s population (1.66 million) lives in Panama province, which houses the capital city and the majority of the country’s economic activity. The majority of Panama’s population outside of Panama province lies along the Inter-American Highway, which connects the city with points west and to the border with Costa Rica. 34

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31 The National Assembly is only a few meters from the former Canal Zone boundary.
32 It is widely assumed that the CIA was responsible for Omar Torrijos’ untimely death in 1981.
33 The U.S.’s removal of Noriega came only after he balked at U.S. interests. A Los Angeles Times article from December 25, 1989 reads “Until recently, Gen. Manuel Noriega was an asset of the CIA, relied upon for assisting U.S. counterinsurgency operations in Central America. He has consistently been repressive and corrupt. Yet, only when he became a liability for U.S. policy in 1987 did the U.S. government turn against him.” (A. Gordon, 1989)
34 The Darien Gap, which represents a ~150 km break in the Inter-American Highway in the province east of Panama City, is the only part of the highway that is not complete between Alaska and Patagonia.
Due to the fact that Panama’s Railroad and Canal were largely built by migrant labor, Panama is home to a great deal of ethnic and religious diversity. The country enjoys a unique blend of Caribbean, Central America, South American, and North American influence. According to former president Barletta,

Geographically, Panama is part of Central America. Historically, it has been part of South America through the Andean nations. It received an influx of Caribbean culture at the time of the Canal construction. The Western, indigenous and Caribbean cultural traditions mix in this tropical land. U.S. traditions, present throughout the twentieth century, have likewise left an imprint. (2004, p. 1)

To attest to this diversity, Max Delvalle became Latin America’s first Jewish president in 1967\(^{35}\) and contemporary Panama is characterized by a blend of Indigenous\(^ {36}\), European, Asian, Afro-Caribbean, and American cultures. Recounting the migration that occurred during the canal construction era, Greene writes, “as many as 200,000 West Indians arrived on the isthmus…thousands of others arrived as well, including Americans, Italians, Greeks, Spaniards, Chinese, South Asians, Britons, Germans, Canadians, Colombians, Peruvians, and Costa Ricans” (2009, p. 309). Panama’s resulting cultural diversity has certainly been a factor in its historically international orientation.

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\(^{35}\) Though Delvalle was only president for a brief period in the midst of a political coup, his presidency is symbolic of the power that the Jewish population maintains in Panama.

\(^{36}\) In contrast to other countries in Central America, indigenous influence – though certainly significant – is not advanced as the dominant historical-political narrative. Panama’s national currency, as well as Panama City’s major seaside avenue, is named after the Spanish conquistador Balboa rather than indigenous heroes such as Urraca or Lempira (the Honduran national currency).
Panama’s History

Though there undoubtedly were pre-Columbian settlements in Panama, the isthmus’s population at the point of European contact in the early 16**th** century was sparse. The Spanish quickly realized the strategic importance of Panama as a conduit to the Pacific Coast of their empire, and Spain’s political imprint on the landscape grew quickly with the discovery of silver and gold in what is today Peru. From the Spanish colonial period to the present, Panama’s fortunes have risen and fallen with its importance as a trade route. The first Spanish trans-isthmian route spanned from the original city of Panama (the ruins of which are known today as “Old Panama”) across the isthmus to Nombre de Dios and Portobelo on the Caribbean Coast, which is the shortest distance between the two seas. However, the route proved both difficult and susceptible to attack, and the route was reoriented to Fort San Lorenzo to make use of the Chagres River as part of the route. After the original city of Panama was ransacked by Captain Henry Morgan in 1671, the new city was rebuilt several miles (the neighborhood known today as “Casco Viejo”, “Casco Antiguo”, or San Felipe) on a rocky peninsula that would be less vulnerable to future attack.\(^{37}\)

The overland trade route continued for nearly a century afterward, but waned in significance as the extent of Spain’s influence in the Western Hemisphere diminished. Eventually, New Granada (Colombia) gained independence from Spain in 1819. At the time, Panama was little more than a sparsely settled province of newly independent Colombia. Interest in “developing” the isthmus in any significant way was not renewed

\(^{37}\) It is rumored that when the city was rebuilt, the city's fortification was so elaborate and expensive that the king of Spain remarked that he better be able to see the wall all the way from Spain.
until 1848 in the wake of the California gold rush. Perhaps no historian is more qualified to comment on Panama’s history than McCullough. As he writes in *The Path Between the Seas*:

In the first half of the new world-shaking nineteenth century, Central America remained a backwater. No canals, no railroads were built. There was not a single wagon road anywhere across the entire Isthmus. But in January of 1848 a carpenter from New Jersey saw something shining at the bottom of a millrace at Coloma, California, and within a year Central America re-emerged from the shadows. Again, as in Spanish times, gold was the catalyst. (1977, p. 33)

In 1850, work commenced on a 47 mile-long trans-isthmian railroad, spanning from Colon[^38] (then Aspinwall) on the Caribbean side to Calidonia Bay (Panama City) on the Pacific side. The impetus for a shorter route to California pushed investors to finish the road despite the considerable budget overruns and construction delays, and it soon returned its investment through massive profits to shareholders in the United States.[^39] The project was backed in large part by William Aspinwall, who had the Pacific mail steamship franchise, and raised funds for the railroad, despite facing a slew of difficulties in the form of challenging terrain and infectious tropical diseases. Despite these setbacks, however, the railroad was completed in 1855, and its immediate success added to an increased consciousness about Panama’s hemispheric role in the American consciousness (Otis, 1862).

[^38]: Colón was founded in 1850 as Aspinwall on swampy Manzanillo Island as a company town for the railroad company. The city played an integral role in the country’s development as the Caribbean gateway Panama.

[^39]: Dividends on shares ranged between 15% and 44% per year, and at one point the Panama Railroad was the highest traded stock listed on the New York Stock Exchange. (McCullough, 1977)
This was the beginning of a long period of American influence, which did not diminish until the Torrijos-Carter Treaties of 1977. A railroad allowed for rapid passage over the isthmus, and laid the groundwork for successive attempts to build a canal, beginning toward the end of the 19th century.

The Panama Canal

Though the idea of building a canal in Panama can be traced back to at least the Spanish colonial period (McCullough, 1977, p. 31), the first serious attempt to complete an interoceanic route was staged in the 1880s. Although there had been a debate regarding whether to build the canal in Nicaragua or Panama, the former was ultimately discarded due to concerns of seismic activity.

From 1880-1889, the French Canal Company toiled in Panama under the leadership of Ferdinand de Lesseps to construct a sea-level canal across the isthmus. Having just commanded the construction of the Suez Canal, de Lesseps was commissioned to replicate his success. However, extremely different topographic and environmental conditions from Egypt portended the ultimate failure of the attempt. A rocky, mountainous terrain required vastly more material to be removed than had been the case in Egypt, and tropical conditions meant that mosquito-borne diseases such as yellow fever and malaria decimated the French workforce. Furthermore, poor management and insufficient financing added to the ultimate demise of the French effort.
In 1904, ground was broken on a U.S. attempt to build a canal across the isthmus. The American canal effort was better equipped to turn dream into reality for several important reasons. First, thanks to the work of Cuban doctor Carlos Finlay and the American Walter Reed, it had been confirmed that the infectious diseases from which the French effort suffered were mosquito-borne. The U.S. invested heavily in eliminating mosquitos in the area and built worker housing of much higher sanitary standards. Second, unlike the sea-level design attempted by the French, the American plan called for a system of dams and locks. The purpose of this design was to lift transiting ships up and over the continental divide by harnessing the power of Panama’s great water resources. This obviated the need to extract mountains-worth of soil, as the canal lanes would make use of an artificially flooded lake situated on top of the pre-existing terrain. Third, strong support from the U.S. government, due to the isthmus’ strategic military importance, meant that funding and political support for the project remained strong. Canal construction secured large contracts for American contractors. The most significant role was played by the General Electric Company, which produced roughly half of the Canal’s electrical apparatuses and nearly all of the motors, switches, and other devices necessary to operate the locks. Much of the steel equipment and machinery was procured from firms in and around Pittsburgh, and the lock gates were produced by Pennsylvania-based McClintic-Marshall, who would later go on to be acquired by Bethlehem Steel (McCullough, 1977).

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40 The French shifted to a design incorporating locks in 1886, several years after beginning the project.  
41 According to McCullough, the US spent a total of $352 million on the Panama Canal, of which $10 million was paid to Panama and $40 million was paid to the French company to buy back the Panama Railroad, which it had acquired to assist with its construction efforts. Including the French attempt, expenditures totaled $639 million, with an estimated death toll of over 25,000.
To assure the United States’ ability to maintain jurisdiction over the Canal, Panama’s declaration of independence from Colombia in 1903 was supported by the U.S. government. The proof of this was the Hay-Bunau-Varilla Treaty, signed just two weeks after Panama’s independence, which granted the U.S. the equivalent of sovereignty over the canal and the adjacent administrative zone in perpetuity. Despite its catalytic role in promulgating Panamanian independence, however, the treaty was signed on highly uneven terms. Neither (U.S. Secretary of State) John Hay nor (French diplomat) Philippe Bunau-Varilla were Panamanian, and Panama’s sole benefit from U.S. occupation was a $10 million payment, plus annual rent payments of $250,000. Thus, from virtually the time of independence until the Panama Canal handover in 1999, the Panamanian state was subject to the whims of U.S. foreign policy.

The Panama Canal was completed in 1914, two years ahead of schedule. The canal was administered by the U.S.’s Isthmian Canal Commission and defended from attack by no fewer than 14 U.S. military bases. The U.S. had de facto sovereignty over the Panama Canal Zone, a five-mile wide strip on both sides of the canal. The Canal Zone was created with several purposes in mind. First, it was to act as a protective buffer around the canal. Second, it served as the site of canal-related

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42 This was the original name of the administration. Over the course of the 20th century, it has been renamed the Panama Canal, the Panama Canal Company, The Panama Canal Commission, and the Autoridad del Canal de Panamá, the present-day Panamanian incarnation of the same entity.
43 The U.S. maintained 14 military bases and numerous other installations including housing, training, and special facilities sites. Of the bases, five were on the Caribbean side and nine were on the Pacific, including Forts Clayton and Kobbe, and Albrook and Howard Air Bases, which have played an integral role in Panama’s new economy since being reformulated in various ways (see Chapter VII) since the handover. The number of American personnel in Panama waxed and waned, but a New York Times article from 1988 (just before the ousting of Manuel Noriega) cites that there were 10,000 U.S. military personnel with 13,000 family members, and 1300 Canal employees with 2600 dependents present at the time. (M. R. Gordon, 1988)
44 Although most figures in this paper are in SI units (metric), I have enumerated the width of the Canal Zone in miles, as it was defined as a five-mile boundary.
operations, both civilian and military. Third, the strip ensured that a sizeable rainwater catchment area was kept intact, providing the canal with the necessary supply of water to continue to function as designed. Though in theory the Canal Zone was only nominally American, it was effectively an American colony operating within the republic, replete with schools, hospitals, shopping centers, and parallel infrastructure. It also had the effect of splitting the republic in two, as it was difficult for Panamanians to traverse the zone from the “interior” to Panama City and vice-versa. It was only with the Torrijos-Carter Treaties of 1977 that the process of reversion was begun, and that sovereignty and jurisdiction over the Canal and Canal Zone were eventually transferred to the Panamanian state. On December 31, 1999, the long process of reversion was completed, and Panama took complete control of its canal and its territory for the first time in history.

After the reversion, control over canal operations was taken over by the newly created Panama Canal Authority (ACP), which was the direct successor to the jointly run Panama Canal Commission, which commanded operation between 1979 and 1999. The ACP is an entity of the Panamanian government, administered independently by an 11-member board of directors. Created by law in 1997, the ACP resumed full Canal operations with the handover in 1999.

The canal today looks and functions almost exactly as it did when first built. A ship entering from the Caribbean side passes through the Gatun Locks, which elevates it to the level of Lake Gatun, 26 meters above sea level. It then sails through Lake Gatun and through the middle section of the Chagres river before passing through the
narrow Gaillard Cut. The ship is then lowered back down via the Pedro Miguel and Miraflores Locks on its way to the Pacific Ocean. Figure 4.2 provides a visualization of this from both a cartographic and elevation perspective.

When the canal was built, its main purpose was military strategy. With the transition to airborne rather than seaborne (naval) power, the canal’s military importance waned in the post WW-II era. To date, there have been three distinct phases in the significance of the canal. While the first was linked to military strategy, the second was to transport commercial vessels from between the Atlantic and the Pacific. Military vessels in 2009 accounted for only 61 of over 10,000 transits. In the third and most recent era, the primary function of the canal has been to take cargo across the isthmus. A $5 billion expansion project is currently underway to accommodate supersized cargo ships that are currently too large to fit in the 33.5-
meter-wide locks. In addition, modernized port facilities on both ends of the canal complement a newly refurbished railroad that transports containers across the isthmus. Both the canal expansion and the railroad accommodate post-Panamax vessels, which make up approximately 40% of the world’s commercial fleet capacity.

The cost of a transit is determined by tonnage and the type of cargo. The four most common types of vessels are bulk carriers, oil tankers, container ships, and auto transporters. The tolls are approximately $3-$4 per gross ton, or $50-$75 per container. This translates to tolls in the hundreds of thousands of dollars for large ships. This is significant insofar as it provides a substantial source of revenue for the Panamanian state, not even counting the canal-related activities that I elaborate upon later in this chapter. The canal had gross revenue of $1.96 billion in 2009, about $486 million of which was unilaterally transferred to the national treasury.

Panama’s Economy

Panama’s economic framework is both a cause and an effect of Panama’s intermediary economic role. The country benefits from this role, as the Canal and Canal-related industries led to an early specialization in services. By the same token, the country’s historic focus on services has meant that the Panamanian state has pursued projects and policies to bolster that niche. As such, Panama has been the site

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45 Post-Panamax ships are vessels that are too large to pass through the Panama Canal. Panamax is a term within the shipping industry for the largest vessel size able to transit the Panama Canal’s locks. The current locks can accommodate ships as large as 106’ wide and 965’ long, with a draught of 39.5’. The new set of locks will be considerably larger, accommodating vessels up to 160’ x 1200’ with a draught of up to 50’. Ships fitting within this dimension will be considered “New Panamax”, indicating a maximum capacity of approximately 12,500 standard shipping containers, compared to a previous maximum of 4500.
of foreign trade and investment and at the same time has actively been formulated to attract and capture foreign trade and investment.

With a Gross Domestic Product (GDP) per capita of $11,700 (CIA, 2010a), Panama is an upper-middle-income country and one of the wealthiest in Latin America. Panama’s economy is growing rapidly with a GDP growth rate of 11.5% and 9.2% in 2007 and 2008 respectively, making it one of the world’s fastest-growing.

GDP growth has remained consistently positive in Panama since 1997, despite the loss of many jobs linked to the American occupation in the Canal Zone and a more general economic downturn in Latin America between 2000 and 2002. Particularly since 2006, Panama has experienced levels of growth unprecedented not only in the country but in the region. Many Latin American economies are still burdened by a heavy focus on the export of commodities (Honduras, Ecuador), low value-added manufacturing (Mexico, El Salvador), or stifled by autocratic leaders (Venezuela, Bolivia). Part of Panama’s GDP growth was driven by the recent real estate boom in Panama City, but as I will show, real estate and construction are only a fraction of Panama’s overall economic composition, which includes a great deal of intermediary functions and services. Even in the wake of a global downturn, Panama exhibited positive growth – 2.5% – in 2009 proving that the investment fuelling Panama City’s rapid urban growth was not backed by a hollow subprime mortgage market, as was the case in the United States.

From 2006-2008, Panama’s economy grew more than any other country’s economy in the region (figure 4.3).
There are many theories circulating as to why Panama experienced such dynamic GDP growth between 2006 and 2008. Certainly a large contributor was Foreign Direct Investment (FDI) from neighboring countries such as Venezuela and Colombia, but a large boost to the economy has come from the recent canal expansion which, although ephemeral, will increase canal capacity and ultimately boost revenue from transits. Additionally, Panama’s headquartering law, passed in August of 2007, provides fiscal incentives for corporations to relocate to Panama; in chapter VIII, I provide an overview of this and other legislation that has fostered or propagated growth.
The primary driver of Panama’s economic dynamism is, and has historically been, growth in the tertiary and quaternary sectors. Agricultural has fallen from approximately a quarter of the national economy in the middle of the 20th century to about 5%. Rural-to-urban migration (Varela, 1998) led by an expanding service sector and the collapse of the banana industry (Snow, 2007) have been responsible for this trend. Though there were brief periods of urban-to-rural migration in response to the economic declines immediately after successive World Wars (Tollefson, 1987), the trend has been toward sustained, rural-to-urban migration since approximately the 1950s, leaving a scarcity of those engaging in agriculture. As the country became functionally integrated with the completion of a paved road between Panama City and the interior, rural livelihoods transitioned from subsistence farming to cash cropping, as wealthy Panamanian landowners acquired vast tracts of rural land (Rudolf, 1999). This created the effect of widespread rural-to-urban migration, which has characterized Panama ever since. As Rudolf, an anthropologist who has studied migration in Panama extensively, writes:

There were indirect links between the subsistence economy and that of the [Panama Canal] transit area in the years before World War II...this separation of urban and rural life began to change during World War II...As elsewhere in Latin America, rural-to-urban migration led to an urban population explosion (1999, pp. 23-24)

As rural livelihoods gave way to urban livelihoods, employment in Panama City was fuelled by growth in the service sector. Unlike many other Latin American countries that implemented and achieved limited success with state-led industrialization programs, the government abandoned almost all attempts at industry-led growth after flirting with
Import Substitution Industrialization (ISI) in the 1950s and 1960s. Panama’s secondary sector activity has been led by construction, particularly in recent years.

As figure 4.4 shows, 78% of economic activity takes place in the tertiary and quaternary sectors (as of 2006). This is not solely a matter of historical happenstance. As I explain in the next section of this chapter, the Panamanian state has focused its approach to economic development on international services, particularly in the post-1970 period (Rudolf, 1999).

The Panama Canal and canal-related services have always been a significant component of the country’s economy, and particularly since 1999, when jurisdiction was
fully transferred to the Panamanian government. During the years of American occupation in the Canal Zone, the Panamanian economy was bolstered by canal-industry jobs, but not affected directly by canal tolls. In what one might consider a stroke of good fortune, global maritime trade – particularly container traffic – began to rise precipitously in the years leading up to the transfer of the canal. In recent years strong demand for canal transits has enabled the ACP (Panama Canal Authority) to raise toll revenue to nearly $2 billion annually, almost 10% of Panama's entire economy. With a major canal expansion project currently underway\textsuperscript{46}, the ACP estimates that canal tolls will bring in more than $6 billion annually by 2025.

Though the success of Panama’s economy is linked to the utility of the canal itself, much of the country’s economy consists of canal-related services or complementary services promoted by state-led efforts to harness Panama’s unique intermediary position (figure 4.5).

\textsuperscript{46}The canal expansion project is expected to be finished between 2014 and 2015. When finished, it is estimated that canal tolls for large container ships will be as high as $1 million per transit.
One of the most pronounced trends indicated by figure 4.5 is a marked decline in agriculture (from 23% to 5%), beginning around 1960. Intermediary and professional services such as banking & insurance (2% to 9%); transport, warehousing, & communications (4% to 11%); and real estate (8% to 18%) have grown significantly over time and, along with other public and private services now dominate the economy.

Panama’s niche as an intermediary, or *relational*, economy stems in part from its historical role as a country of transit. Beginning with virtually the first point of human contact, Panama has been a link between places rather than an origin or a destination.
Just as the isthmus’s first arrivals used Panama to transit between the vast continents to the north and south, the country’s role since the 16th Century has been to link the great oceans to the east and the west. In what is perhaps a third and novel period in Panama’s history as an intermediary, the geographic linkages created by Panama as a site of transit have been focused on a more global purview. In order to visualize this orientation, I have drawn upon data from Expocomer 2010, which was a commercial exposition held in Panama City in March of 2010. Merchants from all over the world came to Panama’s Atlapa Convention Center to buy and sell services, textiles, construction equipment, technology, comestibles, and other goods. The geographies of Panama’s trade linkages vis-à-vis data from Expocomer participation are represented in figures 4.6 and 4.7.
Figure 4.6: The Geographic Distribution of Buyers at Panama’s Commercial Exposition 2010
Figure 4.7: The Geographic Distribution of Exhibitors at Panama’s Commercial Exposition 2010
A well-defined geographic pattern emerges in which buyers from Central America, Venezuela and Colombia come to Panama to shop for products from Asia and the larger industrial economies of Latin America. As such, Panama’s role as a regional marketplace is solidified and is defined by the geography of the flows it mediates.

Though Expocomer is just one particular instance of Panama’s role in articulating global trade, it reflects a greater trend both globally and nationally. On a global scale, Latin America has gone from being exclusively a site of extraction and production of commodities and products, to a site of consumption. On a national scale, Panama has gone from a country whose territory was a transit point for interoceanic flows to a country whose is a basing point for the redistribution of goods, services, and capital. These two points are fundamental to my analysis of Panama City as a relational city. I argue in the chapters that follow that although development strategy and historical legacies were responsible for the development of a service agglomeration in Panama, global forces contributed to the spontaneous growth of both Panama City and the Panamanian economy.

**Panama’s Service Agglomeration**

Panama’s economy is strongly rooted in the tertiary and quaternary (service) sectors of the economy and it is growth in these sectors that drives prosperity in Panama more generally. In this section, I elaborate upon six foundational pillars of

47 Furthermore, data documenting Expocomer participation are not “tainted” by numbers reflecting investment from countries like the Switzerland and the Cayman Islands.
Panama’s service agglomeration: international banking; neoliberal governance; the Colon Free Zone; flags of convenience; a dollarized economy; and auxiliary services. These six pillars are not to be interpreted as the only factors in the formation of Panama’s cluster economy but, along with the Panama Canal itself, have created the preconditions for the country’s contemporary economic profile.

Economic agglomerations or clusters are found throughout the world on a variety of scales. Notable examples include Los Angeles (entertainment), New York (finance, publishing, and fashion), London (banking & insurance), and San Jose, California (high technology). Agglomeration economies have been the subject of a great deal of work within Economic Geography (Saxenian, 1994; Storper, 1995) focusing on how clusters form and how firms interact within them.

Panama’s agglomeration economy is based in intermediary services. Although many of these are not directly related to the canal, this cluster of services has its root in Panama’s history of intermediary trade, which dates back centuries. There are synergies both within and between industries in Panama’s service agglomeration, as industries such as banking, insurance, and ship registry mutually reinforce each other, and there are clear “untraded interdependencies” (Dosi, 1984; Lundvall, 1992) between the elite that comprise Panama’s skilled labor pool. Figure 4.8 reveals the nature of this cluster economy, as articulated by economist and former president Nicolás Ardito Barletta.
This intermediary service-based economy centers on the canal and the supporting human and physical capital in the canal (Panama City) region. Panama’s role in ship registry – the world’s largest – would not have been possible without Panama’s linkages to interoceanic shipping. Panama’s banking and legal industries bolster its existing maritime economy. While Barletta articulates the canal agglomeration as a nexus of relations stemming from the Canal, I articulate the six pillars of Panama’s cluster economy as parallel phenomena.

International Banking

Since the mid-20th century, Panama has been characterized by a well-established international banking industry. Cemented by bank secrecy laws established
in 1959 and expanded upon in 1970s, the advantages to conducting business with Panama’s banks are stability, low capital requirements, secrecy, and liquidity vis-à-vis the US Dollar. Once among the most significant offshore tax havens, however, the importance of Panama’s banking system in the international realm has diminished significantly since the 1980s.

The legislation creating Panama’s banking sector was a deliberate move by the state to diversify away from an over-reliance on the Canal and the Colon Free Zone (discussed later in this chapter). Almost immediately after the banking sector was established, Panama was struck with an enormous windfall in the form of recycled petrodollars from the Middle East. Concurrently, Panama became a haven for tax evasion dollars from the U.S. and for capital flight from Latin America (Tollefson, 1987), a trend that continues today. After a long period of growth in the 1970s, the zenith of Panama’s banking sector occurred in 1982, when the Panamanian banking industry maintained $47 billion in offshore deposits. During the mid-1980s, Panama’s international license banks far exceeded general license (those that can operate domestically) banks in deposit amounts, the most significant of which were First National Bank of Chicago, Banco de la Nación Argentina, American Express Bank, and a handful of European and Japanese banks (ibid). As with many other aspects of the Panamanian economy, the banking industry’s successes and failures have historically been highly dependent upon foreign investment (Looney, 1976).

After peaking in global significance in the mid-1980s (measured in terms of both number of banks as well as total deposits), Panama’s banks lost competitiveness for a
variety of reasons including a) a global sovereign debt crisis, b) the opening up of other offshore centers such as Miami and the Cayman Islands, and c) an assault on secrecy due the alleged harboring of laundered money (Barry, 1990, p. 50).

Despite this, Panama has retained an internationally significant banking sector, supported by linkages to Panama’s intermediary industries, the expansion of domestic credit markets, and the continued use of the US Dollar. As of 2010, the country was home to 92 licensed banks. The banking sector attributes much of its success to a dollarized economy, and a strong demand for banking services in the Colon Free Zone. Banks in Panama are divided into four types of licenses: national, general, international, and representational. Given that Panama has no ability to print money and thus no monetary policy in the traditional sense, it is the responsibility of the national bank to regulate the money supply in the country. General license banks may conduct both domestic and offshore business, while international license banks are permitted offshore business only. Banks with representation licenses are allowed “indirect banking though affiliation” (Zimbalist & Weeks, 1990, p. 69). The majority of general license banks are Panamanian, though many are branches of major international banks. The majority of international license banks are branches of Latin American banks, more than a quarter of which are Colombian. Banks with representation licenses hail mostly from traditional tax havens, more than 30% of which are Swiss. A complete list of banks and their country of origin is to be found in table 4.1, at the end of the chapter.
Panama’s banking sector is geographically clustered in the capital’s Campo Alegre, Marbella, and Obarrio districts. Billed as the “Switzerland of Central America”, Panama City features the hallmark high-rise towers of several of the larger banks, including Banco General, Banco Nacional, HSBC, Credicorp, and Global Bank. Many of the smaller banks are housed within these same towers, or in adjacent buildings. Given that Panama’s banking laws render bank deposits tax-free, the main benefit derived from the existence of Panama’s banking industry is and has historically been the employment that it provides and the economic multipliers resulting from the industry’s presence (Barry, 1990, p. 50). Data from the Superintendency of Banks – the industry’s national regulatory body – indicate that over 18,000 people were employed in the banking sector in 2009. The vast majority of these positions are filled by Panamanians, as Panama’s stringent labor code stipulates that only essential functions
may be filled by foreign nationals.\textsuperscript{48} Thus, even though the global significance of Panama’s banking sector has declined over time (as measured by deposits and number of banks), the domestic significance has actually increased, as the industry employs twice the number of people as it did in its peak in the mid-1980s.

Neoliberal Governance

In a region characterized by constant political tension between ideologues on the right and the left, Panama’s political orientation has traditionally been characterized by a capitalist, free market orientation.\textsuperscript{49} In the neoliberal era this has been especially true in Panama, with deregulation and privatization being the \textit{modus operandi} in Panama. Despite the legacy of President Omar Torrijos, whose politics were more to the left than any other in Panama’s recent past, the Panamanian state has historically pursued policies that favor business development through low taxation, deregulation, and privatization. Although explicitly neoliberal reforms were not implemented until the early 1990s, virtually every major event in the isthmus’s history was driven by private interests. In the mid-19\textsuperscript{th} century, it was the privately funded Panama Railroad Company that lent momentum to the country’s development. Thirty years later, it was the Compagnie Universelle du Canal Interocéanique de Panama (the French Canal company) that was responsible for leading development in Panama, and ultimately the U.S. canal was largely driven by American commercial (and military) interests.

\begin{figure}[h]
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\caption{Caption}
\end{figure}

\textsuperscript{48} There are, however, several ways to get around this law. Businesses may have foreign “owners” or “shareholders”, and Panama’s special enterprise zones have special labor laws.

\textsuperscript{49} There are some exceptions to Panama’s neoliberal orientation; labor laws are a significant example.
Though Panama has always been a commercially liberal state, it was only with the removal of Manuel Noriega in 1989 that state-led liberalization accelerated. Beginning with President Guillermo Endara and continuing forward to the present, a series of legislative measures resulted in massive deregulation and an opening to foreign investment. The operation of Panama’s utilities, ports, highways, and other infrastructure were ceded to private enterprises throughout the mid-1990s (Adames Mayorga, 2004). Furthermore, price regulation was dropped on foodstuffs and public utilities, and a 1998 law guaranteed foreign and domestic investors equal protections. By the 2000s, tariffs had been slashed across the board, and tax incentives were provided for investors in the construction, tourism, and mining industries.

Some of Panama’s neoliberal governance framework perhaps derives from the legacy of the canal and commercial trade. After all, neoliberalism favors global deregulation which results in an increase in world trade and ultimately more business for Panama. However, there is another plausible explanation, which is that Panama’s economy has never been overwhelmingly oriented toward agriculture. As Barry explains, “unlike other Central American countries where the politics and economies have been dominated by a rural oligarchy, the Panamanian oligarchy has been largely based in services and commerce” (1990, p. 43). Given the intimate relationship between Panama’s political and business elite, this is a reasonable explanation, and sheds light on why Panama has pursued the strategies that it has with respect to economic development. Panama’s wealthy families, many of whom control major industries such as the press (Arias, Tribaldos, and Cardoze families), banks (Vallarino and Motta families), airlines (Motta family), re-exportation (Motta and Waked families),
law firms (Arias, Fábrega, and Morgan families), ports (the Motta and Heilbron families), grocery stores (Martinelli and Tageropulos families), insurance (Motta and Espinosa families), and urban development (Shahani, Alemán, Vallarino, and Tribaldos families), are the selfsame families who have been steeped in Panamanian politics for the last century (Gandásegui, 1993; Hughes & Quintero, 2000). A review of a list of past presidents, vice presidents, and ministers since Panamanian independence reveals many of the same last names as the country’s business elite (de Collado, 2010), and if one traces linkages further through extended family, membership rosters at the Union Club – Panama’s elite social club – and/or affiliation at particular houses of worship, the lines become so blurred that the families comprising Panama’s political and business elite are virtually indistinguishable.

The contemporary effects of Panama’s neoliberal governance are that it features the most business-friendly climate in the region, a distinction “officially” conferred upon the country by *Latin Business Chronicle* in 2010. The growth of Panama City, which I detail in the chapters to come, is clearly linked to laws meant to encourage investment. This is true in the realms of business development, construction, service provision, and corporate headquartering. One of the most important draws of Panama’s neoliberal governance structure is that investors, particularly from countries with left-leaning governments such as Venezuela and Bolivia are keen to expatriate their assets, and Panama provides an ideal setting for them to do so. Panama is less than two hours by plane from a number of countries in the region from which mobile capital has been “fleeing”, and shares linguistic and cultural characteristics that attract investors on a

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50 This refers to synagogues as well as Catholic churches.
personal level. Panama’s solvency visa is offered to investors and their families investing more than $300,000 in the country, providing – as a real estate professional put it – an “escape hatch” in the likely event of extreme insecurity.

Colon Free Zone

The city of Colon lies 80 kilometers to the north of Panama City at the Canal’s Caribbean entrance. As Colon overtook Portobelo as the primary entrepôt for human and commercial traffic across the isthmus in the early 19th century, the city gained importance as the point of entry to Panama. Even before the city was founded in 1850, however, numerous steamship companies operated service to Chagres, near the future site of Colon, beginning with Royal Mail Steamship Company in 1839. After gold was discovered in California, interest in Panama piqued, and Colon was founded by William Aspinwall’s Panama Railroad Company.

The city was laid out on an orthogonal grid, focusing on the port on its western edge. As the city grew, the grid was expanded until it eventually covered all of what was Manzanillo Island. During the latter half of the 19th century, while still under de facto Colombian jurisdiction, Colon was functionally administered by the Railroad Company, as it owned all of the city’s land and there was very little official presence by the Colombian government in Bogota. Far from the Colombian “mainland”, and disconnected from Panama City (with the exception of the railroad), Colon developed somewhat of an “extraterritorial” character insofar as it was functionally politically autonomous. As one of Panama’s foremost urban historians remarked in an interview, Colon “depended on a lot of people who had nothing to do with Panama".
Beginning with the steamship companies and the railroad, Colon has served as a base for a variety of foreign operations over time. Though based primarily in Panama City, the French Canal Company established operations in the Cristobal section of Colon in 1881. After Panamanian independence in 1903, Colon’s future was largely determined by the United States. Located adjacent to the Gatun Locks on the Canal's northern terminal, the city would become home to several military installations, including Forts Davis, Sherman, Espinar, Gulick, and De Lesseps, and Coco Solo Naval Station. With the establishment of the Panama Canal Zone, the city became completely surrounded (see dashed line in figure 4.10) by American-occupied territory, completely constricting the city’s outward expansion.
Figure 4.10: The City of Colon, as constricted by the Canal Zone (date unknown)  
(http://www.czbrats.com/Maps/CZMap.htm)

Both before and during WW II, the Panamanian economy experienced a fortuitous boost due to an attempted Canal expansion in 1939 and heightened American presence in the occupied Canal Zone during the war. This growth proved ephemeral, however, and after the war many Panamanians were left jobless. Since the mid-20th century, the city of Colon has been in a steady state of decline. Though there is not one specific catalyst for this, factors include the opening of a trans-isthmian highway in
1943, a shift in U.S. military strategy toward Pacific theater operations (shunting jobs across the isthmus), and a lack of “breathing room” for Colon to expand (due to the Canal Zone boundary).

The Colon Free Zone was established on June 17, 1948 with the intention of reinvigorating the city of Colon. The city’s strategic geographic location, as a node of global shipping and proximity to North American, Caribbean, and Latin American ports, made it an ideal setting for a free trade zone. The Colon Free Zone lies adjacent to the eponymous city on a 4.5 km$^2$ site (see figure 4.11).

Figure 4.11: Aerial View of the Colon Free Zone (Source: http://www.distribucionylogistica.com/storage.html)

The Free Zone’s primary economic function is the re-exportation of goods throughout the Americas. In 2009, it handled a total of $8.5 billion in imports and $10.6 billion in exports and generated $2.7 billion in revenue, making it the largest free trade zone in
the western hemisphere and the second largest in the world, after Hong Kong. Ranked by value, the goods most commonly transshipped through the zone are clothing, electronics, pharmaceutical products, and shoes, respectively. Transshipments to and from the Colon Free Zone follow a fairly straightforward geographic pattern: goods come from the world’s major exporters and are re-exported to the region’s major importers. Figures 4.12 and 4.13 represent the geographic distribution of imports to and exports from the Colon Free Zone.
Figure 4.12: The Geographic Distribution of Re-Exports from the Colon Free Zone

Re-exports from the Colon Free Zone

Value of FOB (in millions of USD)

- < 50
- 50 - 200
- 200 - 500
- 500 - 2000
- > 2000

*Data are from 2006
Source: Comptroller's Office of the Republic of Panama
Figure 4.13: The Geographic Distribution of Imports to the Colon Free Zone
More than half of the zone’s imports come from just four countries: China, Taiwan, Hong Kong, and the United States, and the bulk of the rest come from East Asia and Western Europe. Goods are re-exported primarily to Latin America, with Venezuela, Colombia, Panama, Guatemala, and Costa Rica accounting for nearly half of imports from the zone.

The Colon Free Zone is administered by a state-owned company that operates autonomously from the central government. The administration has the same legal powers as the nine other state-owned enterprises, which includes several nationalized utilities, the national lottery corporation, and the administrative body of the country’s newest mixed-use megaproject on the former site of Howard Air Force Base, called Panama Pacífico. Due to this unique juridical status, enterprises operating within the Colon Free Zone are subject to less stringent labor laws and benefit from a host of tax and tariff exemptions. Among these are no tariffs or quotas on imports; no tax on profits from exports; no tax on dividends to foreign shareholders; no capital gains tax on the sale of a business; and expedited visa/immigration processing. Income derived by Panamanian companies within the zone is taxable, but ranges from 0.5% to 1.5% of net taxable income, depending on the size of the firm.

In addition to providing an enormous boost to the Panamanian economy, spillovers from the Colon Free Zone have contributed to the formation of Panama’s

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51 Goods that make their way to the Panamanian consumer market though the FTZ considered imports and are subject to import tariffs.

52 Panama’s labor laws are relatively strict and protectionist. Specifically, employees are entitled to 30 days of paid vacation per year (in addition to 11 national holidays) and terminating employees (even rightfully) is very difficult and costly. Unless located in one of Panama’s Special Economic Zones or relocated under the 2007 headquartering law, most firms may hire only one foreign employee per ten employees (i.e. 90% Panamanians).
banking system, the continued use of the dollar, and have shaped the country’s neoliberally oriented governance framework. The Free Zone in and of itself forms a significant portion of the Panamanian economy, despite growth in many other sectors, as outlined in the previous section. The Zone’s recent success has been predicated upon an increase in global trade and more specifically an increase in the consumption of foreign goods in Latin America.

**Flags of Convenience**

The term “flags of convenience” refers to a common practice in the shipping industry wherein vessels are registered in a country that provides a favorable taxation schedule (i.e. no taxes), among other fiscal and regulatory incentives. Ships can be conceived as floating pieces of territory insofar as they are registered as part of a particular country, yet spend much of their time in international waters. For several reasons, Panama has established a niche in the world of global shipping as the preferred “flag of convenience”. Panama’s legacy in ship registry dates back to 1916, when changes in the law allowed vessels to be owned by corporations (as opposed to just citizens), which could be owned by foreign nationals. Early development in ship registry can be attributed to this law, in conjunction with the fact that Panama used the U.S. Dollar, accepted English-language contracts, and was thought to have a “special relationship” with the United States insofar as Panamanian “sovereignty” was attributable to American intervention (Carlisle, 1981, p. 2). Ship owners could complete the registration of vessels through Panamanian consulates abroad\(^\text{53}\), and conduct the

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\(^{53}\) Panama has consulates in Hamburg, Kiel, Rotterdam, Singapore, and many other port cities around the world that a country of Panama’s size and income level would ordinarily not be represented in.
The payment of fees and paperwork through Panama Agency Services, a local subsidiary of Grace Lines, in English.

By the 1920s, the practice of foreign ship registry had become a common practice for American shipping companies. The impetus for widespread Panamanian ship registry was a change in American maritime code through the 1915 La Follette Seaman's Act and the 1920 Jones Act, whereby regulations regarding ship inspections and personnel became more stringent, raising the price of American registry and giving Panama a competitive advantage (Carlisle, 1981). Furthermore, an added incentive was that Panama has a “territorial” system of taxation, meaning that economic activity occurring outside of the national borders (e.g. shipping) was not subject to domestic taxes (Barry, 1990, p. 50). Carlisle, whose book *Sovereignty for Sale* chronicles the evolution of Panamanian and Liberian ship registries, lists four distinct motivations for the transfer of vessels to Panamanian sovereignty (1981, p. 78):

1. Commercial convenience
2. Strategic convenience to maintain aid to Allies during wartime
3. Diplomatic subterfuge to circumvent the meaning of neutrality
4. Business subterfuge to circumvent labor laws

Though Panama was the first true “flag of convenience”, the practice spread to Liberia in the 1940s, and later to other countries including, Cyprus, Malta, the Bahamas, and the Marshall Islands. Panama currently accounts for more commercial ship registries than any other country in the world (figure 4.14).
Panama leads global ship registries both in terms of tonnage and number of ships.

Each of the four most significant countries in terms of gross tonnage – Panama, Liberia, Bahamas, and the Marshall Islands – are considered “flags of convenience”, providing shipping companies with cost savings through reduced taxation and fees and less rigorous inspections standards than North American or European registries. Currently, the net benefit to Panama is $268 million annually in registration and corporate fees, as well as the impact of foreign deposits in Panamanian banks related to ship registry.

Figure 4.14 Ship Registries in ‘Flags of Convenience’ Countries (Source: Panama Maritime Authority)
Dollarized Economy

Just a year after gaining independence in 1903, Panama signed an agreement with the United States stating that it would use the US Dollar as paper currency in order to facilitate payment to workers building the canal. When construction was completed, however, the system remained in place, and with the exception of a brief period in 1941, the US Dollar has been the national currency ever since. Officially, Panama’s currency is called the Balboa. Prices are quoted in Balboas and economic statistics are released in Balboas, but the bills used are U.S. Dollars. The government does mint its own coins, which are equal in size, shape, and denomination to US coins and are used interchangeably with them.  

Dollarization has been greatly beneficial to Panama’s economy. Dollarized transactions facilitate the payment of Panama Canal tolls as well as commerce to and from the Colon Free Zone. Given that Panama’s economy is relatively small and highly integrated with the U.S. – its largest trading partner – the benefits of full dollarization outweigh the disadvantages of not having national monetary and exchange rate policies.

In addition to the facility of payments that dollarization adds to the Panamanian economy, the country has been the site of intense investment partly as a result of dollarization. Panama is Latin America’s most stable economy, and as such has attracted capital flows from countries throughout the region looking to stabilize their  

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54 Interestingly, Panama’s “mints” its coins in Canada. Each coin has a name in local slang; a 50-cent piece, identical in size, shape, and color to the American coin featuring Eisenhower is called a “peso” in local terminology, as the Colombian peso had at one time been pegged to the dollar at a 2:1 ratio. Hence, a 50-cent piece was worth one peso.
assets. Unlike El Salvador or Ecuador, which currently also use the dollar, Panama has always been dollarized and investors see little risk in the possibility of the national bank moving away from the dollar in favor of a national currency. As Berg and Borensztein note, “without a domestic currency there is no possibility of a sharp depreciation, or of sudden capital outflows motivated by fears of devaluation” (2000, p. 1). Many of Panama’s most recent investors, principally Colombians and Venezuelans, have done so in response to the stability provided by the dollar. The Colombian Peso has been characterized by volatility against the dollar since the early 1980s, while the Venezuelan economy has been in a steady state of volatility since 2002. Berg and Borensztein (2000) add “the main attraction of full dollarization is the elimination of the risk of a sudden, sharp devaluation of the country’s exchange rate” (ibid). This has been a primary motivation for investors throughout the region, who fear a sudden and cataclysmic loss of assets triggered by spiraling hyperinflation.

Auxiliary Services

A sixth pillar of Panama’s service agglomeration is the “auxiliary” services of legal services, tourism & relocation services, and logistics. There are, of course,  

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55 As of writing, the “official” exchange rate for Venezuelan Bolivars is 2.15:1, 2.6:1 for imports such as foodstuffs, and 4.3:1 for “unnecessary” items such as electronics, cars, etc. The black market exchange rate is 6.2:1.

56 It must also be noted that money laundering has historically been one of Panama’s auxiliary services. For obvious reasons, there is no record of money laundering and data alluding to flows of laundered money are elusive if at all obtainable. Based on testimonies in the trial of ousted dictator Manuel Noriega, Zimbalist and Weeks (1990) estimate that over $10 billion per year was being laundered through Panama. The establishment of laws 41 & 42 of 2000, which amended the penal code with respect to financial crimes and required all financial activity over $10,000 to be reported, was a milestone in diminishing the role of money laundering in Panama. In 2001, the Financial Action Task Force on Money Laundering, a commission created by the G7, removed Panama from its list of non-cooperative countries. While it would be erroneous to say that money laundering no longer plays an important role in the Panamanian economy, it is safe to say the its role has diminished. The Panamanian state continues to
others, but I have selected these as both the most significant and emblematic of Panama’s service agglomeration. Though there are two core service industries, ship registry and banking, the rest of these auxiliary services form the “supporting cast” of industries that reinforces and bolsters Panama’s basic goods: the Canal and the Free Zone. Some of these are producer services (legal, banking, logistics) and some of these are consumer services (tourism, retail). All of these have at least some linkages to the Panama Canal and/or the Colon Free Zone, but are not necessarily directly related.

In some sense, housing and real estate could be treated as auxiliary services, insofar as they provide a physical location for social reproduction and economic activity to take place. However, given the importance of the real estate market in shaping the transformation of the built environment, defining the state- and non-state actors involved in Panama City’s property market is a central feature in this study and is addressed in depth in the chapters that follow. Figure 4.15 illustrates the role of the real estate market in mediating transactions of land and buildings. These elements are supported by the infrastructure – roads, sewers, power lines, etc. – that plays a critical role in both shaping the city and in enabling the real estate market. This simple example is elaborated in much greater detail in Figure 8.1.

take measures to make money laundering more difficult, and presidential decree No. 9 of 2010 was passed to assure compliance with all international standards on banking transparency and regulation.
Panama’s various service industries are interconnected and mutually reinforcing. Storper (1995) recognizes that regions are a locus for “untraded interdependencies” – conventions, informal rules of conduct, and formal & informal associations – that create spatial differentiation. Panama’s agglomeration is precisely this; the city’s elite belong to the same social clubs, attend the same English-language schools, and it is the selfsame labor force who comprise the skilled labor forces of the Panama Canal Authority, the nation’s law firms, and its banking industry. This has created a “cumulative causation” effect whereby these services draw upon and reinforce each other.

Panama has over 13,000 lawyers, whose primary task is to create, manage, and dissolve the estimated 350,000 registered corporations in Panama. This abundance of
corporations is due to Panama’s headquartering law of 1927, which is based on the Delaware model favoring secrecy. The majority of these are “shell” corporations, which are established to hide assets behind a veil of anonymity. As a result, Panama has ~40 lawyers per 10,000 inhabitants, a rate twice as high as New York State, which has the most of any U.S. state.

Tourism and relocation services serve to accommodate temporary and permanent visitors to Panama, respectively. Panama receives approximately 1.5 million visitors per year. Tourism as an industry earns approximately $2.2 billion per year and the number of annual visitors to Panama has tripled since 1999. 40% of tourists are from South America (17% from Colombia and 9% from Venezuela) and 33% are from North America (ATP, 2010). Tourism has overtaken canal tolls as a national income source and is poised to overtake the Colon Free Zone. Over 120,000 Panamanians are now employed in tourism, broadly interpreted. Relocation services are a corollary to tourism that provide assistance to those wishing to move themselves, their families, or their businesses to Panama, and offer linkages to lodging, legal services, etc.

Logistics is a natural fit for an economy whose primary purpose has historically been interoceanic trade. Logistics includes transportation, warehousing, and distribution of all types. The central foci of these industries are the Canal Zone and the Colon Free Zone. Kansas City Southern operates a 47-mile railroad concession parallel to the canal, which ferries containers between the Caribbean and the Pacific in complement to the Canal. On the Pacific side of the isthmus, the port of Balboa is

57 Over 50% of publically traded American companies are incorporated in Delaware. For more information on Delaware’s corporate laws, see Folk 1972.
equipped to handle 1.4 million containers in 2010, while on the Caribbean side the ports of Manzanillo, Cristobal, and Colon will handle 900,000; 400,000; and 400,000 respectively. Two large-scale projects are currently underway to further develop Panama’s logistical infrastructure: Panama Pacífico, a 14,000 hectare mixed-use complex on the former site of Howard Air Force Base (discussed in chapter VII) and a large-scale logistics park adjacent to Tocumen International Airport.

Conclusion

The purpose of this chapter was to outline Panama’s geography, history, and economy so as to contextualize the phenomenon at hand. Panama history is linked to its geography and its economy is linked to both. The country has been a conduit for intrahemispheric flows for millennia and since the 16th century has been a pathway for interoceanic flows. Panama has developed a unique service-oriented agglomeration that both benefits from and reinforces its position in the global economy. The country’s respective industries have grown as the result of cumulative causation, and also as a result of directed legislation encouraging tertiary and quaternary activity.

The Panamanian economy is diverse and complex, and the six pillars that I have provided are neither mutually exclusive nor collectively exhaustive. Despite the relative domination of services, rural Panama is still characterized by agriculture and ranching. There is clear overlap between logistical services and the Colon Free Zone, just as a dollarized economy contributes to successes in other industries. Smaller industries such as insurance and maritime services might make additions to this list, particularly if they are expanded in the future.
This chapter has provided a broad overview of the dynamics of Panama as a country. In many ways, however, the importance of Panama City within the country is so great that an analysis at the national scale is sufficient to capture the processes taking place in the capital city. Panama City is the country's dominant city in social, cultural, economic, political realms. In the following chapters, I will narrow my focus to Panama City more exclusively as I home in on the specific processes that have shaped the phenomenon of rapid urban growth.
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Chapter V: Urban Growth in Panama City: Outward Expansion

Introduction

Outward expansion has an important dimension of urban growth in Panama City. As a metropolitan region sprawls outward, the urbanization process transforms the character of peri-urban lands, extending over what may have been a forest, farmland, pastureland, or a pre-existing settlement. Outward urban expansion has been the subject of volumes of literature, and explaining the causes and effects has drawn upon a wide range of theoretical and methodological antecedents (Bruegmann, 2005; K. Jackson, 1985; R. E. Park, et al., 1925; Sinclair, 1967). The purpose of this chapter is to analyze and explain the city’s rapid outward expansion.

The growth of Panama City has been substantial in the past century, and one of the most dynamic sites of expansion has been the urban periphery. The city has grown from a mere 20,000 inhabitants at the time of independence in 1903 to over 1.7 million in 2010 as a result of several factors including immigration, rural-to-urban migration, and natural population increase. The first major impulse for the city’s growth in the 20th century was the construction of the Panama Canal, when Panama received an influx of migrants from the Antilles, Europe, North America, and elsewhere in Latin America (Sandoya, 2009). The city’s population tripled between 1900 and 1920, and – with the exception of a few years in the early part of the 20th century – has grown steadily ever since (Uribe, 2007).
Since the time of independence, the footprint of the metropolitan area\textsuperscript{58} has expanded from 70 hectares of surface area to over 30,000 hectares in 2010, radiating outward from its colonial core along three major linear axes. Figure 5.1 shows Panama City’s outward expansion along these three axes since the 1960s; areas in light green areas that were urbanized in 1960, while darker shades of green represent urbanization that has occurred in successive decades.

\textbf{Figure 5.1: Outward Extension of Panama City (Source: Centro de Investigación Urbana)}

As figure 5.1 shows, the metropolitan area is effectively divided into two halves, one on either side of the Panama Canal. Due to the fact that the Panama Canal Zone was occupied by the U.S. until 1999, urban development was restricted from “encroaching” on the five-mile band on either side of the Canal. On the east side of the Canal, the

\textsuperscript{58} I use “city” and “metropolitan area” interchangeably here. In reference to the formally defined City of Panama (Ciudad de Panamá), I refer to “the municipality” of Panama City, which is legally enumerated as the District of Panama.
urban development has extended along a northern axis beyond Las Cumbres, and along an eastern axis beyond Tocumen, the site of the main international airport. To the west of the Canal, the metropolitan area has sprawled along the Inter-American Highway, and now includes the municipalities of Arraiján and La Chorrera.

In this chapter, I illuminate the morphology of the Panama City metropolitan area over time, drawing attention to the incongruous wave of residential construction that has occurred since 2000. I begin this chapter with an overview of urbanization in Latin America. I introduce some of the key ideas in comparison to Anglo-American urbanization models. In the second section of this chapter, I draw upon data from historical areal imagery, maps, and census data to elaborate how Panama City expanded outward over time. While metropolitan-scale data indicates that population growth and physical expansion have been fairly constant over time, the construction of new residential units has increased exponentially since 2000. Finally, I move to a more analytical focus by explaining which factors have shaped the city’s expansion.

**The Latin American City**

Latin America is a large and heterogeneous area, and includes a range of urban forms and patterns. However, despite this differentiation, the fact that most of the region’s cities have their roots in Ibero-American settlements indicates that there are more than a few important commonalities between them. While there has been considerable debate about what constitutes the Latin American city model (Crowley, 1998), numerous scholars have advanced prolific models in the past three decades (Ford, 1996; Gilbert, 1994; Griffin & Ford, 1980).
Perhaps the most common element among cities from California\textsuperscript{59} to Patagonia is a “traditional” center city featuring a central plaza and rectilinear streets. Based on the Laws of the Indies – a rigid set of guidelines advanced by the Spanish Crown to promote uniform urban development in its colonies – colonial cities were built on an orthogonal grid pattern, replete with buildings housing the requisite ecclesiastical, political, and economic in the form of a cathedral, a cabildo (administrative building), and a central market. Within the Spanish city\textsuperscript{60}, geographic proximity to the central plaza generally indicated higher social status, though there was some mixing of classes as ground floors often housed commercial functions (Griffin & Ford, 1980). In many cases, Latin American cities were characterized by this orthogonal grid pattern well into the 20\textsuperscript{th} century. Though cities differ, pre-industrial Latin American cities generally maintained low population growth rates, ensuring that urbanization occurred along the same pattern that it had for centuries.

Borsdorf (2003) segments the development of Latin American cities into four distinct periods:

1. Colonial period (1500-1820), characterized by natural population growth and limited to non-motorized modes of transportation

2. First phase of urbanization (1820-1920), in which growth extended outward by streetcar along a main alameda or paseo (boulevard)

\textsuperscript{59} Though California is not considered part of Latin America, Spanish influence in urban planning can be witnessed in parts of the US that were formerly part of the Spanish Empire.

\textsuperscript{60} While Portuguese-influenced cities in Brazil were not identical, they share many of the same elements as Spanish-influenced cities.
3. Second phase of urbanization (1920-1970), characterized by increasing fragmentation, and driven by rapid population increases resulting from rural-to-urban migration

4. Restructuration (1970-present), characterized by increased privatization of transportation (automobiles), residential space (walled/gated communities), and commercial space (malls/business parks)

In many ways, Borsdorf’s model mimics the dynamics of Anglo-American cities through various stages of growth. Numerous classic texts (Bourne, 1982; Hartshorne, 1988; Hartshorne & Alexander, 1987 [1979]) elaborate urban growth models based on the evolution of transportation networks and economic systems (e.g. industrial, post-industrial). Just as Latin American cities are generally centered about an older, gridded city, Anglo-American cities are generally centered about a central business district (CBD). Furthermore, the shift to decentralization and increasingly private spaces in Borsdorf’s fourth phase runs parallel to post-industrial urban growth has that favored polynucleated urban form and an increased importance of suburban nodes (Garreau, 1991) in North America.

Despite these general similarities between Latin- and Anglo-American cities, a number of significant attributes distinguish the former from the latter. Perhaps the most widely adopted model for the Latin American cities follows from the work of Griffin and Ford (1980), whose sectoral model follows from the work of Hoyt (1939) and his contemporaries. Figure 5.2 shows an updated version of their original model that accounts for some of the more contemporary features in Latin American cities.
Though the model presents a gross generalization of an amalgamation of cities, several distinguishing elements stand out. First, Griffin and Ford suggest that the Latin American city is highly segmented by social class, with the wealthy inhabiting the city’s central districts and the zones adjacent to a central arterial “spine”. In contrast to Anglo-American cities, where affluent residents are largely suburbanized, Latin America’s wealthy populations maintain a strong presence in the central city so as to facilitate
access to the city’s commercial nucleus, as well as centralized social and political institutions. Intra-urban transportation networks – particularly limited-access highways – are generally poorly developed within Latin America, thus precluding the large-scale decentralization of upmarket housing. Second, while Anglo-American cities feature a large middle class, sharp divides between the rich and the poor have limited the development of Latin America’s middle class. Thus, the middle class occupies only a small (but growing) sector of the urban area. Third, and perhaps most importantly, Griffin and Ford’s model (corroborated by Clichevsky, 2000) features a vast peripheral zone inhabited by squatters. Attributable largely to rapid migration and a weak state presence in land use and housing controls, many cities in Latin America are characterized by massive squatter settlements on the urban periphery, and in some cases over 50% of urban residents live in informal housing (Clichevsky, 2000). This presents a sharp contrast to Anglo-American cities, in which informal settlement is virtually non-existent.

More recent work on Latin American cities has indicated a trend toward an increasing privatization of urban development (Borsdorf & Hidalgo, 2009). Borsdorf (2003) attributes the privatization of urban space to the widespread adoption of neoliberalism, indicating the deregulation of the land and housing markets, and in extreme cases the wholesale deregulation of the urban planning process more broadly. Borsdorf and others (Graham & Marvin, 2001) have suggested that cities in Latin America (as well as globally) have become increasingly fragmented, characterized by “splintered” landscapes such as private housing complexes, shopping malls, and
business parks. As I show in the following sections, private interests have always played a strong role in the urbanization process in Panama City.

**Patterns of Outward Growth in Panama City**

In general terms, the urbanization process in Panama City has been consistent with urban growth models witnessed elsewhere in Latin America. The city’s historic core – the Casco Viejo – indeed features a Spanish-built orthogonal grid about a central plaza, and successive waves of development have roughly followed the temporal trends laid out by Borsdorf. Panama’s wealthy inhabit a narrow corridor that spans roughly 15 km along the city’s waterfront, and although Panama lacks an axial *paseo* or *alameda*, several parallel avenues act as *de facto* arteries, connecting the old city and newer CBD to high-end residential zones. These high-density waterfront districts, discussed at length in the following chapter, have become increasingly characterized by high-rise towers catering to wealthy Panamanians and expatriates.

In contrast to dominant Latin American urban growth paradigms, however, Panama City’s peri-urban areas are characterized largely by *formal* suburban housing developments rather than the squatter settlements associated with other cities in the region. By analyzing how outward growth has transformed the Panama City metropolitan area over time, my intention is to show that the growth has been enabled by a market-oriented land tenure regime with a strong historical precedent, and is promulgated through formal, political channels. Outward urban growth in Panama City – even on marginal, peripheral lands – is and has always been controlled by formal political and economic mechanisms. Though squatters are not entirely absent from the
city’s urban landscape, the urban underclass is predominantly concentrated in the city’s crowded central districts that have over time been abandoned by Panama’s wealthier classes. As I show, the few peri-urban squatter settlements that do exist came to be only as a result of particular political circumstances that enabled migrants to erect structures within very limited – and clearly defined – geographic zones.

Expanding Beyond the Colonial Core

Urban growth in Panama City can be traced across almost 500 years. The city was founded by the Spanish Crown in 1519, soon after its strategic location was realized as an intermediary node for the transshipment of precious metals coming from South America. After the original settlement was destroyed by marauding pirates, the city was rebuilt in 1671 and continues to thrive in its current site (figure 5.3), making it the oldest continuously inhabited European city on the Pacific coast of the Americas.

Figure 5.3: Panama Viejo and the Casco Viejo in relative context (Base map courtesy of maps.google.com)
The second Spanish city, known today as the Casco Viejo or San Felipe⁶¹, was the walled city from which the modern city expanded outward. The district features a gridded street network, with three east-west avenues bisected by north-south streets. Until the U.S. construction of the Canal in the early 20th century, the city was limited to the Casco Viejo and a few districts to the north and west (Figs. 5.5 and 5.6). The city’s population was relatively small, and never exceeded 30,000. The mid-19th century marked the city’s first significant expansion beyond the walled city that had served as the urban nucleus for two centuries (figure 5.4).

Figure 5.4: Population Growth in Panama City, 1843-1920 (Source: Uribe, 1989)

⁶¹ The neighborhood is also sometimes called the Casco Antiguo (Antique Quarter) in reference to the way in which it has been rebranded as a historical district. Panamanians often know the neighborhood as Catedral (Cathedral), in reference to the city’s central cathedral, which is perhaps the Casco Viejo’s most significant landmark.
As the figure indicates, population growth in the 19th century was triggered principally by two events: the construction of the railroad and the French canal effort. Until the rapid increase in population related to the U.S. canal effort, the majority of the city’s population lived in San Felipe or one of the adjacent areas. Figure 5.5 illustrates how these original districts integrate into the contemporary urban fabric.

**Figure 5.5: Aerial image of the Casco Viejo and surrounding districts**

To the right of the photo, the Casco Viejo (1) extends into the Gulf of Panama (Pacific Ocean) on a rocky peninsula. The district is centered about Plaza de Independencia (directly below the number “1”), extending for several blocks on either side toward the
city’s ramparts. Over time, the city wall was removed\textsuperscript{62}, and after the construction of the Panama Railroad, the city expanded beyond the old quarter to the “urban” barrios of El Chorrillo (2) and Santa Ana (3), and the “suburban” neighborhoods of El Marañón (4), Guachapali (5), and San Miguel/Calidonia (6), which surrounded the Panama Railroad’s Pacific terminus on what is today Plaza Cinco de Mayo (just to the left of the number “5”). The city’s early expansion was heavily influenced by race and social class. While San Felipe was reserved primarily for the white elite (both Panamanians/Colombians and foreigners), Chinese populations settled in Santa Ana and black populations settled in San Miguel/Calidonia, Guachapali, and later in El Marañón (Szmirnov, 2001).

With the construction of the Canal and the adjacent Canal Zone beginning in 1906, the U.S. was also involved in the urbanization process. Though not considered a part of Panama City, Balboa (7) functioned as a parallel American city for the military and civilian personnel associated with U.S. Canal efforts. Within the Canal Zone, the U.S. embarked upon the construction of an entire planned city, complete with housing, schools, retail facilities, social clubs, and other amenities to maintain American military and civilian personnel and their families necessary for the Canal’s operation.

As the Panama City grew rapidly with the construction and inauguration of the Canal, the city underwent its first major expansion with the construction of La Exposición (8) and later Bella Vista (farther to the northeast) along Las Sabanas road (later renamed Via España) in the 1910s. Figure 5.6 represents the blocks within the La Exposición’s planned grid as letters of the alphabet (A, B, C, etc. on the lower right).

\textsuperscript{62} Several segments of the city wall still exist, notably Las Bovedas (the southeasternmost point on figure 5.5) and a small section on the district’s western edge.
La Exposición and Bella Vista were, in contrast to many of the neighborhoods that would succeed it, planned on a grid, with rectilinear streets and several public parks. Their completion marked the first significant reorientation of the city’s residential structure, as wealthier classes relocated to these two districts, which were essentially Panama’s first streetcar suburbs.
Even at this early stage in the city’s expansion, foreign speculative interests played a vital role in the urbanization process. Bella Vista was built on land that had been speculatively purchased by American banana and railroad tycoon Minor Keith, and the streetcar’s construction was completed by the New York-based R.W. Hebard & Co. (Uribe, 1989).

As the city’s newest annex was completed for the urban elite, the settlements of Pueblo Nuevo, Carasquilla, and Rio Abajo emerged to the east of the city (now part of the city) along Las Sabanas road to house the city’s mostly non-white Canal workers.
(Rubio, 1999). Figure 5.8 represents the first wave of urbanization after the Canal’s construction.\textsuperscript{63}

\begin{figure}[h]
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\includegraphics[width=\textwidth]{figure5_8.png}
\caption{Urban Growth in Panama City, 1910-1940}
\end{figure}

The figure above represents two distinct urbanization processes that in fact appear indistinguishable when viewed at this scale. Outside the Canal Zone boundary, Panama City expanded to the northeast along Las Sabanas. The neighborhoods of La Exposición and Bella Vista appear just to the north of the old city (in grey), and Carasquilla, Pueblo Nuevo, and Rio Abajo, from south to north. In addition, a few

\footnotesize{\textsuperscript{63} Figures 5.8-5.14 represent generalized growth polygons based on data from aerial imagery, maps, and slides. Given that the data were a) in many cases incomplete, particularly in the case of outer suburbs, and b) not available at regular, 10-year intervals, the urban footprint for each period is an estimation based on the best available data. Thus, these figures serve merely to illustrate broad urban growth patterns.}
smaller cities “appear” in the metropolitan area, including La Chorrera to the west and Chilibre to the north.

By 1940, the U.S. government had established a significant infrastructural base within the Canal Zone. The communities of Balboa, Diablo, and Corozal were built to house U.S. personnel, and the military operations were planted at Fort Amador, Fort Clayton, and Albrook Air Force Station on the east side of the Canal, as well as at Fort Kobbe and Howard Air Force Station to the west.\(^{64}\) In contrast to many of parts of Panama City that were developed with little regard to planning (i.e. Santa Ana), the American city within the Canal Zone was designed with a high attention to order. Drawing upon the ideals of Ebenezer Howard and Frederick Law Olmstead, the Canal Zone exhibited a garden city-like\(^ {65}\) character, featuring ample green space and a relatively ample mix of uses.

After Panama City’s initial Canal-driven expansion, the next major growth wave occurred in beginning in the late 1930s and continued through World War II. During this time, two major growth factors impelled increases in the urban population: an attempt to enlarge the Panama Canal, begun in 1939, and an increased troop presence in the Canal Zone. Given these developments, the Panamanian economy experienced

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\(^{64}\) Although I acknowledge that I cannot discuss urban development in Panama City without reference to the Canal Zone, I orient my analysis toward the Panamanian city rather the American city for several reasons. First, the Canal Zone was completely planned by the U.S. government and all lands were publically owned. Thus, the framework of the capitalist city that I apply to Panama City does not apply to the Canal Zone. Second, the Canal Zone was not functionally integrated with the rest of the city until the 1990s. The Canal Zone was fenced off and access was controlled at checkpoints. Third, data for the Canal Zone were kept by the U.S. government and are not included in standard datasets from Panamanian sources. Many of the maps that I have used to reconstruct growth were at one point classified, and many of the aerial imagery sets cut off at the Canal Zone boundary.

\(^{65}\) The Ministry of Housing (MIVI), which oversees zoning in Panama, has specially created a “garden city” zoning code for the former Canal Zone. This deviates from the residential/commercial/industrial/institutional/mixed orthodoxy that it applies elsewhere in the city.
sustained growth between the late 1930s and mid-1940s. With an expanding economy, both the urban population and the demand for housing surged. Realizing the necessity for public oversight in the urbanization process, the Panamanian state passed the first “Urbanization Law” in 1941, and authorized the creation of a Social Security Administration (Caja de Seguro Social) in 1941 and the Bank of Urbanization and Rehabilitation in 1944, which was the first incarnation of what would later become the Ministry of Housing (Uribe, 1989). While this signified the first large-scale movement toward government intervention in the housing market, it also had the effect of rendering these institutions as the city’s de facto urban planners, ensuring that subsequent “zoning” decisions were carried out with the implicit purpose of driving property values upward (ibid).

Outward expansion in the post-1940 period was driven by the completion of the Trans-isthmian Highway between Colon and Panama City in 1943, and a new highway extending to Tocumen (where the international airport was inaugurated in 1947) in the east in 1948, which created two new arteries for urban development (Tejeira-Davis, 2007). As figure 5.9 shows, urban growth from 1940-1960 occurred primarily along these two axes, which extend northward and eastward, respectively.
Figure 5.9: Urban Growth in Panama City, 1940-1960

To the east, the Las Sabanas/Tocumen Road corridor extended outward to include new neighborhoods such as Pedregal and older neighborhoods such as San Francisco were filled in with denser settlement. To the north, the city grew rapidly along the Trans-isthmian Highway, connecting Chilibre and Las Cumbres with the center city, and allowing for the development of several new suburban communities, including Betania and Miraflores, located in between Las Sabanas and the Canal Zone. As figure 5.9 shows, urban growth west of the Canal Zone was still limited, due primarily to the lack of a bridge connecting the two parts of the metropolitan area.

By 1960, the metropolitan population had increased to over 300,000, having more than doubled in two decades. After an economic slowdown in the post-WWII
period, the economy again gained momentum due to state-led industrialization programs promoted by Omar Torrijos to supply a growing domestic market. Furthermore, by the early 1970s Panama’s international banking sector had begun to flourish, as had other related service industries. This caused the metropolitan population to rise to over half a million by 1970, and to over 700,000 by 1980. Figures 5.10 and 5.11 depict growth through the 1960s and 1970s, respectively.

Figure 5.10: Urban Growth in Panama City, 1960-1970
With the completion of the Bridge of the Americas in 1962, Panama City’s western suburbs were incorporated into the metropolitan area. This is evidenced by the rapid growth of La Chorrera and Arraiján, which more than tripled in population between 1960 and 1980. Growth also continued along the eastern Las Sabanas/Tocumen axis, where the population increased more than six-fold in the same time frame.

As central districts such as La Exposición and Bella Vista became denser over time, wealthy residents moved just to the east to newer neighborhoods such as El Carmen, El Cangrejo, Obarrio, and Punta Paitilla (see chapter VI). Newer suburbs such as El Dorado and Los Angeles were also built to the north of the central city along Trans-isthmian Highway. Although there had been several large-scale subdivisions
prior to the 1960s, private development through the 1960s and 1970s came to be increasingly characterized by master-planned communities, in which lots or pre-fabricated homes were sold off to incipient homeowners. This effectively put an end to the grid system that had been initiated in the Casco Viejo, and which continued through La Exposición and Bella Vista. Newer developments were increasingly fragmented, characterized by poor street connectivity with adjacent neighborhoods and poor mixing of residential uses with commercial or retail functions (Uribe, 1989).

The rapid population increases through the 1960s and 1970s combined with the formalized nature of the property market left the city with a significant shortage of affordable housing. The solution to this crisis was the Ministry of Housing’s creation of the District of San Miguelito – Panama City’s largest suburb – beginning in the 1960s. San Miguelito grew rapidly in population, from just under 13,000 in 1960 to over 150,000 in 1980. As San Miguelito and other peri-urban development drew the city’s poor away from more centralized areas, another important phenomenon took place with respect to the property market—the transition from tenancy to home ownership.

While only 27% of the metropolitan area’s residents lived in homes that they owned in 1960, the figure had increased to over 60% by 1980. Conversely, though the proportion who were tenants had been over 70%, it had dropped to just over 30% in the same 20 years (ibid). The trajectory of urban development in Panama City since the 1980s has largely been determined by the transition from high-density rental housing to medium-density private housing. Given the relative lack of informal housing (though by the 1980s there were a few squatter settlements on the urban periphery), the development of urban lands lay largely in the hands of private developers, motivated by
profit and enabled by relatively weak oversight and zoning. Much of the outward expansion represented in figures 5.12-5.14 follows this mode of urbanization.

**Figure 5.12: Urban Growth in Panama City, 1980-1990**

The 1980s was a time of political instability in Panama. Following the death of Omar Torrijos in 1981, successive dictators ruled the country until the American invasion in 1989. Despite the mission’s success in ousting military strongman Manuel Noriega, the invasion had disastrous results for the populations of central districts such as El Chorrillo, which experienced heavy casualties. As a result of the U.S. invasion, many of the city’s poor were displaced from the central city, the result of which was several communities that “appeared” by 1990. On the city’s far eastern edge, the populations of Pacora, Tocumen, and Nueva Esperanza (discussed below) began to
swell. To the west of the Canal, Arraiján had begun to “spill” into the Canal Zone, which was formally dissolved in 1979. As democracy was restored in the 1990s and the Canal Zone was gradually ceded to Panamanian sovereignty, foreign investment began to flow into the republic. Several major infrastructure projects were undertaken in the 1990s, including highways, ports, and the renovation of many of the facilities that were transferred to Panama from the U.S. Perhaps the most significant of these was the Corredor Sur toll road, which connected the central city with the city’s eastern suburbs, and allowed rapid access to Tocumen International Airport. Over the course of the 1990s, all three of Panama City’s axes grew, as the metropolitan area again added over 200,000 residents.

Figure 5.13: Urban Growth in Panama City, 1990-2000
With the handover of the Panama Canal and adjacent Canal Zone in 1999, the entire metropolitan area became politically integrated for the first time. No longer was the region split into U.S. and Panamanian sectors, and the reverted areas could be put to productive use. In addition to the complete overhaul of the former Canal Zone (discussed at length in chapter VII), several new projects were implemented, including the Centennial Bridge, which provided a second vehicular crossing over the Canal, and the Corredor Norte toll road, which provided an alternative link from Panama City to its northern suburbs and to Colon.

Figure 5.14: Urban Growth in Panama City, 2000-2010

As figure 5.14 indicates, the city continued to expand along all three major axes. The western suburbs – including Arraiján and La Chorrera – now comprise a quarter of the
metropolitan population, and the eastern suburbs have expanded well beyond Tocumen International Airport toward the city of Chepo.

The series of maps in figures 5.8-5.14 have served to guide a discussion of the city’s outward sprawl. The map series provides a generalized, macro perspective on growth, and several temporal trends emerge with respect to outward growth. The city’s growth has followed a “Y” pattern, with significant growth along the Inter-American Highway to the west, the Trans-Isthmian highway to the north, and several parallel urban highways to the east. As indicated, growth has responded to specific triggers including economic boom and bust cycles, the construction of new bridges and highways, and state policy.

In order to show the magnitude of the most recent boom cycle, however, it is necessary to home in on more finely aggregated data. In figures 5.15-5.26, I focus on borough (corregimiento) scale data in order to understand Panama City’s outward growth dynamics on a finer level. I have identified three variables – population change, population density, and the construction of residential housing units – that provide a more detailed temporal overview of outward growth. Figures 5.15-5.17 illustrate how the urban population has shifted over time.

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66 Although I present metropolitan-scale data dating back the 1910s, I present the borough-scale data since 1980 for three main reasons. First, with the Torrijos-Carter Treaties of 1977, Panama City for the first time began to grow without the limitations imposed by the U.S.-administered Canal Zone. Second, this time frame spans a significant range in the spectrum of Panama’s political history; after Omar Torrijos died in 1981, the military regime of Manuel Noriega held power until 1989, when the U.S. deposed of him in favor of Guillermo Endara, the first of a series of democratically elected presidents. Third, and perhaps most importantly, good data are unavailable at the borough scale. Borough boundaries have changed nearly every 10 years, and data were aggregated at the district rather than borough scale for many parts of the current metropolitan area before 1980. The population of the metropolitan area has roughly doubled since 1980 and this time frame of analysis thus provides sufficient overview of the trends in land use and spatial organization.
Figure 5.15: Percent Population Change by Borough in the Panama City region, 1980-1990

Figure 5.16: Percent Population Change in the Panama City region, 1990-2000
Broadly speaking, outlying areas were populated as cheap land on the urban periphery enabled working class households to relocate from the city center into single-family units in the suburbs. As this was occurring, there was a steady decline in the central areas, as much of the decrepit housing stock was abandoned in favor of newer areas with greater perceived public safety. This phenomenon, commonly observed in the United States as the “hollowing out” of inner cities, has been pronounced in Panama City, particularly between 1980 and 2000. Central neighborhoods that had served as barrios populares – neighborhoods for working class people – fell into decline beginning in the 1970s, increasingly characterized by derelict housing stock and infrastructure as state policy and the political economy of real estate favored new construction over the maintenance and/or improvement of existing neighborhoods. Table 5.1 summarizes population change by metropolitan sub-region over time.
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Central City</td>
<td>0.2</td>
<td>-0.6</td>
<td>0.9</td>
</tr>
<tr>
<td>East Suburbs</td>
<td>3.9</td>
<td>3.2</td>
<td>3.1</td>
</tr>
<tr>
<td>West Suburbs</td>
<td>3.1</td>
<td>4.5</td>
<td>3.3</td>
</tr>
<tr>
<td>North Suburbs</td>
<td>3.4</td>
<td>0.8</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Table 5.1: Annual Population Change in Percentage by Zone, 1980-2007

The population of the metropolitan area doubled in the period between 1980 and 2007, characterized primarily by growth in the eastern and western suburbs. Although the population of the center city remained approximately equal from 1980 to 2007, many of the oldest districts experienced dramatic declines in population. San Felipe (the Casco Viejo) went from 14,145 to 5586, while Calidonia’s population dropped from 57,628 to 19,759.\(^67\) Despite the sharp population losses in certain boroughs, the overall population grew during each of these periods. The most significant population increase occurred between 2000 and 2007, when the metropolitan area added 262,914 residents and positive growth occurred in all but three boroughs.

As the city expanded outward, population densities increased precipitously in the outlying areas. Panama City’s central boroughs remain the densest zones in the metropolitan area. El Chorrillo, just next to the Casco Viejo, is the densest borough in the city and despite having declined in population still maintains a population density

\(^67\) A substantial amount of the decline in center city population can be attributed to the American intervention, called Operation “Just Cause”. Troops invaded the city during December 1989 and January 1990 in order to capture Manuel Noriega, leaving an estimated 300 to 4000 Panamanians dead, depending on the estimate. Much of El Chorrillo and other central neighborhoods were left in ruins after the invasion.
that is double that of Manhattan. Figures 5.18 through 5.21 show the changes in density that occurred in Panama between 1980 and 2007.

Figure 5.18: Population Density by Borough in the Panama City region, 1980

Figure 5.19: Population Density by Borough in the Panama City region, 1990
In addition to the central boroughs of Panama City, the city of San Miguelito also features a very high population density. San Miguelito is characterized by a few informal settlements (see figures 5.27 – 5.32) and a large number of small, single family homes that were built between 1970 and 2000. According to the 2000 census, San Miguelito
had 64,999 formal individual residences, compared with 1168 that were semi-permanent and 540 that were “improvised” (Contraloría, 2000b).

The fact that the central areas of Panama City are denser than the urban periphery comes as no surprise. The peripheral areas are characterized by single family homes separated by small lawns, similar in many ways to many older, inner-ring U.S. suburbs. Many of the dense, central areas are characterized by private high-rise towers (discussed in the next chapter) and public, multi-story mass-housing units built by the Ministry of Housing. What is truly remarkable, however, and relevant to this study, is the number of housing units\textsuperscript{68} that have been built in Panama City over time. Figures 5.22 through 5.26 represent the number of housing units under construction per borough from 1980 to 2007.\textsuperscript{69}

\textbf{Figure 5.22: Residential Units under Construction by Borough in the Panama City region, 1980}

\textsuperscript{68} In terms of residential units, one house is one unit, just as one apartment within a large building is counted as one unit. Thus, a large apartment tower may have several hundred “residential units”.

\textsuperscript{69} Note that the figures reflect annual data rather than decadal data.
Figure 5.23: Residential Units under Construction by Borough in the Panama City region, 1990

Figure 5.24: Residential Units under Construction by Borough in the Panama City region, 2000
After relatively little residential construction in the 1980s and 1990s, the number of units under construction increased exponentially beginning in 2000. In 1990, for example, there were only 794 residential units under construction in the whole metropolitan area as compared to 12,526 in 2007, with 2249 in the central borough of San Francisco.
alone. In a matter of 10 years, Panama City’s construction industry had gone from dormant to dynamic.

The data indicates that there have been two main spatial foci of growth in the residential housing sector. First, there has been a high concentration of investment in central boroughs such as San Francisco, Bella Vista, and along the bayfront more generally (discussed in greater detail in the following chapter). The second focus of this construction boom has been the urban periphery. The western districts\textsuperscript{70} of Arraiján and La Chorrera, as well as the eastern boroughs of Pacora and Tocumen have been sites of intense investment in the form of residential housing construction. Not since the construction of the Canal in the first two decades of the 20\textsuperscript{th} century has Panama City experienced such rapid growth in relative terms, and never before has there been a precedent in absolute terms.

**Analysis of Outward Growth in Panama City**

My underlying research question concerns how and why Panama experienced such rapid growth during the first decade of the 21\textsuperscript{st} century. As I have shown, the population of the metropolitan area has grown fairly evenly throughout the latter part of the 20\textsuperscript{th} century. Population density is highest in the urban core, and – with the unique exception of the growth limit imposed by the Canal Zone – diminishes fairly evenly as one moves away from the central city. Table 5.2 shows changes in population density in the center city, inner suburbs, San Miguelito, and outer suburbs over time.

\textsuperscript{70} Because the areas west of the Panama Canal were only recently considered part of the metropolitan area and have far less micro-geographic differentiation, I have aggregated them at the district (distrito) rather than borough (corregimiento) scale.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Center City</td>
<td>12,089</td>
<td>9226</td>
<td>10,082</td>
</tr>
<tr>
<td>Inner Suburbs</td>
<td>1858</td>
<td>1379</td>
<td>1382</td>
</tr>
<tr>
<td>San Miguelito</td>
<td>4175</td>
<td>4521</td>
<td>6114</td>
</tr>
<tr>
<td>Outer Suburbs(^7)</td>
<td>55</td>
<td>53</td>
<td>74</td>
</tr>
</tbody>
</table>

Table 5.2: Population per km\(^2\) by Category over Time

Population density has also increased outward over time, with a pronounced phenomenon of stable or declining densities in the central city and inner suburbs, and rapidly increasing population at on the urban periphery and in San Miguelito. As such, why was there such a rapid increase in the amount of construction in the post-2000 era? In this section, I articulate the factors that enabled residential construction to outpace population growth in the past decade.

I posit that Panama City expanded outward rapidly in the first decade of the 21\(^{th}\) century due to the convergence of three specific factors: a strong system of land tenure that has historically supported property ownership; an artificially created scarcity of developable land; and neoliberal state policy in the real estate market. To be clear, these factors did not spur growth but rather enabled private actors to do so. Each of these three factors has been shaped by a specific historical and political legacy that created the preconditions for rapid growth to transpire in the temporal context in which it occurred. The alignment of these three factors was what enabled a set of growth

\(^7\) Population density is artificially low due to the large district sizes at which data are aggregated. Many parts of Arraiján, La Chorrera, Tocumen, and Pacora are actually quite densely settled.
triggers (elaborated upon in detail in Chapter VII) to spark a spree of private development.

The first of these factors is a strong system of land tenure. Unlike many cities in Latin America characterized by an abundance of informal housing on the urban periphery, outward expansion in Panama City was driven by formal housing. According to the Panamanian Census Bureau, informal housing represents just over 1% of total housing units in the Republic. This figure is not entirely representative of Panama City’s informality statistic, however, as many of Panama City’s squatters live in derelict housing units in the inner city, which are connected to public utilities and are close to most of the city’s menial service jobs. This contrasts sharply with other cities in Latin America, where residents occupy massive shantytowns both within the urban boundary as well as on the urban periphery (Table 5.3).

<table>
<thead>
<tr>
<th>City</th>
<th>Percent Informal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bogotá</td>
<td>59</td>
</tr>
<tr>
<td>Quito</td>
<td>50</td>
</tr>
<tr>
<td>Mexico City</td>
<td>40</td>
</tr>
<tr>
<td>Lima</td>
<td>40</td>
</tr>
<tr>
<td>Caracas</td>
<td>50</td>
</tr>
<tr>
<td>Panama City</td>
<td>&lt;10(^{72})</td>
</tr>
</tbody>
</table>

**Table 5.3: Percentage of Select Cities’ Residents in Informal Settlements (Source: Clichevsky, 2000)**

Though no comprehensive survey of informality in Panama has been carried out, the figure – even by the highest popular estimates – is approximately 10% of the urban

\(^{72}\) Estimate based on data from the Panamanian Census of Housing. Figure does not include squatters living in formal housing.
population. This is particularly significant with regard to the urban periphery, which in Panama City has been developed almost entirely through formal political and economic channels.

In order to understand how growth has been oriented by formal political and economic channels, it is useful to consider evidence from a closer view of the aerial imagery in which particular growth patterns have been identified. Figures 5.27-5.32 show the urbanization process in two peri-urban communities. The first set represents the area of Nueva Esperanza, located on the eastern urban fringe. Nueva Esperanza is one of a few areas with a significant informal settlement on the city’s outskirts. I have color-coded two distinct land uses so that urbanization patterns are easily recognizable, whereby blue represents formal urbanization, and red represents informal urbanization.

Figure 5.27: Aerial Image Nueva Esperanza in 1980 [color coding by author]
Figure 5.28: Aerial Image Nueva Esperanza in 1990 [color coding by author]

Figure 5.29: Aerial Image Nueva Esperanza in 1998 [color coding by author]
The three images from Nueva Esperanza depict the urbanization process from 1980-1998, during which the area was settled. Long before the area’s conversion to residential use, Nueva Esperanza had been home to the state-owned Felipillo sugar cane plantation. After the plantation failed due to poor soils and sinking global sugar prices, the land was appropriated by the Panamanian Defense Forces. After the U.S. invasion in 1989, the defense force was dissolved, the result of which was the immediate settlement of Nueva Esperanza’s northern sector by squatters (highlighted in red). By 1998, the zone was fully saturated by informal housing. In contrast, the southern sector (in blue) was transferred to the Ministry of Housing (MIVI), and over time a formal public housing project was built, as evidenced by the apparition of an orthogonal street grid in the 1990s.

The following set of images (figures 5.30-5.32) depicts the same phenomenon in the northern suburb of San Miguelito. As with the previous set, red represents informal settlement, while blue represents formal settlement. In this case, however, I have highlighted a golf course in green, the boundaries of which inhibit the encroachment of development from the west.
Figure 5.30: Aerial Image San Miguelito in 1972 [color coding by author]

Figure 5.31: Aerial Image San Miguelito in 1980 [color coding by author]
San Miguelito is the largest municipality in the metropolitan area after Panama City, currently home to over 350,000 residents. The District of San Miguelito was established as a bedroom community for Panama City by the central government in 1960 in order to deal with an acute housing shortage. In figures 5.30 – 5.32, the undeveloped space to the right of the photo represents the lands owned by the Panama City Golf Club (in green), which was relocated in the mid-1970s after President Omar Torrijos expropriated the old golf club in the city’s San Francisco district for use as a public park. To the west, urban development was constricted along the fringe of the golf club. Just as in Nueva Esperanza, the Ministry of Housing (IVU until 1973) determined the urbanization process, and informal housing (in red) was relegated to the lands unsuitable for formal, public housing (in blue). Thus, informal urbanization in San Miguelito occurred only insofar as formal development “allowed” it to.
The examples from Nueva Esperanza and San Miguelito are significant in two ways. First, although the incidence is low in comparison with other Latin American cities, Panama City does have a few informal settlements, indicating a mismatch between what the housing market provides and what the population’s requirements are. More significant, however, is the manner in which informal settlements were established. In both cases, these informal settlements were constructed on marginal land with limited access which was owned by the state. These lands were on the periphery of, and sandwiched between, formal settlements developed from privately held lands. This marginal land was the only form of state “support” that squatters received to house themselves. Panama’s well-developed real estate market forced these communities to the urban periphery and the state provided little in the way of a solution to the housing crisis created in the wake of rural migration and an outflow of people from neighborhoods decimated by the U.S. invasion.

Given Panama City’s relatively well-developed real estate market and importance of the property as a saleable commodity, the city’s outward growth has been driven by a complex of real estate professionals – including builders, promoters, and lenders – who have actively developed the urban periphery over time. Although this pattern in many respects mirrors the way in which private interests shaped American cities, it contrasts with much of Latin America in which privately developed suburbs are virtually absent. Large-scale developers such as Sucasa and Provivienda – a subsidiary of the Colombian firm Cusezar – are responsible for the bulk of new housing on the urban periphery. These developers leverage cheap land prices, government support (discussed below), and economies of scale to mass-produce vast tracts of suburban
housing units. Representative of such tracts (figure 5.33) is a suburban development in Arraiján, approximately 20 km west of the city center. Housing in Arraiján and the adjacent district of La Chorrera is characterized by one-story cinder block construction. Thousands of nearly identical single-family units, ranging from 45 m² to over 100 m², occupy subdivided lots barely large enough to accommodate a short driveway in front and a small backyard.

Figure 5.33: Middle-Class Suburban Development in Arraiján (photo by author)

The commercialization of large parcels of land as suburban housing is made possible by the political economy of land development that has existed in Panama for at least the past century. This takes root in Panama’s history as a country of transit, insofar as the Panamanian oligarchy has never derived its power from the exploitation of rural land and labor. As Uribe notes, Panama’s legacy of international commerce translated internally into an economic model based in trade and services generated by the transit of goods and people between the oceans and relegated the so-called primary sector to a structurally weak position [in Panama], that of basic sustenance. The most notorious consequence of this economic model, and its absolute dependence on transit through the interoceanic corridor, is the fact that this corridor is what provides
concentrated wealth to the principal urban settlement and not – to the inverse of other Latin American capitals – the agricultural periphery. (1989, p. 4, translation by author)

Excluding the Canal Zone, the majority of land on the urban periphery (much of which is today an integral part of the city) belonged to a few families whose descendants comprise Panama’s contemporary oligarchy. Before the advent of the city’s subdivisions, the land had either lain vacant or been used for cattle ranching, an activity that benefitted only those with enough capital to finance the land, labor, feed, and livestock necessary for operations. Thus, the urban periphery was an integral part of the bourgeois’ assets. Outward expansion was impelled by the commercialization – and subdivision – of land, as real estate pressures drove up the exchange value of these assets. Unlike the productive coffee fields surrounding San José in Costa Rica, Panama City’s urban periphery is surrounded by mangroves, marshland, and nutrient-poor pastureland. Panama’s “urban oligarchy did not carry out any significant agricultural activities outside the city, with which the city expanded toward these unproductive rural estates” (Uribe, 1989, p. 9). In addition to the fact that the lands immediately surrounding the city were largely unsuitable for agriculture, those who did engage in rural livelihoods had very little power over the land.

As Maurer and Yu note, “the countryside continued to be occupied by peasants who generally lacked formal title to their land and lacked access to capital or modern agricultural technology” (2011, p. 267). This profound divide between Panama’s rural economy and the urbanized transit corridor may also explain why Panama to this day has the highest level of income inequality in Central America, as measured by the Gini
coefficient (UNDP, 2009). According to Gloria Rudolf, this precedent was established by the Spanish Crown, which

had retained ownership of all lands on the isthmus. It granted some large tracts to favored subjects and continued the communal tradition of Panama’s indigenous peoples by selling some lands to villages to be owned collectively. Most lands, however, remained untitled (tierras baldias) and in the public domain; the crown recognized the fight of small farmers to use, but not own, as much as they needed. When Panama became an independent republic in 1903, all its lands reverted back to the state until owners revalidated their claims. Since the cost of doing so was prohibitive for the vast majority of campesina/os, the government continued to retain most of the country’s surface; as late as 1970, this amounted to close to 90 percent. (1999, p. 23)

This legacy continued to have implications for Panama’s poor into the 20th century. To make matters worse for rural Panamanians,

wealthy Panamanian farmers appropriated almost a million hectares of government-held lands between 1950 and 1980, using them to graze cattle, plant commercial crops for export, or simply sit idle or underutilized. Campesinas/os, 85 of who did not hold legal title to the lands they worked, were left with access to less land and food, at the same time that their numbers were increasing. (ibid, p. 24)

Although the government of Omar Torrijos had attempted redistributive land reform beginning in the 1960s, this was to little avail on a grand scale, as the largest and most valuable tracts were firmly in the grip of Panama’s oligarchy.

Another important factor that enabled the rapid outward expansion of Panama City was a scarcity of developable land. As Uribe writes, “virtually from the outset, Panama City also acquired a trait that would determine its structure and characterize its
urban culture: the scarcity of land available for expansion” (2007, p. 44). The foundations of Panama City had been established on a small peninsula that was intentionally bounded by natural barriers such as rocky tidal flats and marshland, so as to prevent invasion from any direction. At the time, it was unlikely that any thought was given to the possibility of the city’s expansion to anything approximating its current size. Much of La Exposición (Calidonia), the first planned annex to the original city, was built on reclaimed marshland, and the contemporary street grid reflects the fact that many of the city’s low-lying valleys and estuaries were leapfrogged, only to be filled in later as population pressures made these lands commercially viable. Figure 5.34 shows how the expansion of La Exposición was limited by marshland (highlighted in red).

![Figure 5.34: The extent of Panama City in 1943, source unknown [marsh highlighting by author]](image)

Given that Panama experiences torrential rains for much of the year, building in low-lying areas was avoided so as to mitigate the risk of seasonal flooding. Furthermore, flat, low-lying areas are prone to accumulating stagnant rainwater, which serves as a

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73 To this day, many low-lying infill areas of the city flood during heavy rains.
breeding ground for mosquitos and thus vector-borne diseases. Conversely, hilly areas away from the waterfront were not much better, as denuded slopes are prone to landslides as the soil gives way during Panama’s annual storms.

Compounding the fact that much of the land available for expansion was unsuitable for construction, the city’s growth was limited considerably by the Canal Zone. As Panama City expanded to the north and northeast, urbanization took a very specific form, as constrained by the natural limitations of the land and the artificial limitations of the Zone. The pattern created by the Canal Zone’s existence becomes even more apparent when viewed further north of the original settlement, away from the Canal’s Pacific entrance. Much of the city’s “Y” shaped form derives from restrictions on the availability of developable land. The most significant of these restrictions was the imposition of the Panama Canal Zone, which created a five-mile wide buffer on each side of the canal lane. This had enormous implications for both the city and the country at large. Given that Panama City and Colon were located on the eastern side of the Canal, and that the bulk of the population was on the western side, Panama as a nation was effectively divided in half.

The imposition of the Canal Zone on Panama had significant implications for the form that the city was to take. Outside the Zone’s limits, Panama City was left to conform to the superimposed boundary drawn by U.S. authorities. To the west, the city could not expand due to the Canal Zone, and to the east and south the city’s expansion was constricted by the bay. Thus, the city expanded in a linear fashion to the northeast. The city’s expansion was limited to a 30° angle; at one point in the neighborhood of La
Exposición, there is only an 800 meter strip between the bay and the Canal Zone.

Figure 5.35 shows this northeasterly trajectory.

Figure 5.35: Contrast of 1911 Map delimiting the Canal Zone and 2010 Satellite Image of Panama City [red lines added by author] (Image Courtesy of Google Maps)

The two images depict the show the same geographic extent, 99 years apart. The red line shows the limit of the Canal Zone, which separates the Republic of Panama from a zone that was controlled by the United States until 1999. The image on the left shows an incipient Panama City; to the right of the red line, the city extends only partly into El Chorrillo to the west and into El Marañon to the north. The Canal Zone, although delimited, has yet to be reformulated into the civilian-military complex that it would become, as evidenced by the Curundu River’s sinuous meanders. The image on the right shows the same fundamental city/Canal Zone dichotomy, but with a considerably more complex built environment. On the right lies the Panamanian city, built up over more than a hundred years of urban growth. The Casco Viejo is visible on the bottom
right, but continuous urbanization does not distinguish it from the neighborhoods of El Chorrillo to the west, or Santa Ana to the north. To the left of the red line, one can make out the airstrip, which was built as part of Albrook Air Force Station, but now serves as the country’s principal domestic airport. To the east of the runway is an elongated, yellow roof, which is the domestic bus terminal, and to the southwest of the runway, the large impervious surface marks the port of Balboa.

A second comparison in figure 5.36, applying a declassified military map from 1947, reveals the growth boundary between the Panamanian city and the American city even further.

Figure 5.36: Contrast of 1947 Map delimiting the Canal Zone and 2010 Satellite Image of Panama City [yellow polygon on right added by author] (Image Courtesy of Google Maps)

In both photos, the Panamanian city is represented by a yellow polygon. By 1947, the civilian and military installations built by the U.S. government in the Canal Zone are

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74 Note the new coastal highway built on reclaimed land to the east of the yellow polygon on the satellite image.
visible on the map to the left. The airstrip at Albrook appears in the northwest section of the maps, connected to a series of taxiways and aprons that would eventually make way for the national bus terminal, and the adjacent shopping mall. The “company town” of Balboa appears just below the airport, sandwiched between the two hills, indicated by the concentric contour lines. On the satellite image from 2010 on the right, the superimposed yellow polygon overlays the high-density Panamanian city. The degree to which this section of the city has been saturated by urban growth is apparent here, as the street grid spans the entire district without any major gaps.

Moving further north, figure 5.37 shows a northern area of Panama City as it expanded parallel to the Canal Zone east of the red line.

![Aerial Imagery Depicting Former Canal Zone (Left) and Panama City (Right) in 2010](image)

Figure 5.37: Aerial imagery depicting former Canal Zone (left) and Panama City (right) in 2010 [red line drawn by author]

Figure 5.37 shows a clear pattern with respect to the impact of the imposition of the Canal Zone. The *Corredor Norte* highway, which parallels the red line in the image was only added after reversion, and much of the forestland has been converted into
Metropolitan Park, which preserves the Canal Zone in both the physical sense as well as the symbolic sense, insofar as a clear boundary still exists.

Within a capitalist framework, scarcity drives up demand for a specific good, which in turn drives up the price. This is particularly true with real estate, as there should be a near perfect correlation between increases in available housing units and increases in population. Thus, in a city whose physical expansion has been encumbered, despite a continuously rising population, the property market is and always has been a lucrative business.

A third factor that created the preconditions for rapid urban growth has been the decades-long promulgation of neoliberal governance, particularly with regard to urbanization and housing policy. Neoliberal governance is characterized by an increasing “rolling back” of the state in favor of private interests. The underlying logic is that markets are better regulatory mechanisms than the state and that competition fosters economic benefits that ultimately distribute resources in the most efficient manner possible. These assumptions take root in the classic economic theories of Smith (1776), Ricardo (1817), and more recently von Hayek (1944).

Neoliberalism has advanced on a global scale since the latter part of the 1960s. A fundamental tenet of neoliberalism is a strong system of private property rights. As Harvey puts it,

neoliberals are assiduous in seeking the privatization of assets. The absence of clear private property rights – as in many developing countries – is seen as one of the greatest of all institutional barriers to economic development and the improvement of human welfare. (1997 [1995], p. 65)
Neoliberal governments categorically eschew central planning (hence, Panama’s chaotic urban form) in favor of private interests motivated by profit.

The onset of neoliberalism in Panama occurred in the early 1980s. Riddled by one of the highest per capita public debt ratios, the government implemented a series of structural adjustments to trim public expenditure, as suggested by the IMF and the World Bank (Rudolf, 1999; Zimbalist & Weeks, 1990). Mass privatization really took shape with the election of Guillermo Endara in 1989, the country’s first democratically elected president in a decade.\textsuperscript{75} Mass privatization proceeded throughout the 1990s, and by the end of the decade nearly all public utilities had been privatized.

With regard to property rights, the implication of Panama’s adoption of neoliberal governance is strong state support of private interests and minimal public intervention. This would imply that the state overtly supports the interests of the landed class which, as I have shown, is one and the same as Panama’s oligarchy. Thought it is only since the 1980s that the Panamanian state has formally advocated private property interests, the \textit{de facto} reality is that this has been the case for nearly a century. After private lands were appropriated for the creation of La Exposición in 1912, for example, resentment by the bourgeois establishment ensured that never again did a government attempt to appropriate private lands for the public good (Uribe, 2007).\textsuperscript{76}

Panama’s most recent outward expansion has been enabled by a neoliberal housing policy. Specifically, Law #44 of 1990 provided incentives for the private

\textsuperscript{75} Technically speaking, there had been elections throughout the 1980s, but the military dictatorship acted as the \textit{de facto} government until the Endara administration.

\textsuperscript{76} The result of this has been the chaotic street grid that resulted from a complete lack of urban planning. There are only a few neighborhoods with regular grids, and large-scale private development has ensured that subdivisions are disconnected from one another, separated by walls, fences, or drainage gullies.
construction of low-income housing by providing subsidies in the form of interest
deductions on mortgages. Although the state had previously advocated private land
interests, the construction of low-income housing was a function that had previously
been monopolized by the Ministry of Housing. Law #50 of 1999 further incentivized the
private construction of low-income housing by providing a tax credit of 4% off the
maximum interest rate to lending institutions on home loans between $25,000 and
$62,500, and a credit of 5% for loans under $25,000. The limit has since been raised to
$80,000 but the objective of providing housing to Panama's working class remains the
same.

Beyond explicit incentives in the form of tax credits, the private construction of
suburbs has been further enabled by the lax regulatory framework that is consistent with
neoliberal logic. As revealed in a face-to-face interview, planners at the Ministry of
Housing admit to being at least “5 years behind” in terms of zoning norms. Planning
oversight is split between numerous ministries and the fact that Panama City’s
comprehensive “metropolitan plan” is non-binding further enables builders to cut corners
in order to maximize profit. Thus, the mass-produced housing units in the city’s suburbs
feature little to no street interconnectivity, minimal public space, and a poor integration
of uses.

Conclusion

In this chapter, I have focused on the outward expansion of Panama City as one
specific component of the city’s rapid growth. Although my analysis focuses on the

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77 There is a provision that 15% of a housing development must be dedicated to public space, but the
reality is that these spaces are often built on the most marginal (i.e. swampy/steep) portion of the parcel
and are often unused by residents.
growth that has transpired in Panama City since 2000, I trace the lineage of the city’s development back to the origins of the modern city. I do this in order to understand the forces that precipitated the specific institutional preconditions which enabled rapid growth at the dawn of the 21st century.

Panama City began as a small settlement at the terminus of one of the world’s major interoceanic trade routes. Since the beginning of the 20th century, the city has expanded outward to the northeast, and more recently the southwest, as constrained by numerous natural and artificial physical limitations. To the west, the city’s growth was constricted by the Canal Zone, while riparian and littoral boundaries inhibited the city from expanding southward or eastward in an even manner. As a result, the city’s expansion was fragmented (Uribe, 1989), and despite the relatively low population density of Panama as a country, the city has historically been characterized by dense urbanization.

From a very early stage, Panama City’s outward expansion was driven almost exclusively by private interests. Panama’s history as a commercial intermediary has ensured that agriculture has never been one of its productive industries. This resulted in a concentration of power in the country’s main commercial corridor (i.e. Panama City and Colon). The implications of this were that land in Panama has historically been treated as a commercial asset rather than as a means of production. The majority of the private property was concentrated in the hands of Panama’s elite, which created the preconditions for outward expansion through formal, economic channels. Panama’s land tenure system combined with the scarcity of urban lands drove up land values and led to high densities at the urban center.
As the city expanded outward, the urban center was “hollowed out” because both private interests and state policy were directed toward developing fresh peri-urban lands rather than improving or modifying existing areas of the city. As I will show in the next chapter, this has begun to change but – as is the case with outward growth – the process has been driven by private interests with state support. Individuals, particularly in the working class, have been categorically excluded from the development process, as the political economy of the real estate industry, the difficulty of overcoming bureaucratic hurdles (i.e. titling), and economies of scale have rendered the system dominated by large actors with deep pockets.

The preconditions that allowed to the city to grow as it did were framed by a neoliberal state policy. To be clear, this is distinct from a capitalist state policy in which private competition is encouraged but the role of the state is not minimized. Panama City has, practically since its foundation, been a capitalist city, and state-led attempts at planning and land distribution have been all but absent. Since the 1980s, Panama’s neoliberal governance framework has relegated the job of urban planning to the private sector and as a result urbanization has been driven by private interests and characterized by a conspicuous lack of planning, as I will discuss in Chapter VIII.

In the next chapter, I will focus on the redevelopment of three of Panama City’s waterfront districts. The city’s waterfront has experienced a renaissance since 2000, and the process of redevelopment has been driven by many of the same processes that drove the outward expansion of the city.
Chapter VI: Change Along Panama City’s Waterfront

“The city curves along the Pacific ocean for 20km and sweeps into a brash skyline of new skyscrapers and cranes, a tropical Manhatten [sic] in the midst of a building boom”

-The Guardian (UK), December 10, 2007

Introduction

In the wake of Panama’s remarkable economic success, the transformation of Panama City’s waterfront areas has been one of the most notable processes to take place since 2000. Viewed during the day from a hillside in the city’s northeastern suburbs, the ocean is now almost completely blocked by a “wall” of high-rises, extending from Costa del Este in the east to Avenida Balboa in the west. Viewed at night, however, the scene tells a different story: many of the apartment towers are either dimly lit or completely dark, indicating that they are either unoccupied or under construction. Though a scarcity of land created the preconditions for high-density development from an early stage, the majority of the city’s tallest towers have been built since 2000.

This chapter serves to interpret and analyze how and why such rapid change occurred along Panama City’s waterfront. In neighborhoods such as Punta Paitilla, Punta Pacifica, Costa del Este, and Avenida Balboa, high-rise towers were erected with amazing rapidity, eliciting comparisons to Manhattan’s skyline (Carroll, 2007). In the colonial district of San Felipe, commonly known as the Casco Viejo, an archetype case of gentrification turned one of the city’s poorest, most decrepit neighborhoods into one increasingly characterized by refurbished buildings housing upscale restaurants,
condominiums, and tourist attractions. While the two phenomena – high-rise construction and "historic" neighborhood restoration – have very different material qualities, I will show that the two were essentially fuelled by the same processes and institutional preconditions.

Although providing data regarding all waterfront neighborhoods may have been ideal, I have chosen to concentrate specifically on just three: Casco Viejo, Punta Paitilla, and Avenida Balboa. These three together provide a reasonably comprehensive overview of the re-development that has occurred in Panama City, as each has distinct characteristics. The Casco Viejo is the oldest of the three, and has maintained a "colonial" feel, while Punta Paitilla is characterized almost exclusively by glassy high-end residential towers. Avenida Balboa is an eclectic mix of older, low-rise buildings and new, high-rise towers.
Figure 6.1 is an aerial shot of the city’s waterfront, as viewed from south to north. Though the neighborhoods appear to be close, in fact they are quite fragmented, as poor street connectivity and social barriers limit the interactions between the three.

This chapter draws heavily on parcel data derived from the national cadastral office. I recorded a total of 2266 real estate transactions from 468 parcels from 1990 to 2010. In addition, I draw from data gleaned from interviews, a comprehensive survey of high-rise buildings in the city, field observation, and some archival materials. In the next sections, I will provide a more detailed overview of each of these three neighborhoods, followed by an analysis of property transactions. I conclude by

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78 Data reflect transactions recorded as of June 2010.
interpreting the patterns of change and offering some rationale as to what specifically has created the preconditions for change along Panama City’s waterfront.

Overview of Change along Panama City’s Waterfront

Since approximately 2000, Panama City’s waterfront areas have been rapidly reconfigured by a nexus of public and private forces that I elucidate in this study. The city’s contemporary skyline resembles Singapore more so than the neighboring capital city of San José, despite maintaining an almost identical population and GDP per capita over time. The waterfront is lined with high-rise apartment towers and the cranes of buildings under construction in the wake of one of the largest construction booms in the region.

According to the most accurate available data set, there were 615 high-rise towers either completed, under construction, or proposed in 2010. Of these, 300 were completed, 124 were under construction, and 191 had been proposed. The borough with the highest proportion of high-rises was San Francisco, which includes the neighborhoods of Punta Paitilla and Punta Pacifica. Of the buildings with identifiable completion dates, 2007 (21%) and 2006 (16%) were the two most common years in which construction was finished. The majority of these high-rises are residential towers targeting high-end clientele. This contrasts sharply with the mass-produced residential towers of Moscow, Beijing, or Budapest, which were built cheaply to house the working poor.

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79 The data set was compiled by staff from the US Embassy and myself over a three week period in July of 2010. The list includes any identifiable building over 10 stories in height. In the case where there were multiple towers within one complex, each tower was counted separately. Data were aggregated from several data sheets from real estate professionals and academics and double-checked against alternative sources. For a building to be considered “under construction”, ground had to have been broken. “Proposed” included all buildings for which marked lots, real estate ads, or pre-sale websites could be identified. There is a strong possibility that many more had been proposed, but these projects may have left no paper trail if they fell through.
Many of these high-rises feature amenities such as gymnasiums, doormen, swimming pools, and tennis courts. The marketing tactics observed in Panama in many ways mirror those employed during condominium booms in North American cities such as Vancouver, Toronto, Miami, and Washington. As Knox writes “amenities are central to the marketing strategies of the large developers who have identified Washington's rapidly-expanding new bourgeoisie and new petite bourgeoisie as the most desirable segment of the residential construction market” (1991, p. 201). Another part of the developers’ marketing strategy was observed in the building names themselves. Of the 615 completed, under construction, or proposed high-rise towers, only 148 feature names that were exclusively in Spanish. 277 of these feature English-language names such as “The Atrium”, “Highland View”, or “Bayshore”; 41 feature mixed names such as “Sterling Plaza” or “Torre Allure”, while 149 feature International names (often in French and Italian) such as “Mediterrané”, “La Borgatta”, or “Rivage”.

As of writing, the transformation of Panama City’s waterfront is still underway. In the Casco Viejo, antique façades are propped up by steel I-beams while their interiors are gutted and installed with modern amenities. Along Avenida Balboa, high-end high-rises continue to replace modest, multi-story dwellings, while the rocky peninsula occupied by Punta Paitilla reaches a point of total saturation with residential towers. The next three sub-sections provide a more detailed overview of each of these neighborhoods before my analysis of land speculation.
Casco Viejo

The Casco Viejo – Spanish for “Old Quarter” – is Panama City’s oldest neighborhood. Formally called San Felipe, the neighborhood boasts the distinction of being the oldest continuously inhabited European city on the Pacific Coast of the Americas. The neighborhood dates back to 1673, when the city was rebuilt in the wake of the destruction and plunder of the original city in 1671. The site for this “new” city was chosen specifically because of its geographic situation on a rectangular peninsula. Surrounded by rocky shoals that were exposed by the twice-daily low tides, the Casco Viejo’s geographic situation ensured that invading ships could not attack the settlement directly. In order to further protect the settlement from attack, the Casco Viejo was fortified with 6 to 12 meter-high walls, parts of which still exist today (Tejeira-Davis, 2007).

In contrast to the chaotic pattern of development that characterizes contemporary Panama City, the Casco Viejo’s street grid is regular and orthogonal. Based on the Law of the Indies, the district’s parallel streets are intersected by three transversal avenues and centered about a main central square. Figure 6.2 is a map from 1716 showing the neighborhood’s layout, which to this day remains nearly identical.
What today is merely a small section of the Panama City was, for several hundred years, the bulk of the city’s urbanized area.

The Casco Viejo is characterized by a fairly eclectic mix of historical three- to four-story buildings. Architectural styles range from (Spanish) Colonial to Beaux Arts to Neo-Classical to Art Deco, depending on the period during which the individual buildings were built.\textsuperscript{80} The neighborhood is centered on Independence Square, which features the Municipal Palace, Metropolitan Cathedral (built between 1688-1796) – Panama’s most significant church – and the Interoceanic Canal Museum, which once

\textsuperscript{80} For an extensive review of the Casco Viejo’s architectural design, see Tejeira-Davis (2007) or Tejeira-Davis and Spadafora (2001). Many of the neighborhood’s buildings are in fact defined by one or more styles, including Neo-Classical, Neo-Renaissance, Andalucian, and Moorish adornments. One of the defining architectural attributes in the Casco Viejo is a protruding terrace which, beyond its role as a balcony, served to cover the sidewalk from Panama City’s heavy rains and hot sun.
served as the headquarters for the French Canal effort after initially being built as the Grand Hotel in 1875. Many of Panama’s government offices, including the Presidency of the Republic, the Ministry of Foreign Affairs, and the Ministry of Government are located in the neighborhood. Despite the numerous transformations that have occurred in the Casco Viejo over the years, the neighborhood’s buildings still house a range of activities, including institutional, residential, and commercial.

Though the district was once the premier neighborhood in the city, many of the Casco Viejo’s wealthier residents moved out after the city began to expand to the northeast (see previous chapter). Most affluent residents left the district for larger parcels (≥300 m²) in the city’s annexed areas such as La Exposición and Bella Vista between the 1920s and 1940s. Through the mid-20th century, the neighborhood came to be increasingly characterized by rental units for the city’s working class, and by the 1970s, the Casco Viejo had fallen into a state of advanced decay as absentee landlords failed to maintain their properties.

In 1973, President Omar Torrijos implemented a freeze on rents below $250/month. This had disastrous effects on the physical state of the Casco Viejo, as it deterred property owners from investing in the buildings they owned. Many of the buildings were abandoned and the large population of renters was supplemented by squatters. Given this availability of cheap and abandoned units, the Casco Viejo served as a “stepping stone” for migrants from Panama’s interior from the 1970s to the 1990s. Attempts by the Panamanian government in 1976, 1979, and 1982 to “restore” the neighborhood were met with only limited success, as they primarily targeted landmark buildings rather than the district as a whole.
Since the mid-1990s, the neighborhood has experienced a wholesale gentrification effort. The contemporary Casco Viejo features many restaurants, nightclubs, and coffee shops catering to tourists and other high-end consumers. Restored apartments sell for as much if not more as the Panama City’s premier residential neighborhoods such as Punta Paitilla and Costa del Este. Figure 6.3 depicts some of the fully “restored” residential units in the Casco Viejo’s northeast corner.

![Restored Spanish Revival Apartment Buildings in the Casco Viejo](photo by author)

In 1997, the Casco Viejo was declared a United Nations Educational, Scientific, and Cultural Organization (UNESCO) World Heritage Site. When the paperwork was submitted to UNESCO, only 5% of the structures in the districts were “reasonably conserved” and 70% were considerably deteriorated (Suman, 2008, p. 466). The same

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81 The yellow building on the left is home to renowned Panamanians salsa singer Ruben Blades
year, Decree #9 was passed, which fostered development through preferential mortgages, tax exonerations and the free importation of materials. Real estate transactions on historic buildings were exempted from transfer tax, and owners who constructed or restored a property within five years were exempted from capital gains taxes. The decree also delineated very specific parameters as to how and where restoration was to be implemented including specifications on building heights and style. Buildings were separated into four categories, which designated their historic “importance” and thus mandated how carefully restoration had to take place. A parastatal restoration commission – the Oficina del Casco Antiguo – was established shortly thereafter to oversee the neighborhood’s transformation.

The most immediate result of Decree-Law #9 was not the restoration of properties but rather rampant speculation. Realizing that properties were set to rise precipitously in value, speculators used the preferential loans to buy buildings rather than to improve them. Property values rose sharply after the 1990s (see following section) in the wake of the speculative boom that swept the Casco Viejo. Unlike the real estate frenzies that affected other parts of the city (particularly the outlying areas), speculation was carried out primarily by individuals rather than large corporations.

In concert with those involved in the political economy of Casco Viejo real estate, city planners and urban boosters alike envision a “fully redeveloped” future for the district. Figure 6.4 shows the state of the neighborhood’s redevelopment effort as of November 2010.82 The map illustrates the fact that the Casco Viejo’s eastern sector

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82 The map was obtained from a prominent real estate developer in the district. Although the map’s superimposed polygons do not coincide with parcel boundaries, they are drawn to represent the
has been in the restoration process for several years longer than the less-polished western sector, as indicated by the abundance of buildings “under construction” or “on plans” west of the central plaza.

Figure 6.4: Map of Casco Viejo showing restored buildings and those planned for future redevelopment (Source: Patrizia Pinzón, Arco Properties)

Coordinated efforts between the Oficina del Casco Antiguo, local government, and actors in the private sector have made an overt attempt to transform the neighborhood, not only in physical terms but in ambiance as well. Formerly known by its formal name of San Felipe or “Catedral”, the neighborhood was rebranded as the “Old Quarter” and

approximate locations of various projects and the approximate footprint of each. In some cases, adjacent projects have been aggregated into a single polygon.

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subsequently as the “Antique Quarter”. The neighborhood hosts an annual Jazz Festival, as well as numerous cultural events throughout the year.

Efforts to recreate a “colonial” neighborhood mirroring the ambiance of similar sites have achieved mixed results. As Suman astutely notes,

during the past several decades, many civil and professional groups dreamed of the restoration of the Casco Antiguo and hoped that one day it would enjoy protection similar to Cartagena, Colombia; San Juan, Puerto Rico; or La Habana, Cuba. Their dreams were blocked by numerous factors: occupation of structures by poor residents who did not pay rent or protect the buildings, absentee owners who had no interest or incentive in maintaining their properties, lack of financial resources and a plan to channel restoration, and lack of government support for such a project. (2008, p. 438)

The gentrification process in the Casco Viejo, though well underway, is far from complete. Figure 6.5 reflects the character of much of the neighborhood, in which buildings have been cleared out and await a more robust facelift. Even on many of the main squares and avenues, many buildings remain empty.
Figure 6.5: Three Phases of property rehabilitation along Avenue “A” in the Casco Viejo during the Gentrification Process

Gentrification incorporates two primary migratory processes: the out-migration of poor residents and the in-migration of wealthy residents. Though displacing poor residents is not the overt intention of many property developers in the Casco Viejo, a rise in rent prices has impelled this process. Many of the neighborhood’s older residents have been evicted so as to vacate buildings for refurbishment. To be sure, the district’s population dropped 33% between 1990 and 2000, and more recent census data – when available – is likely to reflect another drop in population since 2000. Many of the evictions were promulgated under the pretense of gang eradication (Torres, 2006), but gang violence is still a serious issue elsewhere in the city and has not been confronted with the same force. Although Decree-Law #9 includes an article to protect
renters, offering compensation in the event of an eviction, many of the Casco Viejo’s residents were squatters and thus received benefits after being evicted. More recent efforts, such as Law #4 of 2002, have stipulated the construction of low-income housing within the Casco Viejo, but given the enormous pressure of rising land values, these efforts have been relatively small-scale.

The gentrification of the Casco Viejo did not occur due to a shift in global consumer preferences or a sudden interest in historical restoration. Similar neighborhoods in San Juan, Havana, and Cartagena were “revitalized” much earlier on, or simply never allowed to fall into a state of disrepair. On the contrary, the renewed interest in the Casco Viejo was fuelled by private interests with economic motives. Despite the neighborhood’s recent renaissance, it has been primarily foreigners, rather than the wealthy Panamanians, who have driven investment in its bricks and mortar. According to a University of Panama professor who is an expert on the Casco Viejo, Latin Americans have been largely absent in the reformulation of the Casco Viejo, and while Panamanians have been involved in the development process, it has been mostly North Americans and Europeans who have bought into the neighborhood’s aesthetic. Backed by an enhanced set of state-led incentives, gentrification was driven by a strong profit motive, as I will demonstrate later in this chapter. This has been observed with other “textbook” cases of gentrification elsewhere; as Smith notes, “behind the heavily laden and redolent cultural appeals to a “new urban frontier” lies a more prosaic economic truth that gives the frontier imagery a semblance of legitimacy” (1996, p. 190).

Regardless of the outcome, the rapid transformation of the Casco Viejo is noteworthy, having attracted attention internationally from media such as the New York
Times (Pergament, 2008) and the Guardian (Baker, 2008). As the Guardian article describes it, “Panama City's Casco Viejo is as up-and-coming as it gets…it's a ramshackle maze of dimly lit residential streets and tumbledown colonial buildings” (ibid). Insofar as the neighborhood’s ongoing transformation has been dynamic, it is meritorious of inclusion in this case study of Panama City’s waterfront redevelopment.

Punta Paitilla

Situated on a rocky peninsula to the southeast of Panama City's Central Business District, Punta Paitilla is arguably the city’s most “modern” district, characterized by a mass of glassy high-rises catering to wealthy residents. According to ACOBIR – the Panamanian realtor’s association – new apartments in Punta Paitilla sell for up to $3000 per m², which translates to approximately $450,000 for a 150 m² family-sized apartment. The peninsula is a dense agglomeration of residential towers which serve as an integral part of the city's iconic image as a tropical Manhattan (Figure 6.6).

Figure 6.6: Punta Paitilla from across the bay, 2010 (photo by author)
In many ways, Punta Paitilla is emblematic of many of the different forces that have molded the contemporary urban fabric of Panama City. Significantly, the peninsula had been an exclave of the Canal Zone. In 1930, the U.S. government purchased the land for what was then a hefty sum of $160,000 (Uribe, 1989, p. 46) with the objective of creating an auxiliary landing strip to supplement Canal Zone operations. As a result of the U.S.’s operations, Punta Paitilla was “off limits” for land development until being transferred to the Panamanian government in 1958. Despite its waterfront location, which fell precisely along the northeast-ward trajectory of the city’s outward extension, American occupation ensured that the district was devoid of the organic growth that would have otherwise characterized it. As with other parts of the Canal Zone, the city’s expansion literally circumvented Punta Paitilla. After it was transferred to IVU – Panama’s embryonic housing institute and precursor to today’s Ministry of Housing – planners treated Punta Paitilla as a carte blanche upon which to superimpose a utopic housing community. Figure 6.7 shows an artist’s rendering from 1959, a “future” plan for Punta Paitilla as featured in Panama This Month, a popular English-language boosterist publication.
The current agglomeration of single-use residential towers is a far cry from the plan originally considered by IVU in 1959. According to IVU’s director at the time,

There has been no angle or possibility which we have not taken into consideration. Areas have been provided for schools, apartment houses, private homes, hotels for tourism, and even a site for the new Presidencia of the Republic (President’s Palace) has been chosen in the area...Paitilla Point has been planned so that it will become the most important piece of property in a country which boasts a progressive attitude and enchanting beauty. (de la Guardia, 1959, pp. 14-15)
Despite this rhetoric, development in Punta Paitilla was ultimately commandeered by private real estate interests, again, driven by profits rather than public interest. The presidential palace remained in the Casco Viejo and Punta Paitilla features very little other than residential towers. Instead of being converted into the mixed-use community that had been conceived, the peninsula is dominated by a single use: high-end residential housing. This occurred in spite of the fact that the entire peninsula had been initially converted to public, rather than private, domain.

Given the power that the real estate industry has historically wielded in Panama City, the fact that private interests were largely responsible for developing Punta Paitilla is hardly a surprise. However, the private sector does not operate in a vacuum. A high level of state support has always been behind commercial real estate interests in Panama, and Punta Paitilla was no different. According to an article published in *Panama This Month* from 1959, “in an attempt to attract foreign capital in taking part in this venture, IVU is practically giving away the land on which hotels will be built” (“A Peninsula in the City,”). The result of this land grab was a development frenzy led by private interests and fuelled by the potential for enormous profits, as I show in the following section of this chapter.

The bulk of Punta Paitilla’s high-rise buildings were erected between the early 1970s and the present day. After the land was transferred from U.S. to Panamanian jurisdiction, IVU sold off parcels to private buyers over time. Those who acquired property were hesitant to begin immediate development, realizing the future potential for the land. The first set of high-rises was built between 1973 and 1976 in the wake of Panama’s absorption of footloose petrodollars through its banking sector. After a
relative lack of development through the 1980s, the construction began again in the 1990s as urban growth exerted upward pressure on land prices. The U.S.-built landing strip (figure 6.7) remained intact until 1997, when a multi-million dollar deal was brokered with the Mexican firm ICA to begin construction on a new toll road connecting the Panama City to Tocumen International Airport. After ICA was given the concession to build the new toll road, the air strip was razed\textsuperscript{83} and a new, high-end residential zone called Punta Pacifica was created in its place.\textsuperscript{84} Figures 6.8-6.9 represent similar perspectives (from the southeast) of Punta Pacifica – the eastern sector of Punta Paitilla – taken 20 years apart.

\textsuperscript{83} The airport, which serves as the country’s main domestic airport, was moved to the former site of Albrook Air Force Base in 1997 and currently
\textsuperscript{84} As of writing, Punta Pacifica is the site of the city’s newest, most exclusive residential towers. The district includes Trump Ocean Tower, a 70-story mixed-use megaproject set to be finished in 2011. Punta Pacifica is technically a part of Punta Paitilla, but was re-branded as Punta Pacifica after the airstrip was removed. Parcel data are not yet available for the district (hence the lack of empirical data) as all of the parcels were newly created in the late 1990s.
Punta Paitilla today is a virtual forest of glass and concrete, having been fully developed as the city’s premier residential district. 43 of the city’s 300 finished high-rise buildings are located among the two residential clusters that comprise Punta Paitilla. The neighborhood is home to the Union Club – the nation’s most exclusive social club –
as well as a number of high-end businesses such as spas and salons. The majority of Punta Paitilla’s buildings are an eclectic mix of postmodern styles. Although the neighborhood’s high-density character gives off the illusion of an “urban” environment framed around mass transit, urbanization was without a doubt framed around the incorporation of the automobile into daily use. This is evidenced by the fact that high-rise towers sit atop massive parking structures, often occupying nearly the whole parcel, and reaching up to more than 12 stories. Condominium towers in Punta Paitilla feature various configurations, ranging in size from around 100 m$^2$ to over 500 m$^2$ (or more in the case of penthouses), and from one apartment per floor (“toothpick” style) to six or more per floor.

The Landmark (figure 6.10) is one of many high-end towers in Punta Paitilla that has been finished since 2000.

Figure 6.10: Artist’s rendering of The Landmark (Source: http://www.multipanama.com)
Completed in 2010, the 38-story building features one 465 m² unit per floor. Each apartment has 3 bedrooms, 3.5 bathrooms, marble flooring, granite countertops, and a maid’s quarters. Apartments in The Landmark were being offered at just under a million dollars in when the building hit the market in 2010. Like many of the other buildings in Punta Paitilla, The Landmark’s residents are primarily Jewish Panamanians, as indicated by my interview data. Though The Landmark is considerably more expensive than the average building, it exhibits many of the qualities of Punta Paitilla’s other residential towers: a block-shaped parking structure on the bottom floors, a gym, sauna, and two swimming pools.

Since the beginning of the most recent condominium boom after 2000, Punta Paitilla has become saturated with projects like The Landmark. In contrast to other waterfront neighborhoods where the residential housing market has been geared toward expatriates, Punta Paitilla is an enclave of the Panamanian elite. Punta Paitilla is in many ways exemplary of trends in Panama’s high-end real estate construction, and serves as a valuable case study area for concentrating on the morphology in the city’s recent past.

Avenida Balboa

Running parallel to the ocean, Avenida Balboa is Panama City’s main point of contact with the Pacific Ocean. Avenida Balboa translates to “Balboa Avenue” in English, and is named after Vasco Nuñez de Balboa, the first European to traverse the

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85 The Landmark is located very close to Beth El Synagogue, which serves as the locus of Panama’s Ashkenazi Jewish community. Many of Panama’s most prominent developers and businessmen are Jewish, with roots in North America, South America, Europe, and the Middle East. Punta Paitilla features numerous Kosher restaurants and grocery stores.
Isthmus and thus recognize Panama’s significance as an interoceanic trade route. The avenue serves as the city’s malecon, similar in function to seaside esplanades found in Havana and other coastal cities in Latin America. Avenida Balboa spans the boroughs of La Exposición and Bella Vista, providing a pedestrian and vehicular link between the older boroughs of San Felipe and Santa Ana and the newer borough of San Francisco.

Prior to its “renaissance” as a high-end residential neighborhood, Avenida Balboa was home to a large number of institutional and commercial uses. In addition to the sprawling Santo Tomás Hospital complex, a drive down Avenida Balboa prior to the 1990s would have taken one past the American Embassy, a number of warehouses connected with the local fishing industry, and a few six- to 12-story buildings (figure 6.11).

Figure 6.11: Avenida Balboa ca. 1960 (Source: www.skyscrapercity.com)

86 The American Embassy has been relocated to Clayton in the reverted Canal Zone areas.
Since 2008, Avenida Balboa has been almost fully transformed by the construction of a new coastal highway called the Cinta Costera. The purported objective of the $189 million megaproject has been to alleviate traffic congestion and to create new public space for pedestrian use along the waterfront. The first phase of the Cinta Costera, which augmented the four-lane Avenida Balboa, was completed in 2009 due in large part to the availability of large quantities of material extracted from the new Panama Canal shipping lanes. The project replicated the model established by previous projects, such as the Amador Causeway, an artificially created peninsula connecting three outlying islands to the mainland, which utilized material excavated by Panama Canal construction. Figure 6.12 shows the Cinta Costera as viewed from one of the neighboring high-rises.

Figure 6.12: Aerial View of the Cinta Costera (Courtesy of José Montenegro)
In addition to the intended effects of traffic alleviation and the creation of public space, another implication – intended or not – was a positive effect on the local real estate market. Based on reports from local realtors, real estate along the Cinta Costera has increased sharply in value, thanks in large part to the “sanitizing” effect that a modern coastal highway has had on the neighborhood. The average asking price for a 150 m$^2$ unit is around $2,190 per m$^2$ (Davis, 2010), which is a several-fold increase from 2001, according to Panama’s Centro de Investigación Urbana. After a long period of transition toward light industrial, commercial, and institutional uses, Avenida Balboa has been reconfigured as a high-end residential enclave. Much of the re-development has taken the form of creative destruction (Harvey, 1989), in which one land use is replaced with a more productive (rent producing) use (figure 6.13).
The completion of the Cinta Costera heralded the neighborhood’s transformation as a high-end residential enclave in which there is no place for the warehouses that lined Avenida Balboa in the not-too-recent past. As a local real estate professional commented, “it’s iconic waterfront stretch includes a high-end residential and commercial district, the Cinta Costera (Coastal Beltway), the Calle Uruguay nightlife district, as well as MultiCentro Mall…it’s no secret that Avenida Balboa will continue to be the literal and figurative center of Panama City” (Davis, 2010). Such boosterism has swelled the supply of residential units that have been built, as an estimated 3396 new condominium units are estimated to be completed on Avenida Balboa by 2013 (ibid), supplementing the 1309 currently available.

In addition to developmentalist impulses of the private sector, the state has been an active agent in the reformulation of space. As with Punta Paitilla and other districts characterized by high-rise construction, the national government has encouraged the construction of new buildings along Avenida Balboa though developmentalist legislation. Law 44 of 1990 (instituted by the neoliberal reformist Present Ernesto Perez Balladares) established a 20-year tax exoneration on all new construction. The law has since been through a series of reforms, renewals, and amendments, but developers throughout the most active periods of growth in the 2000s continued to benefit from these incentives.

In contrast to Punta Paitilla, the high-rises that have been erected in Avenida Balboa cater primarily to foreigners. Interviewees from the real estate industry noted that many of these expatriates, who represent roughly 80% of the buyers in Avenida Balboa were from Canada and the U.S., and that since 2008 there has been a marked
influx of Venezuelans. Sky Tower (figure 6.14) is one of many buildings completed in the district since 2005.

Figure 6.14: Sky Tower in relation to the Cinta Costera (photo and red box by author)

Sky Tower features many of the same amenities offered by The Landmark: a swimming pool, ocean views, gym, and a social area that includes a movie theater. According to a realtor who has sold units in the building, apartments in Sky Tower have sold for $1800-$2300 per m², depending on the floor plan. Many of those who own apartments bought pre-construction from the developer, hoping that their purchases would continue to augment in price. The realtor added that many of these speculators had lost money on their purchases, noting that “the people that bought drank the Kool-Aid, you know?”

Lot by lot, the neighborhood has been transformed by intense concentrations of capital and real estate activity. This corridor is just one of the city’s many neighborhoods that has been radically altered since 2000. However, since Avenida Balboa includes both the phenomenon of re-development and that of high-rise construction, I consider to it to be emblematic of a greater trend in Panama City. In this
study, I refer to the district adjacent to this esplanade as Avenida Balboa. My analysis incorporates 184 parcels located up to two blocks from the actual waterfront. My intention was to include not only the parcels directly adjacent to Avenida Balboa but also those in the immediate vicinity so as to gauge real estate investment activity in the district. In the following section, I elaborate upon the metrics that I used to visualize and analyze real estate activity along Avenida Balboa as well as in the Casco Viejo and Punta Paitilla.

Other High-Growth Areas

The Casco Viejo, Punta Paitilla, and Avenida Balboa have all undergone considerable transitions in the post-2000 period. However, the reformulation of Panama City’s inner city is not limited to these three districts. A variety of projects in the form of high-rises, office parks, and other developments have transformed the built environment throughout the city and revalorized the urban lands. Notably, Costa del Este (figure 6.15), El Dorado, and San Francisco have been sites of intense investment and rapid change.

87 In Panama City, districts are often referred to by the names of prominent landmarks or streets. Thus, there are neighborhoods called “Einstein’s head” and “Uruguay street”, in reference to a statue and the informal name of a street, respectively.
Figure 6.15: High-rise construction in Costa del Este (photo by author)

Costa del Este, for example, is a large-scale master-planned community that includes single family housing, high-rise towers, and an office park that houses numerous prominent multinational companies such as Procter & Gamble and Copa Airlines. The development is located approximately 10km east of the city’s central business district (CBD), on a 300 hectare plot that served as the city landfill as recently as the 1990s.

El Dorado and San Francisco are more central within Panama City, located north and east of the city’s CBD, respectively (figure 6.16).
Figure 6.16: High-growth areas in the metropolitan context

Both El Dorado and San Francisco have witnessed a significant amount of high-rise development in the recent past, augmenting the medium-density single-family units that have characterized these neighborhoods since the 1970s and 1960s, respectively.

Though neighborhoods such as Costa del Este, El Dorado, and San Francisco can certainly be characterized as high-growth areas, I have chosen the Casco Viejo, Punta Paitilla, and Avenida Balboa for inclusion in this study for very specific reasons. First, in the case of Costa del Este, the data are too new. The majority of the development is not yet finished, and a parcel scale analysis would provide any significant data set. Second, though El Dorado and San Francisco have indeed been sites of great investment, the trend has not been as pronounced in monetary or visual
Much of El Dorado is saturated with middle-class housing that has not been significantly altered since 2000, and Punta Paitilla serves as a much better case of high-end development than the internally differentiated San Francisco, which also includes the working class neighborhoods of Carasquilla and Boca de la Caja.

**Cadastral Analysis of Change along Panama City’s Waterfront**

In light of the fact that the Casco Viejo, Punta Paitilla, and Avenida Balboa have undergone tremendous transformations since 2000, my hypothesis was that the majority of these changes have been rooted in speculative capital flows. Though each building has a unique story, there are general patterns from which overall trends can be extrapolated. In order to prove that this was the case, however, specific data had to be obtained that would show patterns of investment and real estate speculation.

My intention in choosing these three districts was to provide a holistic cross-section of change along Panama City’s waterfront. Prior to their reformulation in favor of high-end development, each of the three had a completely unique composition of land use. Table 6.1 describes the attributes of each neighborhood prior to the 1990s in qualitative terms.

<table>
<thead>
<tr>
<th></th>
<th>Casco Viejo</th>
<th>Punta Paitilla</th>
<th>Avenida Balboa</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First Developed</strong></td>
<td>1673</td>
<td>1959</td>
<td>1920s</td>
</tr>
<tr>
<td><strong>Availability of Vacant Lots</strong></td>
<td>Low</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Mix of Uses</strong></td>
<td>High</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td><strong>Mean Income of Residents</strong></td>
<td>Low</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Land Value</strong></td>
<td>Low</td>
<td>High</td>
<td>Medium</td>
</tr>
</tbody>
</table>

Table 6.1: Attributes of Waterfront Case Study Areas Prior to 1990
It is precisely for their differences that the three were selected. It is only though a careful interpretation of their developmental commonalities that the rationale for including these three variegated neighborhoods becomes apparent and analytically useful. A comparison of the three neighborhoods yields findings that can be comparatively analyzed and extrapolated to other parts of the city or even to other cities undergoing rapid urban growth.

Although it may have revealed a more detailed dataset, obtaining real estate data at the building scale did not prove to be a good method for several reasons. First, due to privacy concerns, building managers were reluctant to reveal the identities of the tenants and/or buyers. Second, public records were only available for transactions on land, rather than on individual apartments. This means that the identity of individuals or corporations purchasing apartments in these buildings was not publically available. Third, even if a buyer/seller could be identified, buyers in the Panamanian market often purchase property under the guise of a corporation to limit their liability and to obscure their assets.

Given that information on buildings/apartments was difficult to obtain, the next best indicator of real estate activity was information on individual parcels. Thanks in large part to Panama’s legacy as a “flag of convenience” country and as a corporate haven, the national Public Registry provides a robust set of data on ownership and transactions on all property and ships registered in the country. The Public Registry’s
information retrieval system allows users to search for property based on a variety of query inputs such as parcel number or the owner’s identification number.\textsuperscript{88}

After choosing to perform my analysis of land transactions in the Casco Viejo, Punta Paitilla, and Avenida Balboa, I selected smaller case study areas within each. Due to the sheer volume of information available, it was necessary to reduce the study area to a representative sample of parcels in each neighborhood. Despite the fact that there were significantly fewer parcels from the Casco Viejo, there were significantly more parcel transactions in the neighborhood—1041, compared to 745 for the parcels along Avenida Balboa and 480 on the parcels in Punta Paitilla. This stems from the fact that the laws encouraging restoration suspended the real estate transfer tax in the Casco Viejo and that parcels in the Casco Viejo are, on average, not only smaller than parcels elsewhere but also likely to be owned by multiple owners, requiring multiple transactions leading to the same sale or transfer. Of the three neighborhoods, the Casco Viejo was the one with the highest proportion of transactions by individuals, while Avenida Balboa had a much higher proportion of institutional and corporate purchasers and Punta Paitilla was almost an even split between individuals and corporations. Table 6.2 summarizes what percentage was represented by corporate, institutional, and institutional purchasers on transfers in the three neighborhoods.

\textsuperscript{88} Each Panamanian citizen has a “cedula” number, which serves as a national identification number.
Table 6.2: Breakdown by Type of Purchaser in Real Estate Transactions in Case Study Areas

<table>
<thead>
<tr>
<th></th>
<th>Individual</th>
<th>Institutional</th>
<th>Corporate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casco Viejo</td>
<td>76%</td>
<td>1%</td>
<td>23%</td>
</tr>
<tr>
<td>Punta Paitilla</td>
<td>50%</td>
<td>2%</td>
<td>48%</td>
</tr>
<tr>
<td>Avenida Balboa</td>
<td>34%</td>
<td>11%</td>
<td>55%</td>
</tr>
</tbody>
</table>

The statistics are indicative of the fact that many of the small parcels in the Casco Viejo were owned by families and subdivided among the family members as the parcel passed from one generation to the next, while much of the property in Avenida Balboa was owned by the government (institutions) and commercial outfits (corporate).

In order to interpret the temporal and spatial dimensions of land speculation, three specific metrics were selected for visualization: median transfer value of parcels per m$^2$, mean total value of all mortgages per parcel, and the mean number of transfers per parcel. Each of these was segmented temporally into three periods: 1990-1999, 2000-2005, and 2006-2010. Although the first of these is double the others, the relative lack of activity and small number of transfers required the data to be aggregated over this longer time period. Each of these three metrics provides insight into the spatio-temporal dynamics of land speculation.

The first of these metrics is median transfer value of parcels per m$^2$. I include this metric so as to gauge the value of land prices over time and space. Transfers are essentially sales, though sales are not necessarily done through transfers.\(^9\) Figure 6.17 indicates that the average transfer price per m$^2$ in the three case study areas was

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\(^9\) If a property is owned by a holding corporation, the corporation is often sold instead of the property itself so as to obfuscate the sale value. In many cases, one or more corporations are owned by a single individual, each having been formed for the sole purpose of a real estate transaction.
the highest in Punta Paitilla ($2062), followed by Avenida Balboa ($1779) and the Casco Viejo ($1689).

Figure 6.17: Median Parcel Transfer Value per m² in Casco Viejo, Avenida Balboa, and Punta Paitilla, 1990-2010

Considering that Punta Paitilla is and has historically been a high-end neighborhood, this trend is not surprising. What is intriguing, however, is that transfer values in the other two proved to be so high, given that both were relatively run-down districts in the early 1990s.

Figures 6.18 - 6.20 show the spatial and temporal distributions of parcel acquisitions between 1990 and 2010, segmented into three time frames. The overall trend indicates that parcel values rose over time, and that the sharpest increase in

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Note: The circles representing values for transfer value per m² and other metrics were generated using the proportional symbols function of visualization in ArcGIS. All symbols were generated using the same value range. Although they appear to misrepresent values between maps, they maintain areal proportions within maps.
values was between the 1990s and the early 2000s in the Casco Viejo and Punta Paitilla, and between the early 2000s and late 2000s in Avenida Balboa.

Figure 6.18: Median Parcel Transfer Value per m² in Casco Viejo, Avenida Balboa, and Punta Paitilla, 1990-1999

Figure 6.19: Median Parcel Transfer Value per m² in Casco Viejo, Avenida Balboa, and Punta Paitilla, 2000-2005
The increase in median transfer value in the Casco Viejo, from $494 to $3013, can be explained by two key factors: the district’s acquisition of UNESCO status and a finite number of available parcels with “historic” character. Parcel value continued to increase in Avenida Balboa as the redevelopment “rolled out” (Graham, 2000) westward along the coastal esplanade. As Punta Paitilla became largely saturated with development, Avenida Balboa and Casco Viejo were viewed as the “new urban frontiers”, with untapped potential for development and profits (N. Smith, 1996).

In order to gauge the intensity of development, I explored the spatio-temporal dimensions of mortgages per parcel. Given that most construction projects were contingent upon access to financing, and that information regarding mortgages was

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91 The data reflect the sum of all of the mortgages – inflation adjusted to 2009 values – on each property. Averages were derived from non-zero values only. Thus, properties to which mortgages were not linked were not included in the statistics.
openly available in the Public Registry, the value of the mortgages linked to a parcel
was highly indicative of the intensity of development. This differs from the previous
metrics in two important ways. First, it indicates land development (construction) rather
than merely land speculation (purchases). Of what is publically available, mortgage
value is the only metric from which building information can be logically inferred from
land/parcel data. Total mortgage value provides a good measure of how intensely
properties were developed. Second, mortgage data focus on absolute, rather than
relative value. These statistics have not been normalized by m\(^2\) and thus reflect the
absolute level of investment on a parcel. Although this masks the fact that certain
districts are marked by larger parcel sizes, normalization would obscure the absolute
value of the edifice being built, renovated, or planned on each parcel.

Figure 6.21 indicates that Avenida Balboa was the area with by far the most
intense new land development. Given the relatively lax zoning norms in the district, developers viewed it as somewhat of a carte blanche for development and of the three
neighborhoods it was the one that transformed the most in physical character.

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92 The exception to this would be construction that was privately financed without formal credit.
93 Both Punta Paitilla and the Casco Viejo have special zoning codes which restrict the type of
development that can take place. In the Casco Viejo, for example, buildings may not exceed four stories.
Although median transfer value per m\(^2\) was approximately even between the three districts, average mortgage value was not. An immediate assumption might be that parcels in Avenida Balboa are simply larger, given that the data are non-normalized. However, this is not entirely the case, as parcels in Punta Paitilla were on average much larger (1227 m\(^2\)) than Avenida Balboa (734 m\(^2\)). Parcels in the Casco Viejo were smaller (357 m\(^2\)), and since high-rise development is prohibited it is only logical that investment in buildings would be less concentrated on a parcel-by-parcel basis.

When disaggregated by time period, however, the same data reveal finer spatial and temporal patterns. Figures 6.22-6.24 indicate that land development was most intense in the period between 2000 and 2005. They further reveal that while property development diminished after 2005 in Punta Paitilla and the Casco Viejo, development
actually increased in Avenida Balboa, confirming the southwestward “roll” of property
development and investment.

Figure 6.22: Average Total Mortgage Value per parcel in Casco Viejo, Avenida Balboa, and Punta
Paitilla, 1990-1999

Figure 6.23: Average Total Mortgage Value per parcel in Casco Viejo, Avenida Balboa, and Punta
Paitilla, 2000-2005
Figure 6.24: Average Total Mortgage Value per parcel in Casco Viejo, Avenida Balboa, and Punta Paitilla, 2006-2010

Average mortgage values rose overall as land speculation turned into the construction of housing units. Though the scope and scale of construction differs from one neighborhood to the next, a clear upward trend indicates an increased intensity of land exploitation.

A third metric that I applied to gauge the intensity of property investment was the number of transfers, which essentially corresponds to property sales. The underlying logic was that property transfers occur with greater frequency where land values are perceived to be rising in value and/or there is a greater propensity for profits to be gleaned from new construction. As Figure 6.25 indicates, the Casco Viejo was the neighborhood with the most transfers per parcel, followed by Avenida Balboa and Punta Paitilla.
When segmented by time period, the spatial and temporal patterns were in many ways consistent with the previously established trends. There was very little real estate activity in the 1990-1999 period. The volume of transfers then peaked in the 2000-2005 period, and slowed slightly in the 2006-2010 period. As Figures 6.26 – 6.28 indicate, the Casco Viejo was the site of the most intense real estate activity. After a peak in activity in the early 2000s, Avenida Balboa continued to be the site of relatively intense real estate activity in the post-2005 period.
Figure 6.26: Average Number of Transfers per parcel in Casco Viejo, Avenida Balboa, and Punta Paitilla, 1990-1999

Figure 6.27: Average Number of Transfers per parcel in Casco Viejo, Avenida Balboa, and Punta Paitilla, 2000-2005
Figure 6.28: Average Number of Transfers per parcel in Casco Viejo, Avenida Balboa, and Punta Paitilla, 2006-2010

As the three data sets indicate, there were both observed spatial and temporal trends in the applied metrics. In a broad sense, real estate activity peaked in the early 2000s in the Casco Viejo and Punta Paitilla, while it increased in Avenida Balboa into the latter half of the 2000s.

Interpretation of Cadastral Data

In figures 6.17 – 6.28, I have shown that – despite retaining vastly different characteristics – each of the three waterfront neighborhoods were sites of intense transformations attributable to capital investment. As rapidly increasing demand exerted upward pressure on prices, speculative activity rose over time, and the cumulative sum of many property transactions at the parcel scale translated to great changes at the neighborhood scale. Once land values stopped rising (as was the case
with Punta Paitilla and Casco Viejo), speculative activity also slowed. Thus, despite the fact that the Casco Viejo is far from completed as a restored, “historic” neighborhood, diminishing returns on investment have ensured that activity has slowed, both in terms of property transfers and investment in construction.

The data provide a very plausible explanation for the Casco Viejo’s sudden awakening; the district’s decrepit state had devalorized property values so much that the profit margins gained from the sale of “historical” properties was – at least for the period between 1990 and 2010 – higher than other neighborhoods. As Figure 6.29 shows, the Casco Viejo featured the highest increase in transfer value between 1990 and 2010.

![Figure 6.29: Ratio of Highest to Lowest Transfer Value per m² in the Casco Viejo, Avenida Balboa, and Punta Paitilla, 2006-2010](image)
This also explains why the restoration process has been slow. After property speculation had run its course in Punta Paitilla and Avenida Balboa, developers could further maximize profits by erecting high-rises that effectively sub-divided the property even further among the building’s owners. Given the high cost of restoring a property in the Casco Viejo and the diseconomies of scale implicated by its small, irregular parcels, developers have been much more keen to seek profits from the sale of parcels rather than involving themselves in a cumbersome restoration process. While the profits margins were lower on land in Punta Paitilla and Avenida Balboa, the prospect of erecting a high-rise tower unencumbered by architectural restrictions motivated developers to carry out fewer parcel transfers but more mortgage activity (i.e. construction). In the following section, I will interpret these trends as they fall within the scope of urban growth in Panama City.

**Analysis of Change along Panama City’s Waterfront**

The redevelopment of the city’s waterfront areas is in many ways analogous to the city’s outward expansion, resulting from a strong system of private land tenure, a scarcity of urban land, and state-led development initiatives that assist the private sector. Although outward expansion (sprawl) and center-city development are often seen as dialectical processes, particularly in the United States, I argue that the two were induced by the same three preconditions.

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94 Restoration of buildings in the Casco Viejo is subject to much more stringent regulations that elsewhere. No building in the Casco Viejo may be demolished completely, and façades must be kept as-is (excepting cosmetic improvements). Buildings may not exceed original building heights and in no case may exceed four stories. Regulations are enforced by the Oficina del Casco Antiguo, and historical restoration that meets their requirements is considerably more expensive per m² than less rigorous renovations.
With regard to Panama’s system of land tenure favoring private interests, figures 6.17-6.29 very clearly show that private interests were involved in large-scale redevelopment in the Casco Viejo, Punta Paitilla, and Avenida Balboa. Though the neighborhoods have emphatically different qualities, investment in both land and new construction followed very similar trajectories. In the Casco Viejo, the interests of private owners have been evidenced in the high number of property transfers (nearly one transfer per property in a 20-year period) and the concurrent eviction of resident squatters. Despite a chronic low-end housing shortage (as evidenced by the widespread construction of cheap, suburban homes on the urban periphery), many of the Casco Viejo’s residents have left in response to pressure from the real estate industry. In most cases, these residents dispersed to other urban slums such as El Marañon or El Chorrillo (see figure 6.30) or outlying areas (Porras, 2008, p. 399). Social housing has been implemented only insofar as it serves the teleological drive to refurbish the neighborhood’s faded character.
In Punta Paitilla, Panama’s land tenure system is reflected in the fact that the entire neighborhood went from entirely public to almost entirely private in a matter of 40 years. 98% of the transactions in my Punta Paitilla sample were performed by either corporate or individual owners, despite the fact that the peninsula had once been heralded as a state-led tourism project that would generate jobs and tax revenue. “Highest and best use” has meant high-end residential buildings in Punta Paitilla, as each added story translates to increased profit margins for developers.

In the case of Avenida Balboa, the construction of the Cinta Costera has added significant value its oceanfront properties. The commensurate rise in property value has been captured not by those created that value – taxpayers who funded the new coastal highway – but rather by those who were able to benefit from property ownership in the neighborhood. This is reflected in the fact that, of the three samples, Avenida
Balboa had the highest number of property transfers and the highest-value mortgages in the 2006-2010 period.

The transformation of Panama City’s waterfront was also greatly influenced by a scarcity of urban land and poor road infrastructure. Land prices have historically been highest along the city’s main commercial corridors and in the city’s central residential and commercial districts. Unlike North America, where highways led outward urban growth beginning in the 1930s, Panama City’s only limited-access urban highways were completed in 2000 and 2009 respectively. Panama’s economic boom created great demand for centralized, high-end housing in the capital city and Casco Viejo, Punta Paitilla, and Avenida Balboa were transformed as a result. Thus, the processes of outward growth and waterfront growth are linked thought the displacement of working class residents from one place to another.

The actors within Panama City’s real estate industry are resolutely supported by the Panamanian state through both explicit and tacit channels. Evidence of the state’s developmentalist purview is abundant. In terms of explicit support, the government has offered developers a variety of tax incentives for both new construction and the refurbishment of “historic” buildings. Although incentives in the form of tax abatements and exonerations indeed encourage private investment, the profit-driven model often deviates from the socially driven goals of the state. The data indicate that in the Casco Viejo, where the transfer tax was lifted, the transfer (i.e. sale) of parcels was more intense than elsewhere.
In addition, the Panamanian state provides tacit incentives in the form of lax land use regulations. Panama’s land use controls have historically been *laissez-faire*. The only evidence to the contrary is a set of restrictions on “historical” redevelopment in the Casco Viejo, and even those are only recent and aimed largely toward aesthetic enhancement. Evidence from Punta Paitilla suggests that long-term planning was abandoned in favor of privatized development and changes in land use in Avenida Balboa implicate a similar absence of stringent land use controls. The relative absence of master planning or guidelines for development ensure that the built environment will reflect the bottom line rather than the public good (Porras, 2008; Uribe, 1989). This can be further evidenced in the lack of public space or mixed-use development in Punta Paitilla and in the expulsion of squatters in the Casco Viejo.

In light of this body of evidence, I argue that it is a fundamentally neoliberal logic that drives Panama’s developmental framework. The Panamanian state has evidenced both explicit and tacit support in favor of real estate interests. Panama’s oligarchy has historically been involved in commerce – including real estate – rather than agriculture, as was the case in so many Latin American countries. This left a legacy of a well-developed real estate sector with strong state support. Since approximately 1990, the city’s growth has been predicated on this strategy and, as I suggest in the next chapter, accelerated after 2000 due to certain triggers.

**Conclusion**

The rapid urban growth that has occurred in Panama City since 2000 has had radical implications for the city’s waterfront districts. An influx of capital led to rampant
land speculation and construction, much of it in the form of high-end residential high-rises. Vast portions of the city’s waterfront were transformed within the span of a decade. This transformation was led by private developers supported by a neoliberal state.

Although Panama City has a number of central neighborhoods that were affected by rapid urban growth, I have chosen to concentrate on three specific neighborhoods, each of which is representative of a different aspect of the development process. The oldest of these – the Casco Viejo – is a colonial-era neighborhood that has witnessed a full-scale facelift vis-à-vis pseudo-historic renovation. The cultural renaissance of the neighborhood has been accompanied by the gentrification process, radically altering the Casco Viejo’s social composition. The city’s seaside esplanade – Avenida Balboa – has been transformed from a mixed-use neighborhood to a high-end residential zone. A line of high-rise towers has been erected in the wake of the construction of the Cinta Costera in 2008, the city’s new coastal highway. Punta Paitilla, which has served as one of the city’s most elite residential zones since the 1970s was further populated with high-rise towers, deviating from the neighborhood’s original designation as a mixed-use recreational area.

The rapid changes that occurred in these three neighborhoods were driven primarily by private interests. To investigate this phenomenon, I derived data from sample areas in each of the three and examined all recorded property transactions since 1990. The data show a sharp rise in transfer value between the 1990s and the 2006-2010 period. Transfer (sale) values rose most sharply in the Casco Viejo, where years of neglect rendered the housing stock considerably undervalued. Avenida
Balboa’s transfer prices increased most between the 2000-2005 period and the 2006-2010 period, as an availability of “underutilized” parcels kept investment in the district strong. Total mortgage values, which indicate the intensity of construction activity, have risen in all three since the 1990s. Construction in Avenida Balboa continued to increase in the post-2005 period, as indicated by ever-rising mortgage values, while construction slowed slightly as the Casco Viejo and Punta Paitilla reached their saturation points.

Property speculation was the most prevalent in the Casco Viejo, as land had been devalued by a lack of investment since the 1970s. This was further reinforced by tax incentives, which included the removal of transfer tax on the district’s historic properties. As prices rose, speculation slowed in the Casco Viejo, where building height restrictions limited the number of units that could be built on one parcel. By the same token, transfer activity remained strong in Avenida Balboa, given the availability of large lots suitable for high-rise construction.

The large-scale transformation that occurred in the city’s waterfront neighborhoods has been propelled by many of the same processes that caused the city’s outward expansion. One of the most important factors was Panama’s real estate industry, which has typically been commanded by Panama’s oligarchy. Furthermore, given the relative scarcity of urban land, property has historically been an important asset of the Panamanian elite. That Panama’s land tenure system favors private interests is evidenced in the fact that public spaces are virtually absent from Punta Paitilla and that informal residents have had to vacate the Casco Viejo.
The Panamanian state supports and reinforces private control of property through a neoliberal development policy. Evidence of this comes in the form of laws promoting private-sector construction and development with tax incentives. Panama’s *laissez-faire* approach to development is also tacitly manifest through lax land use controls and a virtual absence of urban planning. As I will show in the next chapter, a variety of factors converged in the period after 2000, which caused rapid urban growth along Panama City’s waterfront and elsewhere. However, it was the historical development of the political economy of Panamanian real estate that allowed that to happen. Both public and private entities were responsible for the preconditions underlying the city’s growth and the recent growth boom was a result of that historical legacy.
Chapter VII: Growth Factors

Introduction

In the past two substantive chapters, I have documented the rapid urban growth that occurred both on the city’s periphery and along the city’s waterfront in the post-2000 period. My data indicates that concentrated capital investment was responsible for this growth; this contrasts sharply with urban expansion elsewhere in the global South that is driven in large part by the construction of informal settlements. Data from my cadastral analysis indicates that there was intense land speculation, particularly in the 2000-2005 period, coupled with investment in the construction of new residential buildings, especially where unencumbered by zoning. I suggest that this sudden growth was the result of certain institutional pre-conditions, namely a well-developed real estate industry; an artificially created scarcity of land; and explicit and implicit government support for private developers.

Having established the patterns of and preconditions for rapid urban growth, it is now necessary to consider the triggers that precipitated such a cataclysmic change. Establishing certain preconditions for growth is, in and of itself, an insufficient explanation for why growth occurred. If that were the case, urban governments around the world would scramble to position their cities to receive the same impulse of growth. The temporal convergence of several factors was in fact responsible for Panama City’s rapid growth. In this chapter, I will define those factors and explain how each contributed to urban growth. In short, I have established how, and now I will establish why.
Rather than being attributable to one single trigger, rapid urban growth in Panama City was caused by a combination of factors. The most obvious factor was the handover of the Panama Canal and the adjacent Canal Zone, which transferred approximately 1400 km² from U.S. to Panamanian jurisdiction. Much of the infrastructure within the Canal Zone was converted into productive economic assets that impelled urban growth. Though there is no direct measure of the economic impact of the handover, newly acquired infrastructure and land in the reverted areas have been converted into a range of projects, including ports, science & office parks, and new recreational & cultural areas.

This chapter is divided into two sections. First, I provide an overview of domestic factors that affected urban growth. In addition to the handover of the Panama Canal, domestic economic growth led by foreign investment and a strong service sector translated into investment in real estate. In the second section, I present exogenous factors. Numerous changes in the global economy and hemispheric geopolitics had strong implications for Panama. The convergence of these factors led to a concentration of investment in Panama, driven by the potential for profits and/or the secure harboring of capital.

My intention in this chapter is to establish the link between Panama City and the global economy. The city is and always has been internationally connected via the Canal and other intermediary functions. However, as globalization has reconfigured the global economy over time, Panama’s role within it has changed as well. Panama has benefitted enormously from the effects of the World Trade Organization (WTO) and other free trade institutions and treaties, as globally liberalized trade has translated to
increased traffic through Panama’s ports, the Canal, and the Colon Free Zone. My aim in this chapter is not to provide a laundry list of factors, but rather to explain which domestic and international factors led to urban growth. This link between Panama City and the global economy is critical to my interpretation of the city as a relational city, a concept that I will develop in Chapter IX.

**Domestic Growth Factors**

Urban growth in Panama City was triggered by two domestic factors: the handover of the Canal & Canal Zone\(^{95}\), and growth in service industries. Though I have titled these “domestic” factors, in reality both were caused by either foreign investment (growth in services) or foreign disinvestment (the handover). This establishes an even tighter link between Panama and the global economy, given that even domestic factors are internationally connected. For the purposes of segmenting this chapter, however, I have divided the growth triggers into domestic and exogenous factors.

**Handover of the Panama Canal**

The handover of the Panama Canal from U.S. to Panamanian control was a long and much-contested process. Despite the fact that the Canal is an integral part of Panama’s national identity, it was controlled by the U.S. government for the first 86 years of its history. At noon on December 31\(^{st}\), 1999, the jointly operated Panama Canal Commission (PCC) ceded full control over the Canal to the Panama Canal Authority (ACP). For the first time in history, the Canal was under full Panamanian jurisdiction. The handover process had been set in motion more than 20 years earlier,

\(^{95}\) I refer to the “former Canal Zone”, the “Canal Zone”, and the “reverted areas” interchangeably.
with the ratification of the Torrijos-Carter Treaties in 1977. Between 1979 and 1999, control over Canal operations and jurisdiction over the Canal Zone was transferred to Panamanian jurisdiction, culminating with the full transfer of the Canal.

The most apparent benefit of the handover was the Panamanian state’s sudden absorption of operational profits. The Hay-Bunau-Varilla Treaty of 1903 had stipulated that the Panamanian state was to receive an annual rent payment of $250,000. Though the annuity had been augmented to $430,000 in 1933 and $1.93 million by 1955, this paled in comparison the profits that could be obtained from the Canal’s operation as a commercial thoroughfare. Virtually overnight, Panama went from being a de facto colony to the proprietor of one of the hemisphere’s most strategic (and profitable) transit routes. The handover of the Canal not only allowed the Panamanian state to reap benefits from collecting tolls, but also created a plethora of jobs. As of August 2010, the ACP had approximately 8200 full-time employees and 1600 part-time employees (Rodriguez Reyes, 2010), many of whom are well-paid engineers, pilots, and operations managers.

When the Torrijos-Carter Treaties were signed, commercial maritime traffic was a fraction of what it would become in the years to follow, as global trade flourished on an exponentially greater level after the WTO was established in 1995 (discussed in the following section). Thus, in a tremendous stroke of serendipity, the Canal gained a new economic importance after it had been signed away by the U.S. government. The Canal lost its strategic importance in U.S. military operations in the post-WWII period, as naval power gave way to aircraft and a new class of warships outsized the dimensions of the Canal’s locks. Thus, from the 1950s onward, the Canal was of only
marginal use to the U.S., and its control was primarily geopolitical in purpose. The Canal's military role had been marginalized, yet it was still not an economic asset. The legal framework that had established U.S. control over the Canal ensured that revenue from tolls was, as predictably as possible, to cover its operating cost and nothing more (Barnett & Ruben, 2005). Thus the U.S. was legally prohibited from profiting from Canal operations. As a representative from the Inter-American Development Bank (IADB) commented in an interview, the U.S. often “cut the grass twice in the same day” for the purpose of squandering operations revenue. In fact, the Canal operated at a net loss from 1968 throughout the majority of the years leading up to the handover (Barnett & Ruben, 2005).

As the Panamanian state gained control over the Canal, profitability was one of the key principles upon which the new era of operations was predicated. Between 1999 and 2009, Canal toll revenue increased from $588 million to $1.44 billion, an increase of 170%, after adjusting for inflation. After gaining full control of Canal operations, the ACP systematically redesigned the toll rate structure in 2002 and 2003. In 2005, a new category was established for container ships in response to the changing dimensions of global trade (ibid). In the 2009-2010 fiscal year, $839 million were transferred from the ACP to the national treasury. As a result, Panama’s debt-to-GDP ratio has been reduced to 45% in 2009, down from over 80% in the 1980s, and much lower than the same measure in the U.S. (53%) or the U.K. (68%). In the words of one of Panama’s most prominent businessmen, Panama inherited a “renewable environmentally friendly oil well”.
Reversion of the Canal Zone

In addition to the Canal itself, the transfer of the Canal Zone was a tremendous boon to Panama. During the 97 years of U.S. occupation in Panama, the country was effectively divided in two by the Canal Zone, which served three purposes: as a local sociopolitical buffer; as a means of fortifying the Canal against invasion; and as a means by which to preserve the Canal’s watershed area, which is critical to operations.

The reversion of the Canal Zone allowed Panama – for the first time in history – to function as a truly sovereign and independent state. Panamanian politics were no longer (officially) tied to the demands of Washington and the country’s main transit corridor was no longer occupied by gringos. In addition to these political consequences, however, there were serious material implications. In the 20 years leading up to 1999, the U.S. transferred 1432 km$^2$ of territory, which included 14 military bases and 7200 buildings, to the Panamanian state. In 1999, these assets were valued by the Inter-American Development Bank at a minimum of $4 billion (IADB, 1999). The transfer occurred gradually, and the largest and most valuable assets were ceded last, in 1995 and 1999 respectively. With the U.S. withdrawal approaching, the Interoceanic Regional Authority (ARI) was established in 1993 to oversee the transfer of everything within the Canal Zone, including administrative buildings, barracks, ports, airports, and a robust array of other military and civilian facilities (figure 7.1).
ARI subdivided the reverted areas to benefit the Panamanian state: some parcels were sold to private buyers, some were held by the state for institutional uses, and other areas were preserved as national parks. The task of parceling off the Canal Zone was quite large, given that none of the property had previously been privately held. In the end, the transfer of the Canal Zone was very fortunate for Panama; the state “inherited” first-class infrastructural stock and at the same time gained two new revenue streams: the Canal and the surrounding land and infrastructure.

Both during and after the reversion process, it was not immediately clear how to use all of the infrastructure. After having inherited an area four times larger than the Panama City metropolitan area, putting it all to productive use proved rather difficult. The reversion proved fairly straightforward in the case of housing and forestland. Much of the housing stock was sold off to private buyers and much of the Canal Zone’s forestland became Metropolitan Park and Soberanía National Park. However, given
that Panama abolished its military in 1990\textsuperscript{96}, the Zone’s military bases had to be creatively converted to civilian uses.

The 14 converted bases were located throughout the Canal Zone. On the Caribbean side (Colon) of the isthmus, installations such as Fort Gullick, Fort Davis, and Fort Sherman were either abandoned or put to marginal use due to their distance from Panama City. On the Pacific side, however, the story was quite different. The handover of Forts Kobbe, Amador, and Clayton, and Albrook and Howard Air Force Bases, all of which are contiguous with the metropolitan area, provided the foundation for a number of ambitious megaprojects. Figures 7.2 and 7.3 show the relative location of Caribbean (Atlantic) and Pacific side military installations, respectively.

\textsuperscript{96} Panama became the 2\textsuperscript{nd} Latin America to abolish its standing army, after Costa Rica. It still maintains a Panamanian Public Force, which consists of several branches, including the National Police and the National Border Service.
Figure 7.2: Military Bases on the Caribbean (Atlantic) Side of the Panama Canal Zone (Source: Ormsby, 2009)
Occupying the former site of Fort Clayton, one of the flagship projects created in the reverted areas is City of Knowledge. Located just a few kilometers from the heart of Panama City on a site of 296 hectares, City of Knowledge (Ciudad del Saber in
Spanish) fulfills a national initiative to create a not-for-profit center for learning and enlightenment, similar to a university campus but with the structure of a science or office park (figure 7.4).

![City of Knowledge (Former Fort Clayton)](photo by author)

City of Knowledge was established by Executive Order 6 of 1998 as a not-for-profit foundation. The foundation’s administration is comprised of different units, each contributing to a different facet of the overall goals of the project: the Academic Department; the International Technopark of Panama; International Organizations, Cooperation, and non-government organizations (NGOs); and the Panama Business Accelerator. City of Knowledge caters to a mix of NGOs, supranational organizations, and information technology corporations, rather than exclusively for-profit corporations.

City of Knowledge is home to approximately 160 different organizations, corporations, and government entities (table 7.1).
<table>
<thead>
<tr>
<th>Type</th>
<th>Number</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schools &amp; Academic</td>
<td>12</td>
<td>Florida State Univ., Health Research Intern.</td>
</tr>
<tr>
<td>Bioscience</td>
<td>8</td>
<td>GlaxoSmithKline, Medistem Panama</td>
</tr>
<tr>
<td>Commercial</td>
<td>27</td>
<td>Banco General, Digicel, Telecarrier</td>
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<tr>
<td>Government</td>
<td>9</td>
<td>National Secretariat for Science and Technology</td>
</tr>
<tr>
<td>Hotel</td>
<td>1</td>
<td>Holiday Inn</td>
</tr>
<tr>
<td>Organizations</td>
<td>46</td>
<td>UNDP, World Food Programme, Peace Corps</td>
</tr>
<tr>
<td>Information Technology</td>
<td>53</td>
<td>Cable Onda, Core Laboratories Panama, Arango Software</td>
</tr>
<tr>
<td>Others</td>
<td>3</td>
<td>Club Kiwanis</td>
</tr>
</tbody>
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Table 7.1: City of Knowledge Users (Source: Internal Directory)

The project provides customized infrastructure to its clients, including fiber-optic connectivity, guaranteed utility service (ensured by redundant\textsuperscript{97} electrical connectivity), and limited tax and immigration benefits. Significantly, there are numerous regional headquarters of the United Nations (UN) housed on site, including the UN Development Programme (UNDP); UN Children’s Fund (UNICEF); UN Environmental Programme (UNEP); World Food Programme (WFP); and the Food and Agriculture Organization (FAO), among others. Panama provides stability for these organizations without having to sacrifice proximity to the rest of Latin America. UNICEF moved its regional headquarters Panama from Bogota, Colombia, citing insecurity as its main motivation for moving, while UNEP moved from Mexico for similar reasons. This created somewhat of a domino effect, and the WFP followed suit after others had already relocated to City of Knowledge. There are currently rumors that the UN itself may be establishing its first-ever regional office in Panama.

\textsuperscript{97}Redundancy is an engineering term that refers to systems that are backed up for reliability. In the case of the systems within City of Knowledge, there is connectivity to at least two power sources so that if one fails, the other prevents a power failure.
Another significant project in the reverted areas is Panama Pacifico, which was created on the former sites of Howard Air Force Base and Fort Kobbe (figure 7.3). The project occupies a 1400 hectare site, located just a few miles west of Panama City, at the Pacific entrance to the Canal. The project is being developed in phases by the London & Regional Company, a firm whose past projects include the Victoria and Alfred Waterfront in Cape Town (see Ferreira and Visser 2007) and numerous high-end properties in London and Moscow. Based on a recommendation from the International Finance Corporation of the World Bank Group, the state decided to award a comprehensive 40-year contract to develop the land without selling it outright in parcels or issuing an operating concession. This would allow the state to sell the project off in phases, benefitting from the land appreciation caused by temporally staggered investments. Corporations operating within Panama Pacifico receive a host of incentives including liberalized (and less stringent) labor codes, limited taxation, and streamlined processing, eliminating bureaucratic hurdles found outside its gates.

When finished, Panama Pacifico will feature one million square meters of commercial space; 20,000 homes; parks and recreational spaces; retail centers; hotels; a celebrity-designed championship golf course; and will create 20,000 new jobs. The project uses some of the existing infrastructure from the bases, including a runway, hangars, and a supporting internal road network. As a result, it features numerous unique attributes such as a private airport, a dedicated media production area, and a garden city-like environment. The project’s promoters bill it as a “best practices

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98 Given that the project has not yet come to fruition, there are various estimates of how many jobs Panama Pacifico will create. Although the London & Regional company claims 40,000, I have provided a more conservative figure provided by the independent assessment of the International Finance Corporation.
laboratory” for the future, indicating that trial-and-error figures into the recipe in creating a sustainable yet growth-friendly model.

Beyond these ambitious mixed-use projects, other converted bases were used to provide commercial, recreational, and institutional space for an expanding city. Located just a few hundred meters from the commercial hub of Panama City, the conversion of Albrook Air Force Base opened up much-needed space near the city center. After the base’s transfer in 1995, the airport was converted into Marcos Gelabert Airport, which became the country’s primary domestic airport. By parceling off the site of the old airport in Punta Paitilla, the Panamanian government was able to finance a new highway project that would have otherwise been unfeasible economically. In addition to the conversion of Albrook’s airport, an adjacent parcel was used for the construction of the country’s new national bus terminal and the Albrook Mall—Panama’s largest shopping mall, which today employs approximately the same number of people as the ACP, according to its website (http://www.albrookmall.com/).

Approximately two kilometers south of Albrook, Fort Amador occupied a narrow, manmade peninsula extending out into the Pacific Ocean. The fort’s primary purpose was to protect the Canal entrance from attack. This “causeway” had initially been built as a breakwater to protect ships entering the Canal and as a link to three heavily fortified outlying islands. Since Amador’s de-commissioning, the area has been transformed into a hub for tourism, culture, and recreation (figure 7.5).
Far removed from its role as a military garrison, the Amador Causeway today provides a link to the newly built yacht clubs and restaurants on the three outlying islands. A row of large buildings that once served as officers' housing now serves as one of the city’s most vibrant nightclub districts, and the bunkers of Isla Naos, which used to house artillery, are now the site of one of the Smithsonian’s tropical research centers. Plans for the future include Panama’s Biodiversity museum, which is currently under construction (figure 7.6).

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These include the Balboa, Flamenco, and Amador Yacht clubs, which cater to local boat owners, as well as visiting vessels pre- or post-canal transit.
The museum was designed by reknowned architect Frank Gehry, and will showcase Panama’s flora and fauna as well its interoceanic and interhemispheric role in protecting biodiversity.

From a growth-oriented perspective, one of the major acquisitions within the Canal Zone was the land itself. The new territory gave the city some “breathing room” to expand beyond its constricted boundaries. Although the majority of the land was converted into specialized uses, a few much-needed projects were carried out in the land adjacent to the city, including a new highway to Colon and a second bridge linking the eastern and western halves of the country (figure 7.7).
A final acquisition in the reversion process was the Canal Zone’s port areas. Given that the U.S. was unable to profit from the Canal, infrastructure was limited to that which was necessary for operations. With the Canal’s reincarnation as a profit-driven enterprise, the political philosophy guiding its economic role has been completely reoriented. In the wake of a spike in global trade, the goal is to advance as much cargo across the isthmus by whatever means possible. In light of the fact that the Panama Canal operates at full capacity and that 40% of the world’s container ships are post-Panamax in dimension, the Panama Canal Railroad Company currently serves as a supplement to the Canal’s ability to shunt container cargo from one end of the isthmus.
to the other. It is for precisely this reason that a major Canal expansion project is currently underway (discussed in the next section).

Panama’s four major ports – Balboa, Cristobal, Colon, and Manzanillo – which are all located within the reverted areas, have flourished in the post-2000 period. The port of Balboa, located on the Pacific (Panama City) side of the isthmus handles the most traffic of the four—approximately 1.1 million containers in 2009. The other three ports, located on the Caribbean (Colon) side of the isthmus, handle approximately 200,000; 300,000; and 800,000, respectively (Yee Da Silva, 2010). Though the base infrastructure for each was built by the U.S., all have been considerably modified since the reversion.

The port of Balboa had been built by the U.S. as part of the Canal Zone and served as the only modern port facility on the Pacific coast of the Americas between Mexico and Peru. After being reverted, the Panamanian government granted a concession in 1997 to Hutchison Whampoa – a Fortune 500 company based in Hong Kong that controls 51 ports in 25 countries – to operate the port. Renovations were completed in 2000 to reflect the port’s new role in supporting global container traffic and the port now serves as the busiest container port in Central America, and the second busiest in Latin America after Santos in Brazil. Across the isthmus in Colon, the port of Cristobal is Balboa’s counterpart.

Located on the site of the U.S. Navy submarine base at Coco Solo, the Colon Container Terminal bills itself as the “transshipment hub of the Americas”. Operated by Evergreen – a Taiwanese shipping company – the port was refitted in 1997 and again
upgraded in 2003 and 2008. The adjacent Manzanillo International Terminal is Panama’s largest port on the Caribbean side. The port is operated by Stevedoring Services of America (SSA Marine), a subsidiary of the Seattle-based Carrix corporation. Manzanillo is located adjacent to the Colon Free Zone, and primarily functions for loading/unloading transshipments through the Zone.

Of the four major ports in the reverted areas, all were established by the U.S. and retrofitted by foreign companies. All of the ports’ primary function is the transshipment of goods and each plays a vital role in the edification of Panama’s intermediary economy. All have been transformed since 1997 and have grown as a result of global, rather than domestic, demand. As a result of the ports’ newfound economic role, cargo volume through Panama’s ports more than doubled from 2000 to 2008 (figure 7.8).

Figure 7.8: Total Registered Cargo Movement through Panama’s Ports by Year (Source: Contraloria, 2009a)
The positive growth in Panama’s ports has been a significant benefit of the reversion of the Canal Zone. This increase in cargo volume has translated into economic growth, which has created demand for new commercial and residential space and thus has triggered urban growth. However, the handover was not the only economic growth factor to affect Panama in the post-2000 period.

Rapid Growth in the Panamanian Economy

Panama’s unparalleled economic growth since 2004 has been another key factor influencing demand for residential and commercial space.

Figure 7.9: GDP Growth Rate by year, 1997-2009 (Source: Contraloría, 2010)

Economic growth in Panama has been driven largely by foreign investment. A large proportion of this was investment in the former Canal Zone. The reverted areas’ ports,
science & office parks, and infrastructure have all been sites of concentrate investment since the end of the 1990s.

Service exports were the largest factor in driving economic growth. Between 2003 and 2008, exports grew at a 14.0% annual rate, led by the Canal, the Colon Free Zone, Panama’s ports, tourism, professional services, and international banking. According to economist and former president Barletta (2004), Panama’s economic boom, the longest sustained growth period since the 1960’s, was due to 1) the positioning of export activities, mainly services, over the last thirty years to 2) take advantage of favorable world growth and 3) policy decisions of the Government to complement the policy framework advanced in the 1990s.

As Barletta notes\textsuperscript{100}, the Panamanian government explicitly supported the growth with policy decisions. This suggests that although much Panama’s economic success had to do with the fortunate handover of the Canal Zone, domestic growth was also generated through government policy.

Specifically, investment in three realms led economic growth: corporate headquartering, the Colon Free Zone, and the expansion of the Panama Canal. Partially due to Panama’s dollarized economy and neoliberal governance framework, the country is an ideal location for foreign corporations to conduct business speaking in strictly economic terms. In order to attract foreign corporations, the Panamanian government passed Law #41 in 2007. This “Headquarter Law” encourages multinational corporations to relocate to Panama – both within and outside of special

\textsuperscript{100} The quote appears in chapter 10 of “Latin American Business Cultures”, Crane and Rizowy (eds.). Exact page numbers are unknown as I was given the chapter as an MS Word file by Dr. Barletta directly.
economic zones – with income tax benefits for executives and additional liberalized labor laws. Incentives include capital gains tax exemptions, sales tax exemptions, and exemptions from income tax and social security contributions for middle and upper management. The law’s “one stop window service” for immigration also ensures that all foreign personnel receive rapid visa processing. As such, multinational corporations are double-incentivized by both regressive taxation and business-friendly legislation. The law targets large multinationals, as the minimum required capital investment in Panama for relocating corporations is $2 million, and $200 million for the corporation overall. As of November 2010, more than 40 major corporations including Nestlé, Sinopec, Procter and Gamble, Dell, and Caterpillar had already moved significant corporate operations to Panama and several others are in the approval process. This has translated to an estimated $2 billion in FDI in Panama (Lasso, 2010).

This global increase in trade also translated into growth in the Colon Free Zone, whose primary economic function is the re-exportation of goods throughout the Americas. Despite the fact that it is located across the isthmus in the city of Colon, growth in the Free Zone has undoubtedly impacted the economic fortunes of Panama City. Given the fact that the city of Colon has been in a steady state of physical and economic decline since approximately the 1950s, many of the Free Zone’s employees and visitors arrive from Panama City. The most recent statistics (1999) indicate that more than 25% of the Colon Free Zone’s employees lived in Panamá province. Though more recent data is unavailable, it is likely that the percentage is even higher today with the completion of the Corredor Norte toll road, which has cut travel time from Colon to Panama City in half. In 2009, it handled a total of $8.5 billion in imports and $10.6 in
exports and generated $2.7 billion in revenue, making it the largest free-trade zone in
the western hemisphere and the second largest in the world, after Hong Kong. The
Free Zone has expanded considerably in the recent past, as the number of jobs it
provides has increased from 11,000 to 30,000 since 1990. This growth has had a
substantial impact in the Panamanian economy and – due to the Free Zone’s intimate
connection with Panama City – urban growth on the Pacific side of the isthmus.

Perhaps one of the most significant factors affecting economic growth of Panama
City has been the expansion of the Panama Canal, a $5.25 billion project is scheduled to
be finished in 2014. The Canal expansion is slated to double the Canal’s annual
capacity and, provided demand remains equal or greater to current levels, the increased
capacity will translate to a precipitous rise in income for the Panamanian state. Since
the project has begun, it has had a tangible impact on Panama’s economy and thus on
Panama City. As of April 2010, the expansion project had created more than 3000 jobs
and was expected to create at least 3000 more (De León, 2010). Although temporary in
nature, this has served as yet another factor in the sudden economic success of
Panama and the capital city’s rapid urban growth.

Though Panama City’s rapid urban growth was indeed triggered by domestic
phenomena, most of these were in some way linked to the global economy. Although
the handover of the Panama Canal was a domestic event, it was initiated by the U.S.
More significantly, however, the economic benefits from the Canal and the reverted
areas have been derived from direct linkages to the global economy. Panama’s Canal,
ports, and special enterprise zones (such as City of Knowledge and Panama Pacífico)
have been successful only insofar as foreign commerce and investment has made them
so. Thus, domestic growth factors are insufficient explanations for urban growth in Panama City in and-of themselves. It is only when greater global and regional phenomena are considered that the phenomenon can be adequately situated.

**Exogenous Growth Factors**

Although Panama City is the country’s capital and primate city, the factors driving urban growth – the Canal, the transformation of the reverted areas, and the recent economy dynamism – are all intimately linked to global phenomena. In this section, I will explore two specific processes – global economic integration and regional instability – that have spurred investment in Panama.

**Global Integration**

As Friedman (2007 [2005]) explained in his acclaimed book, *The World is Flat*, the world has been increasingly integrated by information technologies and a shifting balance of power. Geographic barriers that for the majority of human history limited the mobility of goods and people have been overcome both physically, with modern transportation technologies, and metaphysically, by complex communication systems. Harvey (1989) refers to this phenomenon as “space-time compression”, implying that technology has obliterated not only spatial boundaries but also the temporal limitations imposed by pre-modern technologies. Other regarded scholars argue that the expansion of the European political-economic system (Hardt & Negri, 2000; Wallerstein, 1976b) has created a giant world-system, replacing a fragmented structure characterized by regional differentiation.
Though there are many perspectives framing globalization, a common strand is that the world is becoming increasingly integrated economically. One of the many consequences of global economic integration that has impacted Panama profoundly has been an aggregate increase in global commerce. Figure 7.10 shows the increase in the volume of global trade of manufactures, fuel & mining products, and agricultural products since 1950 (where volume in 1950=100).

As Figure 7.10 indicates, the global economy has been marked by sharp increases in trade, particularly in the post-1975 period. Between 1950 and 2009, global exports increased by an average of 6.0% annually. While trade in agricultural products and fuels & mining products increased in volume by factors of 7.62 and 9.94 respectively, trade in manufactures increased by a factor of 57.54 during this time interval.
As aggregate global trade increased primarily in response to a profound geographic reorientation of global production, the advent of the WTO, NAFTA, and other free trade agreements liberalized both labor markets and consumer markets for producers. Much of global production was shifted from the global North to the global South, as new economic policies – due in large part to a wave of free trade agreements – lured producers with better profit margins. As Peet argues, the International Monetary Fund (IMF), World Bank, and WTO “govern an economy that their neoliberal ideology insists is best left institutionally ungoverned” (2007 [2003], p. 23). The end of an autarkic socialist system in the former Soviet Union and increasingly free-market policies in China have led this transition toward globally integrated production (and consumption) systems.

The reorganization of production systems toward a larger geographic scale was partially predicated on the availability of cheap transportation. Critical to this shift was the advent of containerization: the implementation of standardized containers in the global shipping industry. These containers, known in the logistics industry as Intermodal Transport Units (ITUs), are standardized metal boxes that are able to hold a diversity of goods from foodstuffs to manufactured goods to vehicles.

The first standardized shipping container was used in 1956 in a shipment from Newark, NJ to Houston, TX (Levinson, 2006). Until the widespread adoption of containers, bulk merchandise was carried by rail, truck, and freighter in irregular bundles that were difficult to transfer between modes of transport. In the past half-century, there has been a shift toward containerization of global trade, and by the late 1990s, roughly 90% of global trade was transported via purpose-built container ships.
Figure 7.11 shows the increasing importance of containers in global trade.

Figure 7.11: Global Container Traffic by Number of Container Ships (red), Tonnage (yellow), and Container Volume (green) (Source: ISL, 2006)

Levinson (2006) argues that it was the shipping container that drove transportation costs down far enough for China to emerge as the “workshop of the world”. Though other factors such as China’s liberalization and a massive surplus of unskilled labor clearly contributed to this phenomenon, goods produced an ocean away may not have found their way to American and European markets if not for the diminished cost of transport. The subsequent result has been not only an increase in aggregate global trade, but also in the variety of goods available to the common consumer. According to Levinson, “the United States imported four times as many

(Dicken, 2007, p. 82).
varieties of goods in 2002 as in 1972, generating a consumer benefit—not counted in official statistics—equal to nearly 3 percent of the entire economy” (2006, p. 3)

Given that Panama’s economic success is largely predicated upon its Canal, its ports, and the Colon Free Zone, this spike in global container traffic had major implications for the country. Increased global trade had a direct effect on the Panamanian economy as the strategic economic importance of the isthmus as a thoroughfare and the Free Zone’s role in the regional redistribution of goods (see figures 4.13-4.14) increased.

The global spike in manufactured exports has been complemented by a pronounced increase in global service exports. Though the two are closely linked, they are distinguished insofar as the former is situated in the secondary economic sector and the latter in the tertiary and quaternary sectors. Service exports include transport, financial services, construction, travel, communications, insurance, information technology, and other personal & recreational services. Panamanian service exports increased rapidly toward the end of the 20th Century, more than quadrupling from $337 billion to $1.4 trillion between 1980 and 2000. (UNCTAD, 2004). Although the rate slowed through the 1990s, growth in commercial service exports has remained strong at 9% for the 2000-2009 period (WTO, 2010).

As I have noted, Panama’s sustained economic success was largely based upon growth in service exports (Barletta, 2004). Panama’s core industries – commercial trade, banking, and producer services – are tertiary and quaternary services that cater to global clients. Approximately 80% of Panama’s exports are service exports, led by
strong linkages between its core industries and the global economy. Though Panama’s GDP growth has averaged 8.5% for the 2003-2008 period, growth in exports has been 14.0% for the same period. This evidences the fact that the Panamanian economy has responded strongly to global growth in both manufacturing and service exports. In the following section, I transition to the second exogenous factor that has triggered growth in Panama: regional instability.

Regional Instability

The countries of Latin America have, for the duration of their history, been characterized by economic and political instability. The region’s countries were carved out of the Spanish empire in the 19th Century and many have struggled to maintain political stability or consistent economic growth ever since. As Galeano writes,

Our part of the world, known today as Latin America, was precocious: it has specialized in losing ever since those remote times when Renaissance Europeans ventured across the ocean…it continues to exist at the service of others’ needs, as a source and reserve of oil and iron, of copper and meat, of fruit and coffee, and the raw materials and foods destined for rich countries which profit more from consuming them than Latin America does from producing them. (1997 [1971], p. 1)

Though Galeano’s account is certainly hyperbolic, it contains an underlying truth: the majority of the region’s countries have maintained a subordinate role in the world political system. Although Latin America has experienced remarkable economic growth, particularly since 1990, much of the region is still characterized by problems resulting from a long history of income inequality and chronic poverty.
After a long debt crisis in the 1980s, much of the region experienced relative economic prosperity throughout the 1990s as a result of structural adjustment programs. However, this came at the high cost of cuts in public expenditure, and as much-needed foreign direct investment flooded in, the region became even more dependent on foreign interests (Gwynne & Kay, 2004). This dependency created regional economic volatility, as evidenced by the pronounced financial crises in Mexico in 1994, Ecuador and Colombia in 1999, in Argentina in 2001, and most recently Venezuela in 2009. Although political and economic instability are fundamentally different phenomena, I discuss the two in conjunction here because their outcomes are the same as far as my analysis is concerned. Instability leads to uncertainty, and uncertainty leads to a loss of confidence. The result is an outflow of people and capital, seeking to find a safer place to live or invest.

The fact that Latin America has been the site of relatively constant instability is not significant in-and-of itself. Even Panama, under a decade-long authoritarian military regime, was politically unstable from 1981 until 1989. Despite Noriega’s un-democratic political tenure, however, he was politically right-leaning and Panama maintained a strong private sector. Thus, Panama has enjoyed relative political stability and absolute economic stability. Panama’s dollarized economy ensures that there is no risk of hyperinflation, a malady that has affected numerous regional economies in the recent past. Furthermore, since Noriega was ousted by the U.S. invasion in 1989, Panama has been ruled democratically by governments who have been explicitly supportive of capitalism and a free market economy. As such, Panama is an oasis of stability and free market capitalism in a region that has historically been characterized by instability.
Throughout the recent period of rapid urban growth in Panama City, both capital and people from surrounding countries have used Panama as a “safe haven”. The business elite of neighboring countries, principally Colombia and Venezuela, have come to regard Panama City as a good place to live and invest. Though this pattern holds true to a lesser degree for other countries in the region such as Ecuador and Bolivia, I will use Colombia and Venezuela as examples as they represent the lion’s share of investment and migration from Latin America. There are several factors that have influenced regional investors and migrants to choose Panama. The first of these is macroeconomic stability. Reports from the first half of 2010 indicate that Venezuela’s inflation rate was near 30%, meaning that assets were being lost at an astonishing rate. The Venezuelan government imposed limitations on the amount of US dollars that can be bought at one time, and as a result a large black market has developed for the purchase of US currency. The second factor is that the crime rate in Panama is much lower than in Colombia or Venezuela, creating a safer living environment. In the early 2000s, Colombia was destabilized by a civil war with the FARC and ELN rebel groups. As a result, there were 3706 reported kidnappings in 2000, 60% of which were attributed to one of the two rebel groups (Semple, 2001). Many of these kidnappings were violent and targeted those able to pay large ransoms. That same year, there were only recorded 12 kidnappings in Panama (Otero, 2001). More recently in 2009, Caracas had a murder rate of 22.7 per 100,000 for a total of more than 16,000 total murders. This parallels the rates of the U.S.’s most dangerous cities, such as Washington D.C. and Oakland, California. The total number of homicides in Venezuela

101 The United States is, and has historically been, Panama’s largest trading partner. However, this is primarily due to dependence on manufactured good from the U.S. and the trend has little to do with Panama’s stability within Latin America.
between 2007 and 2009 was nearly double the number that Mexico has tallied in the midst of a fierce drug war (Romero, 2010b). In 2009, Procter & Gamble relocated its entire Caracas office in to Panama in the wake of this recent political and economic uncertainty.

Third, investing in Panama provides protection against property expropriations. Given that property rights are considered sacrosanct in Panama, the risk of the Panamanian government expropriating assets or property without proper compensation is far less than in many other countries. Between January and November of 2010, President Hugo Chavez of Venezuela nationalized 207 private businesses (Romero, 2010a). The left-leaning Chavez has “declared war” on the business elite, and leaders with similar attitudes such as Bolivia’s Evo Morales have nationalized assets as well.

The Panamanian government is cognizant of its role as a regional safe haven and has created a special visa for investors. The so-called “self-solvency” visa is available to individuals who invest a minimum amount in a time deposit (CD) account, real estate, or a combination of the two. In 2003, at the beginning of the real estate boom, this amount was $150,001, but has since been raised to $200,000 and most recently to $300,000 in 2008. Interest income gained from CDs is non-taxable, and interest rates are comparable to what U.S. banks offer. After the first year, the investor, their spouse, and any dependents are entitled to apply for a residency permit, and after five years can apply for citizenship.

The role of the state in creating favorable preconditions for investment is critical to understanding the urban growth that occurred in Panama City after 2000. Since
2000, Panama has been a sovereign, democratic country in the region with a guaranteed stable currency and a growing economy. With the solvency visa, wealthy residents of neighboring countries can buy into Panama’s stability for their whole family. With rates of return parallel to the U.S. CD accounts and demand for real estate rising due to Panama’s economic success, investors from Colombia, Venezuela, and other Latin American countries have flooded into Panama to protect their wealth and their families’ well-being.

Until recently, many wealthy Latin American investors bought property in Miami and elsewhere in the United States (Hanks, 2004). Even Panamanians, unsure of their country’s future during the 1980s, invested in the U.S. As a prominent businessman commented during an interview, “[wealthy] Panamanians over 45 years old own property in Miami, but those under 45 do not”. As I explain in detail in Chapter IX, Miami in many ways resembles Panama in terms of its role within the Latin American economic system.

A large part of why Latin Americans have increasingly eschewed Miami and the U.S. has been a result of the attacks of September 11th, 2001, and the consequent Patriot Act. Under the umbrella of anti-terrorism measures, the Patriot Act was passed by the U.S. Congress and signed into law by President George W. Bush in October of 2001. The Patriot Act included two significant components that deterred Latin American investors and immigrants. First, Title Three of the act enhanced scrutiny on banks. Accounts that had suspected links to terrorist activity – broadly defined – could be frozen, and financial institutions that did not have a physical presence in the United States were disallowed. Second, Title Four placed more stringent requirements on
immigration. Though this requirement did not explicitly prevent Latin Americans from traveling to the United States, the tightening of visa requirements made an already cumbersome travel and immigration process even more difficult. Thus, given that Panama became a viable alternative to the U.S. in terms of political and economic stability, the Panamanian property market gained even more momentum.

Though the precise impact of migratory and capital flows from Colombia and Venezuela is unknown, several metrics can be used to infer their impact. Data from the national migration authority do not accurately reflect the amount of immigration and investment, as many “immigrants” and “businesspeople” hold tourist visas rather than a visa from the corresponding category. A good measure of the volume of flows between two countries is aggregate expenditures. Figure 7.12 represents expenditures by Colombian and Venezuelan residents in Panama.
As the chart shows, investment from Colombia increased much earlier on, resulting from domestic instability there. However, in the wake of the recent political and economic upheavals in Venezuela, a considerable number of Venezuelans have come to Panama to invest. Though more recent financial data are not available, the figures are reflected in the number of arrivals by Venezuelan nationals to Tocumen airport over time (figure 7.13).

Figure 7.12: Expenditures in Panama by Colombian and Venezuelan Residents, 1998-2008
(Source: Contraloría, 2010)
As Figure 7.13 shows, there has been a significant increase in the number of Venezuelans “visiting” Panama since 2006, and this likely reflects those investing and migrating to Panama.

Regional instability in Latin American has been a tremendous boon for the Panamanian economy. As a representative of Panama’s realtor’s association (ACOBIR) somewhat sarcastically commented, “since god is Panamanian, he put Chavez [as president] in Venezuela”. Much of the investment fuelling Panama City’s growth boom has been the result of both migrants and investors from elsewhere in Latin America, particularly Colombia and Venezuela.
In addition to the legions of Latin Americans arriving in Panama to benefit from economic and political stability, the country has long been home to a large Chinese population seeking the same benefits. The mostly-Cantonese speaking population is centered in Panama City, though the diaspora has spread fairly extensively throughout the republic in search of commercial opportunities.\textsuperscript{102} The Chinese community exists in Panama as the result of several waves of migration. Initially, Chinese migrants came as laborers for the Panama Railroad and the Panama Canal (E. Jackson, 2004). Soon after, in the wake of the Chinese revolution, there was a large wave of arrivals in the 1920s. More recently, there has been a large migration in the 1990s (Siu, 2005a). Panama is currently home to an estimated 150,000 people of Chinese descent (Arangure, 2006), making it Central America’s largest Chinese community (Siu, 2005b). While the precise impact of the Chinese diaspora in Panama is unknown in economic terms, Panama’s stable business climate was surely a reason that the country has received more Chinese immigrants than any other in the region.

\textbf{Conclusion}

As I have shown in this chapter, rapid urban growth in Panama City was caused by a combination of factors. The reversion of the Panama Canal suddenly created a robust revenue stream for the Panamanian state from its operational profits, and a tremendous source of employment from its operation and more recent expansion. The reversion of the surrounding Canal Zone conferred a considerable amount of land and

\textsuperscript{102} Chinese-run businesses are so widespread that the word in Panamanian Spanish for mini-market is “chino” or “chinito”, which means “Chinese”. Chinese merchants many mini-markets and hardware stores in Panama.
infrastructure to Panama that could be sold off, built upon, or adapted into productive uses in concert with the country’s strategic role in the global economy.

Since the 1990s, the contours of the global economy have changed considerably, benefitting Panama enormously. Panama’s intermediary service economy was well positioned to grow in response to increased global trade flows, including a pronounced rise in global container shipping. Both the Panama Canal and infrastructure within the reverted areas were adapted to be able to handle a great volume of goods transshipments, and Panama’s pre-existing professional services expanded to complement this phenomenon.

In the same timeframe, Panama has been a bastion of stability in a region plagued by both political and economic turmoil. Political refugees from Colombia and other neighboring countries have migrated to Panama, establishing businesses and buying property as an “escape hatch” from insecurity in their home countries. This process was further driven by 9/11 and the Patriot Act, as increased visa and banking restrictions made Panama a much more viable option than the United States for many. Economic instability in Venezuela and elsewhere has resulted in the dispersion of footloose capital, much of which has been invested in Panamanian real estate as a means of asset protection.

The convergence of these factors led to phenomenon period of rapid urban growth in Panama City. As I will show in the next chapter, economic growth translated to the transformation of the built environment due to specific institutional and historical pre-conditions. Economic growth created strong demand for residential and commercial
space, and an influx of capital supplied the requisite financing for construction. Due to the nature of Panama’s economy, the lines between “exogenous” and “domestic” are blurred, and the concurrence of global, regional, and local phenomena precipitated unparalleled and unprecedented urban growth.
Chapter VIII: Rapid Growth Explained

“You can learn a lot by figuring out how cities get built”


Introduction

In the previous three chapters, I have established how the built environment of Panama City in the post-2000 period has been transformed by the convergence of both endogenous and exogenous growth factors. In this chapter, I provide an analysis of the urban growth process in Panama City since 2000, focusing on the state- and non-state actors that form the political economy of the real estate industry in Panama City. Many cities were affected by the global, regional and domestic shifts in the same timeframe, but Panama City was unique in how those macro-phenomena transformed its urban fabric. In the following sections, I present what serves as the crux of my argument: the convergence of particular global and local phenomena (i.e. growth factors or triggers) led to rapid urban growth in Panama City.

Drawing upon the composition of the built environment laid out figure 4.16, figure 8.1 summarizes these factors, breaking them down further in terms of places, preconditions, processes, phenomena, triggers, and growth engines.
Panama City figures as the centerpiece of the analysis, and is constituted by people and the built environment (land, infrastructure, and buildings). In the previous chapter, I concentrated on growth triggers (purple boxes), which created strong demand for new housing, and contributed to the supply of capital available for new construction, in response to particular phenomena. Though I had divided these phenomena into “domestic” and “exogenous” factors, the lines separating these categories are in fact quite blurred, as indicated by figure 8.1. Given that the country’s main economic focus is crafted around its role as an international intermediary, I argue that Panama’s fortune is so inextricably linked to global processes that the local and the global are virtually indistinguishable as factors of growth.
In framing how the built environment was transformed and in attempting to synthesize the multiple factors, a relatively robust set of terminology arises. The lexicon that I draw upon to explain rapid growth derives from the political economy tradition, which engages the neoclassical economic theories of Smith (1776) and Ricardo (1817), who argue that markets are the best mechanisms by which to match supply and demand to one another. Within the political economy tradition, however, there is not one singular consensus on how the city is “produced”. Ecological explanations (R. E. Park, et al., 1925) attribute urbanization to competition among actors and institutions. This paradigm, commonly associated with the Chicago School, stresses that competing interests find the “highest and best use” for urban lands based on the rents that actors are willing or able to pay. Another strand of scholarship applies Marxist explanations (Harvey, 1976, 1985; Marx, 1844), which attribute the urbanization process to the profit-driven motives of the capitalist class. Marxist analyses stress “exchange value” over “use value”, interpreting the elements of the urban landscape (land and buildings) as tradable, commodifiable assets. As Walker writes, “investment in [real estate] is motivated not only by profits from construction, but primarily by the opportunity to appropriate economic rent from new and old property” (1985, pp. 384-385). The city is both a source of income and a means of production for capitalist land owners (and related institutions such as banks), and the resulting unevenness is an inherent source of class conflict. By this logic, the built environment is continuously created, adapted, and reformulated by the dialectical forces of supply and demand which, in a capitalist city, are reconciled through the real estate market. Within the capitalist city, investment
in the built environment is omnipresent, and markets are a site of convergence between the capitalist class creating the supply and the working class manifesting the demand.

Logan and Molotch (2007 [1987]) have rejected both ecological and Marxist explanations, arguing instead that the capitalist city is formulated through the “political economy of place”. Logan and Molotch focus instead on the suite of actors – urban governments, entrepreneurs, and real estate professionals – who determine the urbanization process. Nijman (1997) has applied this framework to interpret rapid growth in Miami, and Storper (1997) has turned to this analysis to explain inter-local competition in the European and North American contexts.

In this analysis of urban growth in the Panamanian context, I draw upon concepts from ecological, Marxian, and “growth machine” perspectives, but apply a more generalist political economy perspective. The city’s built environment is an integral part of the capitalist process and in the following section I elaborate on how the contemporary city has been produced though the convergence of multiple actors and processes. The city’s constituent elements are bought and sold through markets, the price of which is determined by demand, which increases with economic prosperity. As a historian remarked in an interview, “[Panama] City is the urban reflection of that [underlying] economic activity”. The construction of high rise towers to accommodate the city’s new bourgeois class (e.g. well-paid expatriates and Panamanian professionals), and the city’s outward expansion to enhance the rent-producing possibilities derived from the incipient middle class, reflect a reorganization of urban space to accommodate the demands of the reproduction of capital. Referring to the urbanization process under advanced capitalism, Soja writes “there was a need to
intervene to reorganize urban space and to make urban systems function more effectively not only for the centralization of capital but for the realization of surplus value through socialized consumption” (1980, p. 218). As a capitalist city, the built environment is largely a reflection of the needs of the capitalist class. As Harvey concludes, “created space in the modern city…reflects the prevailing ideology of the ruling groups and institutions in society” (2009 [1973], p. 310).

The spatial and temporal convergence of multiple factors to reformulate the built environment of Panama City resulted from the sudden profitability of real estate investments due to rising prices. Given that land and buildings in Panama City are effectively tradable assets, rising prices ensured that a suite of actors converged to plan, design, advertise, and sell a range of projects, ranging from the Casco Viejo’s historic apartments to the small detached homes on the urban periphery. The increase in prices after the year 2000 was attributable to two factors: low supply and high demand. As I outlined in chapters V and VI, housing construction between the 1970s and the 1990s was slow. With the economic growth that followed the handover of the Canal and the Canal Zone, an existing scarcity of housing was compounded by a surge in demand created by the factors listed in the previous chapter.

Both public and private actors had a vital role in forming the political economy of urban growth. However, neither of these exists in a “vacuum”, as public policy has both shaped and been shaped by the country’s private sector, which has strong linkages to the global economy.
Non-State Actors in the Urbanization Process

In order to understand how non-state actors factored into Panama City’s rapid urbanization, it is important to consider not only the city’s historical intermediary role but the development of Panama more generally. The relationship between the capital/primate city and the country’s rural hinterlands (“the interior”) developed in an “inside-out” manner. This is to say that Panama was crafted around Panama City, rather than Panama City developing as a node of power within a national system. As I articulated in chapter two, the country “leapfrogged” the development of a national urban system, as independence in 1903 immediately heralded not only a future directly linked to the global economy, but a century of U.S. occupation. To this day, none of Panama’s secondary cities compare to Panama City in size or significance, and the capital is such an overwhelmingly important node within the country that Panama might be considered a city-state like Singapore or Monaco for data aggregation purposes (see Nikitin & Romashov, 2003).

The fact that Panamanian development, from the beginning, has had such an overwhelmingly urban bias has had several implications. Distinct from the hacienda or latifundio economies of the region, which were predicated on the bulk exportation of cash crops, Panama’s economic base was always its transit economy, crafted primarily about interoceanic and intermediary trade. Data from the comptroller’s office indicate that agriculture has historically comprised only a fraction of the country’s economy, and has decreased in significance from a peak of 27% of the economy in 1955 to 5% in 2006. By the same token, neither has Panama ever been an industrial society. Manufacturing (which includes construction) and industry have never represented more
than 23% of the country’s economy. As a result, of the political figures and business elite who line the country’s history books, the vast majority made their fortunes in commercial or professional trades.

The Panamanian oligarchy’s involvement in a fundamentally urban, rather than rural, power base has had several implications. With respect to economic growth triggered by the U.S. handover, for example, Panama’s commercial elite ensured that the Canal Zone was immediately put to productive use after the reversion took place. In the wake of changing economic circumstances, custom-built infrastructure often turns to waste if new and often creative uses are not found. Cities in the U.S.’s rustbelt are characterized by decrepit, empty production facilities, just as decaying railroads, housing, and warehouses mark the former site of the United Fruit Company’s banana plantations in Honduras and Guatemala. But Panama’s reverted areas did not fall victim to the same fate. The fact that Panama had an urbanized elite whose primary economic interests lay in commerce resulted in the rapid reconversion of many of the former U.S. military bases that comprised the Canal Zone. The port of Manzanillo, for example, is a partnership between Carrix – an American company – and the Motta and Heilbron families, and government revenue from the sale of the reverted areas was investment capital from Panama’s wealthiest families.

In addition, Panama’s urbanized, commercially oriented society ensured that the country always had a strong private sector, much of which finds its roots in the businesses of Colon and Panama City that had initially furnished U.S. personnel with commodities (entertainment, luxury goods, liquor, etc.) not available on base. Panama’s contemporary private sector is characterized by an orientation toward
services, which are well-positioned to benefit from the changing contours of the global economy in the 21st century. Since the year 2000, the service sector has comprised no less than 76% of the country’s overall GDP; this contrasts with lower figures in neighboring countries such as Costa Rica (69%), Peru (60%), Venezuela (59%), Ecuador (58%), Nicaragua (56%), and Colombia (54%), and parallels similar figures in the United States (77%), the United Kingdom (77%), and Japan (77%) (CIA, 2010b).

An integral part of Panama City’s service economy is its real estate market. The city’s real estate industry is a result of more than a century’s worth of profit-driven urbanization. This city’s land market was the result of the efforts of the U.S. government in the early 20th century, when large-scale expropriations were staged in order to piece together the Panama Canal Zone. As the 1905 annual report of the Isthmian Canal Commission confirms,

> The United States, by virtue of its ownership of the Panama Canal Railroad, has the proprietary title to a large amount of real estate in Panama, Colon, and La Boca, and by the increase of value resulting from these public improvements will be greatly benefited financially. (ICC, 1906, p. 22 as cited in Uribe, 1989)

The U.S. government had an early interest in monopolizing the land market in and around the Canal Zone. Property owners from whom land was expropriated for the creation of the Canal Zone were compensated – albeit on unfair terms – though formal channels. This gave rise to a formalized property market almost a century before the most recent construction boom. Furthermore, the artificial scarcity of land created by the superimposition of the Canal Zone ensured that real estate prices were historically high, further galvanizing a functional property market.
The twin phenomena of the reformulation of the waterfront and outward expansion that have occurred since the year 2000 were predicated on the existence of a property market in which real estate was nearly monopolized by private interests. With the exception of a small percentage of government-built housing units and squatter settlements, real estate in Panama City is and has historically been one of the key industries commanded by the country’s elite. As an institution, the city’s real estate industry was critical to channeling investment capital into the built environment. An ensemble of developers, promoters, architects, contractors, and sales personnel have historically existed and they were able to act quickly as demand for construction increased. Furthermore, synergies with the legal, banking, and insurance industries added to the strength of local capacity to reformulate the built environment.

Relatively little has been written about the formation and importance of real estate markets in Latin America from a geographic perspective (Maricato, 1999; N. Smith, 2002). Within the global cities literature, there has been a strong emphasis on the importance of high-end real estate in cities such as New York, London, and Tokyo (Sassen, 1991). In the case of Panama, real estate has historically been a significant formative element of the urban economy, representing between 7% and 20% of the national economy at various points in the latter half of the 20th century. Panama City’s real estate industry is a more important component of the city’s economy than in the case of most other cities in Latin America, where informal settlements and government interventions represent a higher proportion of urban land.

Panama’s oligarchy has also historically had a heavy hand in the urbanization process via the real estate industry, and the latest expansion of the city is no different.
Real estate values in Panama City have been historically high, particularly by regional standards, due to the superimposition of the Panama Canal Zone and its suffocating effects on outward growth. Rather than extracting surplus value from an agricultural or industrial base, Panama’s masses paid their “tribute” in form of rent payments. Thus, the city itself has always been a fundamental source of enrichment for the elite class.

Beginning with the housing boom spurred by the U.S. construction of the Canal and continuing until Torrijos’ rent freezes in the 1970s, the majority of Panama City’s residents were tenants, more than half of whom occupied rooming houses (Uribe, 2007). This provided an outlet by which the “urban aristocracy” could extract rents from the working classes, serving as a surrogate for the surpluses extracted from the semi-feudal arrangements found elsewhere in the region. As the city expanded outward from the 1970s onward and especially after 2000, the city again became a source of enrichment for the elite. As the scale tipped from majority renters to majority owners in the 1970s, the construction of new homes tied to mortgages supplanted a system in which dense, rental housing had lined the pockets of urban property owners. Under the new regime of home ownership, however, the surplus value was extracted from mortgage payments by incipient home owners to Panamanian banks and developers. In addition to foreign banks such as Scotiabank and HSBC, banks such as Credicorp Bank (Harari, Ford, Btesh, and Vallarino families), Global Bank (Maduro and Vallarino

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103 Although Panama does not have an aristocracy in the formal sense, there is a *de facto* aristocracy, which I have framed as the “oligarchy” or “elite” in this chapter. As I alluded to in chapter four, many of the same last names that appear on a list of past presidents, vice-presidents, and ministers, also appear on the rosters of the city’s social clubs and the boards of directors of major banks, law firms, and businesses. Generally speaking, these families can be divided into two branches: the descendants of the land-owning Spanish families (with Spanish last names such as Arias, Arango, Obarrio, etc.) and those whose families ascended to power through commercial means, not necessarily of Latino origin (Motta, Btesh, Heilbron, etc.).
families), Metrobank (Motta, Fábrega, Boyd, Arosemena, Fidanque, and Cohen families), and Towerbank (Kardonski, Mora, and Tapia families)\textsuperscript{104} have provided much of the financing for the high-rise towers and suburban developments that characterize the city. It is for precisely this reason that Panama has historically maintained a strong private sector and within that a well-developed real estate industry.

**The Role of the State in the Urbanization Process**

Formulating an argument about the role of the state in the urbanization process in Panama City involves considering two different “states”. Both the Panamanian state and the U.S. government [through the construction of the Panama Canal, the Canal Zone, and its constituent parts] have had a strong effect on the development of the city. Over a century of involvement, the U.S. occupation in Panama had profound implications for local patterns of urbanization. The U.S. presence provided a substantial number of jobs, which was a fundamental reason for Panama City’s early growth. In the wake of the U.S. withdrawal, the possibility existed that the loss of jobs in the U.S. Canal Zone would actually hurt Panama. The impact of U.S. withdrawal was strongly felt in the city of Colon, where unemployment and chronic poverty resulted from the closure of Colon’s military bases. However, the withdrawal actually created economic opportunities for a newly sovereign Panama.

The major legacy of U.S. occupation was the Canal and the surrounding infrastructure. Much of the infrastructure that serves as the base for Panama’s contemporary economic success was built by the U.S. government to operate and

\textsuperscript{104} The names that I provide are only a sample of the board of directors of each respective bank in order to show that the same few names keep appearing on a list of the country’s elite.
protect the Canal. As I have discussed in previous chapters, almost all of the major elements in Panama’s economy – the Canal, numerous ports, science and business parks, and the Colon Free Zone – were either completely or partially built by the U.S. government. In addition, the fact that Panama to this day uses the U.S. Dollar as its currency finds its origin in the early U.S. occupation. However, the greatest legacy of U.S. occupation in fact predates the handover by nearly a century.

Despite the fact that Panamanian and American-occupied territories were mutually exclusive, U.S.-built infrastructure was catalytic in the development of Panama City from the early 20th century onward. As made clear in the same Isthmian Canal Commission document,

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\text{The construction of the isthmian canal depends upon maintaining the health and comfort of our working forces as to secure a high grade of efficiency. The French company was obliged to suspend operations at two periods by reason of the ravages of disease. The necessities of the situation require that the Commission provides for the employees pure water; good food, properly prepared and regularly served; adequate living quarters, affording proper air space and constructed with due regard to tropical conditions, climate and otherwise; and the best hospital service and medical treatement [sic] known to modern science. The cities of Panama and Colon and the towns of the Canal Zone must be graded and drained provided with waterworks, sewers, and other public utilities prescribed by modern thought as essential to public health and comfort; sanitary and building regulations must be enacted and enforced. Panama and Colon are adjacent to the line of the canal and (territorially) within the Zone. (ICC, 1906, pp. 15-16 as cited in Uribe 1989)}
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As per this report, much of Panama City’s earliest infrastructure was built by the American government to ensure the success of Canal operations. The same report
affirms “this sanitary work must be undertaken, not as an act of magnanimity to the inhabitants, but as a necessary means of accomplishing the purposes of the United States on the isthmus” (ibid, 16). The operations described in the document draw upon article VII of the Hay-Bunau-Varilla Treaty (1903), which allowed the U.S. to acquire, by purchase or by eminent domain, any parts of the cities of Colon or Panama City that it deemed necessary for the operation of the Panama Canal or the Panama Railroad. This included the “construction, maintenance, operation and protection of the Canal and of any works of sanitation” deemed necessary by the U.S. government ("Convention for the Construction of a Ship Canal (Hay-Bunau-Varilla Treaty)," 1903).

Even the very independence of the Panamanian state was effectively orchestrated through U.S. intervention. Thus, from its inception, the Panamanian government has been crafted to fit the country’s intermediary profile. Although it is difficult to prove, a possible explanation for the country’s historical lack of agricultural production is that the commercialization of a cash crop economy was historically a low priority. Rural production systems, with a few exceptions, are in many cases quite primitive, and Panama’s production of coffee, ornamental plants (flowers), sugar, and other commodities that neighboring countries export, is decidedly low in comparison.

As a result, the country’s fiscal policies have always privileged the tertiary and quaternary (and to some degree secondary) sectors with benefits such as tax incentives and customized infrastructure. Through various successive stages in the country’s history, the state has pursued the creation of the Canal (1900s); an international ship registry (1920s); the Colon Free Zone (1940s); an international banking sector (1950s and 1960s); tourism (1990s); and most recently multinational corporate and non-
governmental headquartering (2000s). Each of these waves of legislation reoriented Panama to benefit from the changing contours of the global economy. Over time, this orientation changed to favor physical flows (the Canal, shipping, Colon Free Zone); capital flows (banking); and finally human (tourism) and virtual (corporate headquartering) flows. The state has always favored an open, capitalistic economy, and since 1990 has pursued neoliberal governance that has privatized and deregulated almost every aspect of the national economy.

Beginning with a series of reforms by President Endara in 1990, Panama’s national governance framework was restructured in favor of increased deregulation. In this sense, Panama’s neoliberal reforms came substantially later than in other countries, many of which began massive privatization and trade liberalization programs in the early 1970s. One of the main sectors affected by neoliberalism was housing. The Endara administration essentially farmed out the role of providing housing to the private sector through legislation by granting 20-year tax exonerations on new construction and by stimulating the production of low-income housing by providing mortgage subsidies to lending institutions. Subsequent administrations maintained this housing policy and augmented incentives by reducing property transfer taxes and exempting extreme low-income housing from taxes altogether. Though the motivation behind this legislation may have been overtly socially oriented rather than profit-driven, the state was highly influential in channeling capital into buildings rather than other investment vehicles.

The state backed investment in Panama’s real estate sector in a number of other explicit ways. The country’s land tenure system, due in part to the transparency ensured by the country’s public registry, favored property owners and – in contrast to
other countries in the region – the unjust expropriation of property was uncommon. In addition, property rights in real estate were constitutionally guaranteed equally to foreigners and Panamanians under the same terms. Properties could be held by an individual or corporation, and Panama’s rigid corporate laws ensured the anonymity of corporate holdings. The combination of these factors created a property market that was highly functional and guaranteed the integrity of property transactions.

In addition to the explicit channels though which neoliberal policy was promulgated, the state also implicitly supported private interests though a lack of regulation. This differs from deregulation in that the latter is a formal process through which the state delegates or devolves a function under certain guidelines. Evidence of poor regulation of the urbanization process abounds in Panama City, as the city’s street grid is highly irregular, conforming to the contours of the large parcels that pre-dated 20th century urbanization. Many of the city’s major avenues such as “Tumba Muerto” (officially Avenida Ricardo J. Alfaro) follow the same trajectories as the dirt paths that preceded them (figure 8.2), and the street grid in between major avenues follows either natural contours or the non-orthogonal pattern laid by residential developers, who have long acted as the city’s de facto planners.
Figure 8.2: Comparison of the contemporary street grid with a map from 1911 (red and green highlights by author, map from the personal collection of Álvaro Uribe)

The comparison highlights Avenida Ricardo J. Alfaro (in green) and Via España (in red), which feature only slight angular modifications in contrast to the Tumba Muerto Trail and Las Sabanas Road, which directly preceded the modern thoroughfares. Furthermore, zoning, although extant, is far from effective. The Brunner Plan, drafted by the eponymous Austrian planner in 1941, was the first attempt at comprehensive urban planning in the city, and was widely resisted. When Brunner arrived in Panama in 1940, he encountered “a city ruled by a social system of feudal tendencies; a city where themes like common good or public interest had been of little debate” (Hofer, 2003, p. 93, translation by author). Brunner argued that the density to which Panama City had been developed was untenable, and that public infrastructure was necessary to expand the city. His plan included the construction of numerous new radial boulevards and concentric zones for high, medium, and low density. The one significant outcome of the plan was the creation of the Bank of Urbanization and Rehabilitation in 1944, which would become the Institute of Housing and Urbanism (IVU) in 1958, and later the Ministry of Housing (MIVI) in 1973, and ultimately the Ministry of Housing and Territorial
Order (MIVI-OT) in 2010. The most recent metropolitan master plan is from 1995, updated in 1997, incorporating necessary elements such as transportation corridors, zoning norms, and forecasts for growth and land use on a metropolitan scale. Both micro- and macro-scale zoning do exist, and are relatively explicit about maximum densities and land use designations. However, the reality is that “norms” are difficult to enforce. Contractors and investors in construction projects have largely circumvented zoning norms where necessary, obtaining the requisite variances through graft or political pressure. Jorge Riba, one of Panama's most prominent urban planners, has noted that MIVI has been “complicit” with the investors who regularly violate zoning regulations (Vega, 2003). An interview with a range of staff members from the Ministry of Housing revealed that investors were “ahead” of city planners in terms of their ability to restrain rapid growth, and that coordination between institutions was difficult. As an example, they cited that while planning was the responsibility of MIVI, sewers were the responsibility of the Water and Sewer Authority (IDAAN), and that roadwork was the responsibility of the Ministry of Public Works (MOP). This discord made the synchronization of private development and public works very difficult, and has rendered the city’s infrastructure inadequate to handle much of the most recent growth. The urbanization patterns enabled by this effective lack of state intervention have been highly deleterious and have already led to questions regarding the sustainability of the ongoing building boom (Porras, 2008). I argue that this is a fundamentally neoliberal phenomenon, as the status quo serves in the interest of investors and real estate developers, and increased regulation runs counter to neoliberal development doctrines.
The implicit state support for developers parallels the explicit support offered by tax incentives and other fiscal benefits.

**Conclusion**

Panama’s orientation toward a service economy has had dramatic effects on the urbanization process in Panama City. Since the genesis of the country, development has been concentrated around Panama City’s (and to a lesser extent Colon’s) transit economy, comprised of a suite of services run by a commercial ruling class. Unlike the *latifundio* systems found elsewhere in Latin America, Panama’s elite have historically been involved in commercial and professional trades. As a result, the country has maintained a strong private sector backed by the U.S. Dollar and a developmentalist state. A mainstay of Panama City’s private sector is its real estate industry, which has developed over more than a century as a result of U.S. intervention and historically high prices. Since 1990, the Panamanian state has encouraged the real estate industry through neoliberal policies incentivizing private developers. These incentives are even greater when one considers the effects that the state implicitly provides through a lack of intervention in the urbanization process.

Growth of the housing market spurred by deregulation and other state programs has been observed elsewhere in the global South and Latin America. Deregulation, particularly in the housing sector, has provided the opportunity for private actors to involve themselves in the urbanization process, motivated by the prospect of handsome profits from land appreciation, speculation, and property development. Nijman (2000a) has documented this process in Mumbai where liberalization of the housing market led
to a speculative bubble in the late 1990s. He contends that the bubble was caused by the local real estate industry acting in concert with state policies. A combination of low supply and high demand for real estate pushed prices upward, which provided added incentive for new construction. As Nijman writes, “abstractly, the idea is that liberalisation facilitates globalisation as it increases exposure to the world economy. In this case, these unleashed global forces are thought to have had a destabilizing effect on the Mumbai real estate market” (2007, p. 577). In the Latin American context, Portes and Roberts argue that “the neoliberal philosophy toward these markets is that urban land is not necessarily a ‘scarce resource’ and that the private play of supply and demand should lead naturally to a re-ordering of urban space according to individual capacity to pay” (2004, p. 45). Their argument clearly holds water with regard to Panama City insofar as the city has expanded both upward and outward in response to a scarcity of urban land. The neoliberal logic of the Panamanian state has encouraged the involvement of private actors in the housing market in response to strong demand and relatively high prices. Table 8.1 provides a summary of the respective influences of the U.S. and Panamanian states in the urbanization process.
Table 8.1: Matrix of the Influence of the U.S. and Panamanian States in the Urbanization Process

<table>
<thead>
<tr>
<th></th>
<th>Links to the Global Economy</th>
<th>Urban Elite</th>
<th>Strong Private Sector</th>
<th>Real Estate Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Panamanian State...</strong></td>
<td>...was created as a result of Panama’s global role</td>
<td>...is controlled by a largely urbanized, commercial class</td>
<td>...supports private enterprise through neoliberal policies</td>
<td>...has sponsored the industry both explicitly and implicitly</td>
</tr>
<tr>
<td><strong>U.S. Government...</strong></td>
<td>...built the Canal, cementing Panama’s intermediary role</td>
<td>...was provisioned by merchants just outside the Canal Zone boundary</td>
<td>...paid high wages to workers, establishing a non-rural employment base</td>
<td>...effectively created the city’s real estate industry</td>
</tr>
</tbody>
</table>

As table 8.1 indicates, both the U.S. and Panamanian states have had a heavy hand in the urbanization process in Panama City. Since the Panamanian state’s genesis in 1903, national economic discourse has focused on harnessing its strong position within the global economy. As a result, the country’s oligarchy is a largely non-rural class, engaged in the country’s commercial economy. The state supports this role through neoliberal policy, and in recent years has provided a suite of incentives, both explicit and implicit, for real estate development.

Furthermore, the legacy of U.S. occupation in Panama cannot be ignored. The U.S. was responsible for the construction of the Canal and the adjacent Canal Zone, which cemented the country’s role as an intermediary. Panamanian development paralleled the development within the Canal Zone, and much of Panama City’s contemporary service economy took root in linkages to the Zone.
Ultimately, the rapid growth that has occurred in Panama City since the year 2000 is the result of a surging demand within a profitable real estate sector backed by state incentives. This growth mirrors past waves of expansion which, although carried out at a much smaller scale, resulted from similar conditions. The city has historically expanded in waves (see figures 5.8-5.14), driven by demand created from the Canal construction (1900s), increased American involvement in the Canal Zone (1940s), and the expansion of the banking sector (1970s). The growth boom that occurred in the 1970s resulted in the construction of numerous residential high-rises in Punta Paitilla and office towers in the city’s financial district. Although the Panamanian government had not yet adopted these neoliberal policies, the country’s free-market orientation favored private intervention in the real estate market.

The most recent (still ongoing) urban growth boom in Panama City can be attributed to the same historical preconditions that have driven urbanization in the past. I argue, however, that this most recent growth phenomenon has been the result of a major up-scaling of past urbanization patterns due to growth attributable to Panama’s neoliberal governance framework. Urban growth has historically occurred in waves in response to demand created by economic growth and a scarcity of housing and land. The difference is that this most recent wave plays out on a profoundly greater scale, as liberalization opens local markets even further to global capital. As it affects the urbanization process, this scalar shift carries social, political, and economic consequences.

In the following chapter, I again focus attention to the global context, situating Panama City within a suite of global cities with similar attributes. Although urban growth
in Panama City is fairly nuanced, the model through which contemporary urbanization has occurred has been documented elsewhere in cities that share similar political, demographic, and/or economic characteristics. I return to the concept of the relational city in order to situate Panama City in a broader, global context.
Chapter IX: Relational Cities in a Global System

“Cities accumulate and retain wealth, control and power because of what flows through them, rather than what they statically contain”

-Beaverstock et al., 2000, p. 126

Introduction: The Relational City Revisited

In many regards, the urban growth process in Panama City has been somewhat idiosyncratic. The city’s geographic setting, political history, and economic profile have led to a pattern of urbanization that is distinct from many other major Latin American cities. Despite Panama City’s apparent uniqueness, however, significant parallels can be drawn between it and a discrete set of cities that I have termed relational cities. Relational cities fall under a broader umbrella of global cities, but are distinguished by their intermediary role and their situation within a developmentalist state.

In this chapter I identify and describe four relational cities other than Panama City: Johannesburg, South Africa; Doha, Qatar; Dubai, United Arab Emirates; and Miami in the United States. Each has a unique history resulting from multiple waves of settlement and colonization, and each benefits from special geopolitical and economic circumstances. Identifying relational cities is particularly timely and germane in the wake of widespread neoliberal restructuring and an increase in global trade flows. Relational cities have benefitted, and grown, as a result of their intermediary niche in a world where flows have in many senses outweighed “place” in importance. As I illustrate with each of these cases, the alignment of an intermediary economy with liberal economic policy has led to rapid urbanization.
Relational cities are an emergent urban paradigm among a broader set of world/global cities. Global and world cities are those which hold a disproportionate amount of importance in the global urban system. Although there is no standard method of gauging “importance”, a variety of quantitative metrics and qualitative observations has been applied. While early iterations of the “world” city focused more on qualitative attributes such as population and treat cities as discrete entities (Hall, 1966), more contemporary understandings focus on global networks (GaWC, 2010a), and concepts such as connectivity (Zook, 2005) or high-order producer services (Sassen, 1991). To achieve their global connectivity, these cities feature a strong institutional base (banks, multinational corporations) and networked infrastructure (airports, fiber-optic cables). As Sassen (1991) notes, global cities handle a disproportionate amount of flows, particularly in producer services and banking. In relational cities, it is not so much the overall scale of flows mediated, but rather the directionality of the flows, that is important. Relational cities thrive on their international role but, unlike New York or London, which are also leaders in producer services and banking, are not necessarily megacities and do not necessarily find themselves in the global North (though Miami clearly is).

The concept of a relational city is predicated on the notion that these flows are mediated by a strong private sector that is backed by a liberal, developmentalist state. The role of the state is key, as both the supporting infrastructure and legal framework supporting intermediary functions must favor a “relational” orientation. Relational cities are predicated on *throughput*, rather than *output*, and are supported by some combination of developmentalist policy and a suite of ports, roads, fiber-optic lines, and
other customized infrastructure. Many of the world’s most populous cities, such as Beijing or São Paulo, are internationally oriented but not relational in function. In these cases, both the Chinese and Brazilian states are large industrial producers, and state policy and infrastructure (ports, economic zones, etc.) have been crafted around exports from, rather than flows between net exporters and net importers. An example of this is the fact that the Chinese Renminbi\textsuperscript{105} is pegged artificially low to the U.S. Dollar to make Chinese exports cheaper.

Although I have coined the term \textit{relational city} in reference to a particularistic set of contemporary cities, the concept in fact dates back centuries. As international trade, particularly between Europe, the Near East, and the Far East accelerated in the 16\textsuperscript{th} century, numerous cities emerged as intermediaries. The genesis of the modern nation-state system in the 17\textsuperscript{th} century further anchored the role of intermediary cities, as direct trade with unstable states was encumbered by both tariff restrictions and periodic conflict (Hobsbawm, 1954). Perhaps some of the first noteworthy examples were the “free ports” of Livorno, Hong Kong, and Singapore. Though the three cities had profoundly different histories in disparate geographic settings, all three functioned as intermediary cities with territorial configurations that set them apart from their immediate surroundings.

The settlement of Livorno was first promoted by Ferdinand I in the last decade of the 16\textsuperscript{th} century. As a free port, the city was declared a “neutral” site, and its citizens were pardoned of their debts and past crimes. The advantage of neutrality was that as

\footnote{105 The formal name for China’s national currency is the Renminbi, which means “people’s currency”. However, it is more commonly called the Yuan.}
the great surrounding powers fought and feuded for power, Livorno was able to retain (or even benefit from) commercial activity that was untenable elsewhere. This parallels the role that Panama plays, for example, in mediating commercial activities in its economically unstable neighbor of Venezuela. Livorno served as a re-export center for manufactured goods, colonial products, and commodities from Northern Europe, the Levant, and the Mediterranean until the early 19th century, when the re-exportation of grains to a rapidly industrializing Europe became its core industry (LoRomer, 1987). Livorno’s success was in part predicated upon its acceptance of foreigners and religious minorities, including Jews, who ran the most important commercial sectors (ibid). Thus, in addition to the city’s legal detachment from the rest of the Tuscan state, it was Livorno’s socio-cultural openness that allowed the commercial elite to thrive.

Just as Livorno linked incipient European states with each other and more distant lands, Hong Kong served as Europe’s link to the economy of mainland China. Though Hong Kong’s establishment as a free port coincided roughly with Livorno’s, the long distance between Europe and Hong Kong prevented the city from taking off as a commercial intermediary until maritime technologies improved considerably in the early 19th century. Established as a colony by Britain in 1841, the city provided a commercial outlet for the exportation of tea, silk, manufactured goods, and other precious commodities. As a result of its intermediary role, Hong Kong’s core industries have been insurance and shipping, and more recently finance.

Whereas Livorno today no longer holds a significant role in regional commerce, Hong Kong has maintained primacy as East Asia’s commercial intermediary, featuring the world’s largest free trade zone and one of the world’s highest standards of living.
Critical to Hong Kong’s continued success has been its expatriate community. Just as Livorno was accepting of Jews and foreigners, Hong Kong’s early development was driven by Britons, Europeans, and Indians representing wholesalers and manufacturers in their respective countries (Bard, 1993). Contemporary Hong Kong benefits from the continued presence of an expatriate business community. Although Britain’s formal reign over Hong Kong ended in 1997, the city continues to be an extraterritorial body of China profiting from a liberalized economic system. Both Livorno and Hong Kong resemble Panama City in this regard, with strong state support reinforcing the city’s global intermediary role.

The case of Singapore is in many ways similar to Hong Kong’s development as an intermediary between European and Asian commercial interests. Located at the tip of the Malay peninsula on the Straits of Malacca, Singapore’s contemporary history began in 1819 with its establishment as a British free port by Sir Thomas Raffles. As a free port, Singapore maintained a commercial advantage over other regional ports such as Batavia (Jakarta) or Manila. Singapore’s free zone status drew not only local Malay merchants, but legions of Chinese and Indians, along with Jewish, Arab, and other foreign populations. As an entrepôt for primary goods extracted from the mines and plantations of Southeast Asia (tin and rubber primarily), it was precisely the city’s intermediary role that drove its early development. By 1900, Singapore had become a modern city, and by the time of its independence in 1965 the city-state had a higher standard of living than almost anywhere else in Asia (Huff, 1994). Under the British regime, trade had been Singapore’s primarily role, but the role of the colonial government was minimized to maintaining peace order (Yeoh, 2003). However, with
independence, Singapore, led by Lee Kuan Yew, transformed from a trade-based economy to a more diverse intermediary by attracting corporate headquarters, oil refineries, and other shipping related services. Panama City’s contemporary development parallels Singapore’s quite substantially, insofar as its initial intermediary role stemmed from geographical situation, and that more recently a developmentalist state has promoted diversification toward the tertiary and quaternary sectors.

In the first section of this chapter, I reiterate some of the key factors that make Panama City a relational city. I then transition to four cases from other parts of the world, making the claim that this subset of cities share broad, developmental attributes, just as entrepôts, megacities, and primate cities have common characteristics. The four cases that I cite have been chosen for their geographical diversity and their nuanced, intermediary roles with their respective geo-economic realms. Though I could elaborate on the development of Livorno, Hong Kong, and Singapore in intermediary economies in far more detail, I have chosen cases whose intermediary role has emerged only in the last few decades, and whose growth has not been documented as frequently in academic texts. I conclude with some summarizing statements that serve as theoretical contributions to the global cities literature.

Panama City as a Relational City

As I have discussed in the past few chapters, Panama City has long played a vital role in transoceanic commerce. Even before the Panama Canal was built in the early 20th century, the city had served an intermediary role in the Spanish, French, and American empires at various points since European contact. The contemporary history
of the city is intimately connected with the Panama Canal; its construction led to the creation of the Panamanian state, while its eventual reversion led to full Panamanian jurisdiction over its lands and control over the Canal. Panama City’s intermediary role expanded throughout the 20th century, as commercial trade, professional services, and other service industries flourished.

What makes Panama City fundamentally a relational city is its intermediary role. The city is a go-between, linking Latin America to Asia; North America to South America; and Central America to South America. In order to generate a more refined understanding, however, I will focus on three types of flows: physical, virtual, and human. In terms of physical flows, Panama mediates a great amount of commercial traffic both through the Canal and the Colon Free Zone, which in 2009 handled over 12,000 vessels and $16 billion worth of imports and re-exports, respectively. With access to both the Caribbean Sea and the Pacific Ocean, and its seat between the two halves of the Americas, Panama’s geographic position gives it a locational advantage.

Panama’s role in mediating flows is evidenced by its non-participation in regional free trade areas. The country’s economic composition gives it very little incentive to participate in regional trade blocs. All other countries in North, Central, and South America belong to free trade areas such as Mercosur, NAFTA, and DR-CAFTA, which reduce tariffs and regulation on trade between member states. Figure 9.1 illustrates the geographic pattern of free trade agreements globally; note that Panama is one of only half a dozen countries in the world that do not participate in such agreements.
Given that Panama produces very little for export, the terms of trade specified in a regional trade agreement would likely weaken the national economy. As a result, Panama has bilateral free trade agreements with key trading partners, including Singapore, the U.S., Taiwan, and most Central American states. Panama’s non-participation bolsters its position as a regional and global intermediary, insofar as movements between trading blocs are tax-free in Panama’s domestic free zones.

In a world increasingly marked by digital flows, Panama has also positioned itself to benefit from the mediation of virtual flows. Virtual flows facilitate the movement of information, capital and, increasingly, work output. Again, Panama benefits from its strategic geographic location. Five of the hemisphere’s fiber-optic cable lines – MAYA-1, GLOBAL CROSSING, OXYGEN, PAN-AM, and ARCOS-1 – pass through the country, providing instantaneous communication with the world, ensured by the redundancy of multiple lines (Goering, 2001). Neighboring Costa Rica, for example, is connected to only ARCOS-1 and MAYA-1, while Nicaragua is connected to only
Fiber optic connectivity provides high-speed long-range telecommunication (Warf, 2006), which is a main selling point for promoters of Panama Pacifico, City of Knowledge, and the country’s nascent headquartering initiative. Particularly in the wake of 9/11, there has been increased focus on fiber optic connections as a means by which to decentralize servers (Moss & Townsend, 2004). Furthermore, Panama’s high connectivity ensures that work flow continues uninterrupted, even in the case of a catastrophic event or server failure. Foreign firms have been increasingly attracted to this, as a Chicago Tribune article written just two weeks after 9/11 confirms, citing a local Sun Microsystems subsidiary representative stating “If there's a problem inside the United States, the most obvious place to go outside is Panama” (Goering, 2001, p. 3). In reference to an incipient player in Panama’s data storage industry, Goering writes, “before Sept. 11 he had five confirmed customers lined up. Last week [the week after 9/11], he said, he had 70 calls from U.S. businesses interested in switching their servers or backups to Panama. Many of the U.S. firms calling were affected by this month’s attacks” (ibid). Panama’s stable business climate further reinforces the country’s viability as a server site, which is yet another “in-between” function of the city’s relational economy.

Panama City has also been a site of intermediation in the banking sector. Although the country’s first international banks were established as a means by which to finance the Canal and Canal Zone activities, Panama’s contemporary legacy as a hub for international banking began with legislation deregulating its banks in the 1970s. Throughout the 1970s and into the early 1980s, Panama came to be known as an offshore haven by harboring capital of questionable origins (K. King, 1991). After
peaking at 125 banks in 1983, the country is host to 91 banks today, only 27 of which are “headquartered” nationally. Moreover, the city’s banking district plays a vital role in mediating regional financial flows, as all but 6 of Panama’s international banks are headquartered in Latin America.

Beyond physical and virtual flows, relational cities mediate human flows. As with other relational cities, Panama City mediates human flows through its primary international airport, and to a lesser extent through its land borders and ports. Figure 9.2 shows the destination network of Copa Airlines, Panama’s national carrier.

Figure 9.2: Copa Airlines’ network in 2010 (Source: www.copaairlines.nl)
As the figure illustrates, Panama connects the Americas, with strong linkages between North America, Central America, South America and the Caribbean basin. Copa’s network makes it the largest airline in Central America, both in terms of destinations and countries served, despite the fact that competitor TACA has three regional hubs and Copa has just one. Over the peak period of Panama City’s growth boom, passenger traffic doubled, from 2.1 million passengers in 2004 to 4.7 million in 2009. Of these passengers, 40% were in transit and the remaining 60% either began or ended their journey in Panama. Tocumen International Airport, located approximately 20 km east of the city center along the Corredor Sur toll road, is the largest airport in Central America and has been billed as the “Hub of the Americas” in light of a $21 million expansion in 2006 and another for $60 million currently underway. A new wing is being built, and the luggage system is being upgraded to handle anticipated increases in traffic. With the new expansion, the airport will be able to handle 10 million passengers per year which, although relatively small by global standards, would be among the 10 busiest in Latin America. The expansion will enable Copa Airlines to increase the number of daily interchanges from four to six, furthering the airport’s role as a hub, mediating passenger traffic between Central America, South America, North America, and the Caribbean (Ehrler, 2011). Over 40% of Tocumen’s passengers in 2009 were in transit, and this figure will likely rise as the expansion increases throughput capacity. Notably, though Miami, Bogotá, and San José were – somewhat unsurprisingly – the most connected destinations from Panama both in terms of frequency of flights and number of passengers, Havana was the #1 transit destination (Tocumen, 2010), indicating that Cubans, who are restricted from travel to/though the U.S., are using Panama City as a
“way out”, or that Americans, who are restricted from traveling to Cuba are using Panama City as a backdoor “way in”.

Over 80% of the passengers arriving at or departing from Tocumen airport are foreign nationals. Though the majority of these passengers are officially documented as tourists, many come to Panama to do business and act as permanent residents. Panama’s robust service industry attracts people from throughout the region and the world; of the passengers arriving at Tocumen in 2008, 23% were from North America, 25% from Central America (including Panama), 39% from South America, and the rest from Europe, the Caribbean, Asia, and elsewhere (Contraloría, 2009b).

Although the fact that Panama City has a major international airport does not constitute the basis of the city’s human flows, it reveals some interesting patterns. Panama City has a substantial foreign population, despite what official statistics say. Panama City’s immigrant population is significantly smaller than many other global and relational cities, primarily due to the fact that the country’s rural hinterlands supply the city with cheap, unskilled labor. The most recent available data indicates that 3307 registered immigrants entered the country in 2008 (Contraloría, 2009b) While those statistics may be true for official migration, unofficial estimates put the number of immigrants much higher. One interviewee, a board member and researcher at a reputable economic research firm, cited that there were approximately 180,000 Colombians and 80,000 Venezuelans living in the country, primarily in Panama City. It is estimated that significant numbers of Dominicans\textsuperscript{106}, Central Americans, and North

\textsuperscript{106} The designation of Dominican refers to those from the Dominican Republic, not the island nation of Dominica.
Americans also live in Panama City, attracted by a vibrant economy. Panama City has historically been a magnet for international migration and the most recent wave of growth has been no different. The country is a net receiver of migrants, and despite the fact that chronic poverty is a persistent issue, there is virtually no Panamanian diaspora abroad to speak of.

Panama City’s significant linkages to the global economy through trade and services qualify it as a global city. Beyond this, however, the city’s role in mediating physical, virtual, and human flows designate it as a relational city. The city serves as a regional intermediary, with strong extra-regional international linkages. Figure 9.3 illustrates the city’s intermediary role.

Figure 9.3: Panama’s Relational Flows
The figure indicates the geographic directionality of flows of migration, capital, services, and goods. Panama City is at the center of the scheme, lying figuratively between Latin America and the rest of the world. Each of the four flows has directionality, as indicated by the arrows of varying width. The width of each represents the approximate magnitude of the flow, particularly as gauged against what comes in versus what goes out. In terms of migration, for example, flows are oriented toward Panama City. The city receives a high number of migrants from Latin America, and a lesser number from East Asia (primarily Chinese merchants), and the U.S. (primarily retirees and repatriated Panamanian-Americans). Capital flows go both ways, and are mediated in both cases by Panama City. In contrast, the flow of goods is uni-directional, passing from producer countries in East Asia, Europe, and North America to Latin America. Panama is a large exporter of services, and this is reflected by the arrows emanating outward from the centerline.

Despite Panama City’s seemingly natural geographic predisposition to its intermediary role, the city developed as the result of the efforts of the national state and other significant actors. Without the customized infrastructure and legal framework to support the city’s service sector, the city may never have developed beyond its condition at the time of the Canal’s completion. The Panamanian state’s developmentalist governance framework, which by 1990 became neoliberal in orientation, enabled Panama City to ascend to its current position as a global intermediary.
Relational Cities Around the World

In addition to Panama City, numerous cities around the world possess similar “relational” attributes. Each plays an intermediary role in the global economy as a result of geographic, historical, and/or political factors. These relational cities generally share many of the following characteristics: a strong legal system guaranteeing property rights and investor protection; an internationally recognized currency; a high number of tertiary and quaternary jobs; and/or, a palpable colonial legacy. Though each case is meant to be only a sample of the binding thread between relational cities, my intention is to tease out many of these common elements. In each of the four cases to follow, I focus on defining the city’s history, its global economic role, the geographic distribution of the flows it mediates, and the supporting legal and infrastructural framework. Cities range in size from very large (Johannesburg) to small (Doha), and in governance systems from democratic and federalized (Miami) to constitutional monarchy (Dubai). My goal is to show how a diverse set of cities is connected vis-à-vis their economic roles. As I have shown with Panama City, it was not the city’s size or absolute location that most influenced the urbanization process but rather its position in relation to global trade. Thus it is function, rather than form, that links these global cities.

Johannesburg

Located on the highveld (northern plateau), Johannesburg is South Africa’s sprawling commercial capital. The city’s metropolitan area, known by its provincial designation as the Gauteng city-region, has a total population of over 10 million, making it one of the largest metropolitan areas on the African content, and by far the largest in
South Africa. Although it occupies less than 2% of the country’s land area, the Gauteng city-region generates a third of South Africa’s GDP, and approximately 10% of the entire African economy. Figure 9.4 shows Johannesburg’s location, just south of Pretoria in the country’s northeast.

![Map of South Africa](Figure 9.4: Map of South Africa (Source: CIA World Factbook, 2010))

The city’s contemporary history has been characterized by two centuries of conflict between competing ethnic groups. Dutch-speaking voortrekkers arrived in the Witwatersrand (greater Johannesburg) region from the country’s western Cape Colony beginning in the mid-19th century in search of farmland, clashing with Bantu tribes who had inhabited the region since the late Iron Age (Miller, 2002).

Johannesburg’s contemporary history begins with the discovery of gold in the Witwatersrand in 1886. As a result of the discovery, the city gained importance and
soon overtook the neighboring capital city of Pretoria in population. The city began to expand outward from the original settlement after the end of the second Boer War in 1901, in which a victorious Britain formed the Union of South Africa out of previously independent Boer (Dutch) republics (Beavon, 2001). The city’s expansion, as well as the success of the mines, depended critically upon forced labor imposed upon African populations by European mine-owners (Moeti, 1986). Initially, Johannesburg expanded toward the north and east, to the city’s first (white) suburbs. The city boomed beginning in the 1930s after the U.S. abandoned the gold standard, which allowed South African exports to become more competitive (Beavon, 2000). Between 1931 and 1934, the global price of gold more than doubled, kick-starting development in Johannesburg. Northward expansion increased throughout the 1940s and 1950s, as the combination of increased automobile ownership and new road infrastructure decentralized residential areas even further.

In the period that followed World War II, the Johannesburg region changed dramatically. Although the city had informally been segregated since its inception, the apartheid system was imposed in 1948, formally separating racial groups. Black populations were confined to “townships”, of which Soweto (Southwest Township) was the largest and most prominent. From that point forward, the region’s growth was formally guided by racial segregation, with non-white populations restricted to certain areas. The implementation of formal political segregation along racial lines was

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107 Contemporary South Africa has three capital cities: Pretoria (administrative), Bloemfontein (legislative) and Cape Town (judicial).

108 The gold standard was officially abandoned by the U.S. in 1933. Many theorize that this prolonged the Great Depression. The system was replaced by a ‘fiat currency’ system, in which major global currencies were pegged to the U.S. Dollar.
accompanied by profound economic changes in the region. Beginning in the 1950s, mining declined in relative importance and was superseded by a strong focus on secondary, and particularly tertiary, industries. As economic focus shifted away from mining and other primary sector activities, the burgeoning retail and commercial sectors were reoriented toward the northern suburbs. Throughout the mid-20\textsuperscript{th} century, suburbanization continued northward, and accelerated strongly in the 1970s, as “white flight” took hold in the wake of the 1976 Soweto Revolt (Beavon, 2006). Figure 9.5 shows the physical expansion of Johannesburg over time.

![Figure 9.5: The physical expansion of the Johannesburg region (Source: Beavon, 2001 modifying Whitlow and Brooker 1995)](image)

The growth of the region was fuelled by a precipitous increase in population. The Witwatersrand region (i.e. greater Johannesburg) grew from 2.6 million in 1970 to 4.9 million in 1992.
million in 1990 to its current population of over 10 million as a result of natural population growth, rural-to-urban migration, and international migration (Beavon, Year unknown). Post-1970s spatial dispersion of the Johannesburg region had several implications. Residential populations became even more spatially segregated from one another, and the city’s majority black population was limited to the expanding township areas.

As the region’s economic profile shifted, Johannesburg’s principal retail and commercial venues also relocated to the northern suburbs of Sandton (figure 9.6) and Randburg. The city’s traditional CBD fell into a state of decline, and vacancy rates soared in downtown office buildings. This relocation of the city’s commercial hub toward the northern suburbs was accompanied by a large-scale construction of office space, shopping centers (De Vries, 2008), and eventually the relocation of the Johannesburg Securities Exchange in 1998.
As apartheid was abolished in 1994 due to strong international pressure, the (black) African National Congress (ANC) took over power from the incumbent (white) National Party. The transition had clear racial implications: the formal geographic segregation that had divided the races was over, and political power had been restored to once-marginalized groups (Asians and “coloureds” in addition to blacks). Beyond these racial ramifications, however, the transition to the ANC had political and economic implications. However, “within two years, the ANC had switched to a rightist, neoliberal Growth, Employment and Redistribution policy stressing privatization, deregulation, and trade liberalization” (Peet, 2002, p. 54). Although nominally left-wing in ideology, the changes brought about by the ANC in the mid-1990s reflect a global trend of economic openness as promulgated by a neoliberal logic.
The developmentalist purview of the South African government in Johannesburg derives from the city’s changing role in the global and regional economies. The city’s changing economic profile reflects a movement away from the primary industries of its past toward a role as an incipient world/global city (Bremner, 2000a; Robinson, 2003). The city has evolved from an industry town to a national primate city to a global city in the span of a century, and contemporary Johannesburg faces the twin challenges of maintaining a competitive global orientation while at the same time reducing the poverty, crime, and sprawl associated with its position as a Third World megacity (Robinson, 2003). As Beavon, professor of Geography at the University of Pretoria comments,

Johannesburg at the beginning of the twenty-first century finds itself in what might, in the longer term, be called its midlife crisis. It is no longer the great city firmly based on gold mining or the important manufacturing center it was in the 1960s; instead, it is a focal point for a concentration of sophisticated tertiary and ICT\textsuperscript{109} activities that now not only need to be globally competitive to survive and grow but must be provided with a globally competitive urban environment (2006, p. 49).

Given the city’s transition toward tertiary and quaternary activities, I make the claim that Johannesburg is southern Africa’s relational city. These activities provide the backbone of the region’s modern economy, and a liberal, developmentalist state has been influential in guiding this shift. As the Gauteng Economic Development Agency (GEDA), a branch of the national Department of Economic Development, boasts in an informational brochure,

\textsuperscript{109} Information and Communication Technology
Since the inauguration of democratic government in 1994, South Africa has enjoyed a run of unprecedented economic growth. Over a period of eight consecutive years of positive growth, all the key indicators of economic health have improved. Budget deficits were reduced dramatically, foreign debt and government debt have declined significantly, inflation, once at double-digit rates, has since been reduced to low single-digit levels, and economic growth has been consistent and steady. Individual and corporate taxes have been reduced. So has unemployment. Meanwhile, the stock market has realized record growth in volume and value. Altogether, it is a record any government would be pleased to claim credit for. (GEDA, 2010)

Despite the lingering social, racial, and ethnic inequality that persists, much of the South African state’s efforts have focused on creating the preconditions for economic growth. The state’s developmentalist shift has focused around mediating international flows, particularly in Information and Communication Technologies (ICTs) and other high-order services (Rogerson, 2000). The same document lists the impediments to reducing poverty as “infrastructure bottlenecks, labor market rigidity, and over-regulation”, among others (ibid).

To understand how Johannesburg has become a relational city, one must look at the nature of the flows mediated through the city. Just as how Panama City leverages its dollarized economy, stable political climate, service economy, and regional position to connect Latin American countries with the rest of the world, Johannesburg finds itself within the most politically and economically advantageous context in sub-Saharan Africa. Despite its chronic social issues, South Africa features a stable currency (the Rand), a strong service sector, and the most well-educated labor pool in the region (ibid).
In terms of physical flows, Johannesburg mediates a great deal of South Africa’s export traffic. Despite its non-coastal location, Johannesburg is the country’s largest “port”, as 20% of the country’s exports originate from the city and another 39% of national exports pass through it (Beavon, 2006, p. 59). The flows have been facilitated by the construction of City Deep container terminal, the largest “dry” port in the world. As a secure port area within the central city, City Deep is one of the country’s Industrial Development Zones (IDZs), which provide customized logistics infrastructure to export-driven industries. This implies that the state provides tax incentives and duty-free benefits, as part of South Africa’s Spatial Development Initiative (SDI).

South Africa’s largest trading partner is China, both in terms of imports and exports, followed by other industrial nations such as Germany, the U.S., and Japan. Given the size of these economies, this comes as no surprise. However, given South Africa’s regional position, the country serves as the largest trading partner for numerous sub-Saharan countries. South Africa is the largest exporter to Zimbabwe (62%), Zambia (52%), Malawi (40%), Mozambique (34%), the Democratic Republic of the Congo (18%), and Sierra Leone (15%), and holds a significant position with many others in the region (CIA World Factbook, 2010). Helgesson (2008) stresses the importance of Johannesburg to the Mozambican economy, arguing that – although the former is 500 km away from the Mozambican capital city of Maputo – the two cities are functionally interlinked. Hanlon (1986) has documented Malawi’s historical reliance on Johannesburg, despite the fact that the Malawi and South Africa do not share a common border. The absolute significance of these linkages is obscured by the fact

110 Johannesburg is the world’s largest city that is not on an ocean, a lake, or a major river.
that many sub-Saharan countries economies’ are relatively small, especially compared to the major economies that serve as South Africa’s major trading partners. Nevertheless, Johannesburg and South Africa more broadly serve an important relational role mediating the physical flow of regional trade.

In terms of virtual flows, the city’s tertiary and quaternary service sectors mediate the flows of capital, ideas, and other digital entities. The tertiary sector constitutes 70% of Gauteng’s economy (Gauteng, 2009). One of the most significant components of this is banking and financial services. As of 2002, financial and business services accounted for city’s economy (Beavon, 2006, p. 60). South Africa has 110 registered banks¹¹¹, many of which are foreign or representational offices of foreign banks. These include Bank of China, Citibank, Standard Chartered, Deutsche Bank, and many other well-known international banks. The metropolitan region is home to most of these international banks, as well as 70% of national banks, and 74% of multinational corporate headquarters in South Africa (ibid, p. 59). In addition to flows mediated by these banks, the Johannesburg Securities Exchange (JSE) is by far Africa’s largest, and the world’s 16th largest. The combination of the JSE, banks, financial services, and multinational headquarters create a significant agglomeration of tertiary and quaternary industries in Johannesburg, cementing the city’s role in mediating the flow of capital.

The Johannesburg region’s role in mediating human flows is evident in several regards. The region is a magnet for immigration from sub-Saharan Africa - a trend that is reflected in the city’s cosmopolitan air. The “Rainbow nation” is home as many as six

¹¹¹ Although South Africa includes other nodes such as Durban and Cape Town, the vast majority of these are headquartered in the Gauteng region.
million immigrants, many of whom are Zimbabwean refugees (Nduru, 2005). Besides the many Africans who have migrated to South Africa in search of a better life, the country hosts large populations of South Asians and Chinese, initially imported as agricultural and mining labor, respectively (Davies, 1981), and Europeans.

Just as Panama’s Tocumen airport serves an important regional intermediary role, Johannesburg’s O.R. Tambo International Airport, Africa’s largest, serves all major airports in southern Africa and most major international airports on six continents. Billed as a regional hub for passenger traffic and cargo, the state has aggressively been promoting an Industrial Development Zone (IDZ) adjacent to the airport in order to promote the growth of cargo exports. Coupled with massive upgrades performed for the 2010 World Cup, the airport serves a significant node of international connectivity. Figure 9.7 offers a conceptual diagram of Johannesburg’s relational flows, based on the structure of figure 9.3, which traces the geography of flows in Panama City.
Figure 9.7: Johannesburg’s Relational Flows

Just as Panama City mediates flows between Latin America and the global economy more broadly, Johannesburg is Southern Africa’s relational city. Johannesburg’s banking sector, for example, is a critical source of capital for all of Southern Africa, and the city mediates many of the manufactured goods from East Asia destined for African markets. By the same token, many of the corporations operating in Southern Africa (including mining and other extractive industries) are headquartered in Johannesburg (Bremner, 2000b). Johannesburg is an intermediary between the primary economies and consumer markets of Africa, and the producers of goods, services, and technologies outside the continent.
As Africa’s largest commercial hub, Johannesburg features a cosmopolitan population, a large number of multinational corporate headquarters, and a well-developed export economy, making it – at least in the eyes of many scholars – a significant world city (Beavon, 2006; Robinson, 2003). On a more nuanced level, however, Johannesburg is a relational city insofar as it mediates flows on a national, regional, and global scale. Not only is Johannesburg the business capital of Africa’s largest economy, but it serves an important role in the economies of many African countries lacking the economic stability of South Africa. The city’s intermediary role is backed by a neoliberal state, which has focused on economic growth, macroeconomic stability, and export promotion. This has translated into growth in the tertiary and quaternary sectors, and through its commercial, financial, and banking centers, the city directs flows throughout Africa and around the world.

Doha

Located on a flat, sandy peninsula in the Persian Gulf (figure 9.8), Doha is the capital and primate city of Qatar. The city proper has a population of 800,000, about half of the country’s total. Including the surrounding suburban areas, however, the greater Doha region comprises 80% of Qatar’s population. The country is divided into eight municipalities governed by an absolute monarch, and given Doha’s central importance, Qatar can be effectively considered a city-state for political and statistical purposes. According to International Monetary Fund (IMF) data, the country ranks as one of the world’s wealthiest nations, with a nominal per capita GDP of $59,990 in 2009, attributable to the country’s massive oil revenues and relatively small population.
Although what is present-day Qatar has sustained small settlements and nomadic populations for millennia, Doha’s contemporary history can be traced to the discovery of oil in 1939. Having once been a peripheral territory of the extensive Ottoman Empire, Qatar was declared a British protectorate in 1917. This meant that while nominally independent, Qatar was under the jurisdiction of the British Crown. Initially, Qatar had served the British Crown as a strategic waypoint en route to India, but the territory was of little economic interest to Britain. With the discovery of oil, however, Qatar began to grow, greatly altering the country’s demographic and economic profile. Until then, Doha’s population had never exceeded 12,000 and that of
the country had never risen above 30,000. From that point onward, however, Qatar experienced continuous growth, with the population reaching above 100,000 in 1970; 400,000 in 1989; and over 1 million in 2006. Furthermore, since the discovery of oil, Qatar’s foreign-born population has roughly doubled in proportion to the overall population, from 39% to nearly 80% (Nagy, 2008; QSA, 2010). Massive investment in oil and gas infrastructure in the mid-20\textsuperscript{th} century spurred an influx of foreign migration, predominantly from neighboring Arab states and from South Asia. To the present day, a strong social divide exists between the affluent minority Qatari population and the city’s expatriate and immigrant populations.

With the advent of population growth and economic change, the Qatari state (still as a protectorate) embarked upon large-scale urban infrastructure projects beginning in the 1960s. Massive housing projects were built to accommodate the city’s growing population and infrastructural needs. These changes accelerated after Qatar gained independence from Britain in 1972. As Doha grew from a small town into a modern port city, the Qatari government transformed the city to adapt to its new role. Beginning in the mid-1970s, the city’s waterfront areas were redeveloped on reclaimed land. A French-inspired coastal esplanade called the \textit{Corniche} was created, which included a convention center, the national university, and large residential developments, which give the Doha waterfront a distinctly cosmopolitan feel. In addition, large-scale housing projects were pursued in an attempt to modernize the city’s core. Given the lack of indigenous skilled labor in Qatar at the time, renowned American and British firms were contracted to carry out the projects, compensated handsomely with robust oil revenues (Nagy, 2008).
Much of the residential development initiatives undertaken by the government in the wake of population growth had a dispering effects on the urban population. Doha radiated outward from its urban core in concentric zones, marked by parallel avenues named “A”, “B”, etc. Figure 9.9 shows the spatial distribution of population in both Qatar and Doha.

Figure 9.9: Population Distribution in Qatar (left) and Doha region (right) (Source: Qatar Statistics Authority)

A key factor in understanding the evolution of Doha has been the role of the state. Unlike many other cities that have grown due to global economic linkages, almost all of the development in Doha was state-led. The Qatari government has
assumed responsibility for the physical planning and development of the city and outlying areas. The programs undertaken by the government include land and housing distribution to Qatari citizens, land-use regulations, and planning, design and implementation of both residential and non-residential areas. Indeed, the state seal is the most ubiquitous identifier on the construction signboards located throughout Doha. The public has come to accept, and expect, government action in the realm of development and maintenance of the built environment. Doha’s ruling elite has long had a hand in land distribution and decisions about the built environment. Now, the responsibility for planning is distributed amongst specialized branches of the growing bureaucracy. (Nagy, 2006, p. 128)

In contrast to Panama, the Qatari state has pursued a very top-down approach to planning, both in terms of the economy and the built environment. The majority of large-scale projects have been carried out as public-private partnerships, importing labor as needed.

It is only since the 1990s that Qatar has begun to deviate from an oil-dominated economic profile. In order to diversify Qatar’s economy beyond petroleum exports, the state has embarked upon a number of initiatives in the tertiary and quaternary sectors. This includes the creation of several special-purpose zones providing customized infrastructure and/or tax incentives. In 1995, the Emir – Sheikh Hamad Bin Khalifa Al Thani – established the Qatar Foundation for Education, Science, and Community Development. Over the years, the foundation has evolved to include several different institutions, including numerous schools and other educational and research entities. One of the Qatar Foundation’s major initiatives has been Education City, founded in 2001 to create a regional center for higher education. Just as City of Knowledge is home to a branch of Florida State, Education City now houses several American
universities, including branch locations of Carnegie Mellon, Georgetown, Virginia Commonwealth, Texas A&M, Northwestern, and Cornell. In addition, Education City houses a branch of University College London, as well as several think tanks and television stations. In addition to Education City, the Qatar Foundation includes the Qatar Science & Technology Park, established in 2004 to promote a greater emphasis on the quaternary sector (QF, 2011). The park has free-trade zone (FTZ) status, which allows foreign ownership and employment, and provides tax benefits and incentives to ICT firms who locate there.

Another initiative to promote quaternary sector development in Doha is the Qatar Financial Centre (QFC). The project was established by the state in 2005 to promote business and financial services in banking, insurance & reinsurance, and asset managements. Predicated on international competitiveness though low taxes, QFC provides the infrastructure and legal framework for businesses to operate both locally and globally. A specific beneficiary of QFC is the Islamic banking sector, which provides financial services that are in accordance with Sharia, or Islamic law (QFC, 2011).

In order to accommodate an expanding population and to accommodate the anticipated economic boost of hosting the 2022 World Cup, plans are currently in the works for the construction of Lusail—a mixed-use mega-community 15km north of Doha’s center. The project is being carried out by the Qatari state in a joint venture with the U.S.-based Parsons corporation. When finished, the project will feature a stadium, retail and commercial venues, and accommodation for up to 250,000. Though Lusail (figure 9.10) has yet to come to fruition, it is likely to be developed soon in the wake of
Qatar’s selection as World Cup 2022 host. Through Lusail and other similar initiatives, Doha can expand into the tertiary sector, catered to an upscale international clientele.

Figure 9.10: Model for the proposed Lusail City (Source: Construction Weekly Online, 2010)

Though still principally focused on petroleum exports, Doha’s economic profile is rapidly changing due to the work of the Qatari government and private corporations partnered with it. Although over 50% of GDP comes from the oil and gas sector, the state is mobilizing quickly toward development in other industries. The government has already leveraged Doha’s strategic location between Europe and Asia to attract the World Cup, as well as to develop the state-owned Qatar Airways into one of the world’s largest airlines. Since it was founded in 1993, Qatar Airways has grown into one of the

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112 Qatar is by far the smallest country to be selected as the World Cup host. With its blistering summer heat and minimal infrastructural base, there was widespread speculation as to why Qatar won the bid. Some argue that Qatar’s intermediary position between Europe and Asia made it an ideal geographic place (G. Johnson, 2010), while others have attributed the decision to graft (Blitz, 2010) on the part of the Qatari royal family.
world’s largest airlines, specializing in long-haul service between 90 locations in 55 countries. As a corollary, the Doha airport is now one of the busiest in the Middle East, and a new international airport is set to open in 2012, which will have the capacity to handle 50 million passengers per year. Figure 9.11 shows Qatar Airways’ route map, indicating strong linkages between Europe, South Asia, and the Middle East.

Figure 9.11: Map of Qatar Airways’ destinations (Source: http://www.qatarairways.com/global/en/routemap-popup.html)

Since 2001, the term “Doha” has almost been synonymous with the round of World Trade Organization (WTO) negotiations hosted in the city. In one of several rounds of trade talks aimed at reducing global tariffs and impediments to trade, the Doha Development Round served as a flag-carrier for global neoliberalism. After initial
negotiations largely failed\textsuperscript{113}, the “Doha Round” continued until 2008 in various cities, including Cancun, Geneva, Paris, Potsdam, and Hong Kong ("The Doha round...and round...and round," 2008). Thus, despite its decidedly state-oriented development model, the Qatari government explicitly advocated neoliberal capitalism by sponsoring the event.

In light of Qatar’s intermediary position within the Middle East, a 2008 \textit{New York Times} tagline read “Qatar, Playing All Sides, Is the Mideast's Nonstop Mediator” (Worth, 2008). Qatar’s foreign policy and political orientation has been somewhat of middle ground between its more conservative Middle Eastern neighbors and the West. Qatar-based \textit{Al Jazeera} television has criticized neighboring Arab governments in the past, while at the same time facing censorship by the U.S. government for their coverage of the war in Iraq. \textit{Al Jazeera}’s perspectives have not just angered Americans. Iran, Iraq, Israel and Saudi Arabia, among other countries, have all curtailed the activities of its reporters for different reasons. This may explain why \textit{Al-Jazeera} consistently has the largest number of viewers in the Arab world”. ("A bouncy bantam," 2006)

Qatar is home to major U.S. military operations, and the country maintains ties with Israel, in contrast to many other Arab states. As such, Qatar features a decidedly international orientation. While in many ways a quintessentially Middle Eastern nation, Qatar is more open to the flow of global ideas than others in the region.

\textsuperscript{113} For more on this, see Martin and Messerlin, 2007.
The result of Qatar’s recent initiatives, coupled with soaring oil and gas exports has led to dynamic economic growth. In the midst of a global financial crisis, Qatar maintained the world’s second highest GDP growth rate at 9.5%. As a result, Doha has continued to boom (figure 9.12), as evidenced by a recent construction frenzy and a rapidly increasing population.

Qatar’s regional and global intermediary role makes Doha an incipient, if not exemplary relational city. Backed by a developmentalist state with an open economic orientation, Doha’s recent expansion into the tertiary and quaternary sectors is predicated on the city’s role as an intermediary in the global economy. In a report produced by the FIFA evaluation committee chronicling the strengths and weaknesses of potential host countries for football’s World Cup, Qatar’s intermediary position and the
orientation of the state were cited as primary factors in the decision to choose the country as the future host venue. The report begins by stating, “the Qatar bid’s hosting concept, which is in line with Qatar’s national development strategy, presents a novel approach to event operations and legacy” (FIFA, 2010, p. 16). The committee also noted the strategic geographic advantage of Qatar as a host, writing that “because Qatar has a time zone of UTC+3, there is unlikely to be a negative impact on TV ratings in Europe” (ibid, p. 17).

As a relational economy in the Middle East, Doha mediates physical, virtual, and human flows through the range of state-led projects that I have cited. The recent development of global-scale educational, research, and commercial nodes, coupled with the Doha airport’s expanding role as a conduit for long-haul air traffic, firmly place the city on the map as a city dominated by flows and international linkages. Figure 9.13 provides a simplified geography of the flows that Doha mediates.
Figure 9.13: Doha’s Relational Flows

Given Doha’s recent transition from a petroleum-dominated economy, the geography of Doha’s relational flows is relatively simple. The U.S., Europe, and East Asia are the “producer” regions from which flows of ideas, capital, and goods originate. Qatar exports primarily to East Asia and imports goods primarily from the U.S. and Europe (CIA, 2010b). Just as Panama mediates flows to Latin America and Johannesburg to Southern Africa, Doha is a relational city for South Asia, Iran, and the Middle East. Doha’s massive workforce hails predominantly from South Asia, and Doha is a key link to Iran, which has tenuous diplomatic ties to the U.S (“The emir visits Iran to deny WikiLeaks revelations,” 2011).
In many ways, the processes shaping urban growth in Doha are analogous to those in Panama City. The relationship between the royal family and the autocratic Qatari state mirror Panama’s hegemonic oligarchy, just as a legacy of British rule mimics the infrastructural legacy of the U.S. in Panama. Furthermore, just as much of Qatar’s early development owes to the role of the British state, much of its more recent development is attributable to the efforts of British oil companies (Nagy, 2006, p. 130). Doha’s oil wealth draws parallels to the role of the Canal in shaping Panama’s contemporary political economy. As Doha has transitioned to a more diverse economy, its global role has gone from that of an exporter to that of an intermediary.

Dubai

The emirate of Dubai\textsuperscript{114} is one of seven semi-autonomous monarchies that comprise the United Arab Emirates (UAE). Occupying a territory of 4,114 km\textsuperscript{2} along the Persian Gulf, Dubai lies 400 km to the east of Qatar (figure 9.14).

\textsuperscript{114} I use geographic extent of the Emirate of Dubai and “Dubai” interchangeably, even though the spatial extent of the emirate goes far beyond the city’s boundary.
Since the 1990s, and especially in the wake of an unprecedented building boom since 2003, Dubai has been a primary focus for those interested in urban growth and development. In the span of the past 20 years, Dubai has increased in population from roughly half a million to over two million. This rapid population growth has complemented the erection of several world-scale megaprojects and myriad high-rise towers, including the world’s tallest—the Burj Khalifa. Thus, in the past two decades, at a remarkable pace, Dubai has developed into a global crossroads. This urban mirage continues to spread out vertically and horizontally without any signs of slowing down. It
takes in/purports a vertical urbanism—giant atriums and spidery passages among the towers—curiously set against a background of a sprawling “nothingness,” the desert.

(Katodrytis, 2006, pp. 3-4)

Given its proximate location and similar governance structure, growth and development in Dubai mirror the trajectory of Doha in many ways. Both Qatar and the UAE were granted independence from Britain in 1971, and both Doha and Dubai had been relatively insignificant cities until the discovery of oil, albeit thirty years later in the latter. Both cities have found themselves at the crux of the contemporary Middle Eastern political economy, and both are globalized and relatively open Arab states. As a result, Doha and Dubai have both responded strongly to the changing contours of the global economy. Foreign capital, technology, and labor are now integral elements of the urbanization process in the Middle East (Nagy, 2008).

However, in sharp contrast to Doha, petroleum revenues make up a relatively small percentage of the Emirate’s economy at just 6%. While Qatar has one of the world’s largest proven reserves of hydrocarbons, Dubai’s oil production peaked in 1991 and has been steadily declining ever since (Butt, 2001). In response to Dubai’s relative scarcity of petroleum resources, the economy has diversified toward the tertiary and quaternary sectors, beginning in the late 1970s. Hvidt (2009) notes that Dubai leapfrogged from a primary economy, based on the pearl trade and later oil, to a service economy, without ever having industrialized. This transition was motivated by a desire to move “up” the economic ladder, and industrial development was eschewed due to a paucity of available unskilled labor. Thus, Dubai reflects much of the same relational orientation as Doha, but on a larger scale.
Urban growth in Dubai was relatively slow until the 1970s. The city had only 10,000 inhabitants at the beginning of the 20th century, and a mere 60,000 in 1968. After the discovery of oil in 1966, Dubai began as a petroleum exporter in 1969. Despite the industry’s relative insignificance today, this discovery drastically changed the Emirate’s fortunes. The implications were that by the 1970s, Dubai was reinvesting these petroleum revenues in developing a sophisticated and sustainable economy. The Emirate used oil rents to build and expand its service economy infrastructure in the form of roads, harbors, expanded warehouse capacity, and industrial zones, and pursued a strategy of low taxes and tariffs to attract foreign capital (Hvidt, 2009).

Spurred by both increased oil-related revenues and a rising regional intermediary role, the city began to grow rapidly in the 1970s. The Emirate’s burgeoning petroleum industry required more infrastructure, resulting in a massive influx of foreign workers to fill the local labor void. Moreover, as oil exports increased, Dubai was flush with seed capital to begin carving out a regional intermediary niche for itself. The rise of Dubai as the Middle East’s foremost financial capital, along with political stability in the UAE more generally, ensured that the Emirate was to benefit from its regional intermediary role.

As Kanna observes,

The 1973 OPEC embargo initiated a boom across the Gulf, and brought a windfall of revenues into Iraq and Iran as well. Two years later, the civil war in Lebanon began, sending that country into a precipitous decline as a center of banking, high finance and tourism in the Middle East. Islamist politics shook the region, toppling the Shah and nearly doing the same to the Al Saud [family] in 1979. The Soviet Union entered a protracted and catastrophic engagement in Afghanistan in the same year, and then Iraq and Iran went to war in 1980. (2007, p. 1)
The combination of these events, along with small but steady oil revenues set the stage for the spectacular growth that Dubai would experience in the early 21st century. The economy transitioned from one primarily based on the re-exportation of gold and consumer goods, to a diversified, modern economy (ibid). Post-independence Dubai had firmly established its relational regional role, benefitting from war, and economic and political turmoil, in Iran and Iraq, and also from the heavy bureaucracy that stifled the Indian economy.

By 1980, Dubai’s population had increased to nearly 300,000. The majority of the increase, as in Doha, can be attributed to an influx of mostly male migrant workers from other Arab states and South Asia. This pattern persisted through the 1990s, and by 2000, 53% of Dubai’s nearly 900,000 residents were foreign-born. As the petroleum industry waned in significance, state-led initiatives in the tertiary and quaternary sectors took off, with strong growth in construction, real estate, trade, and transportation. As a result of this, the population of Dubai increased precipitously in the early 21st century, adding almost one million people in a decade. Again, foreign workers were the driving factor behind population increase, with South Asian migrants being the overwhelming majority, supplemented to a lesser extent by high-skill, high-wage knowledge-economy workers from Europe, North America, and elsewhere. Data from 2010 indicate that Dubai’s population has risen to 1.9 million, more than 80% of whom were foreign-born (DSC, 2011).

The contemporary city bears little resemblance to the original settlement of Dubai. Contemporary Dubai is actually the agglomeration of the communities of Deira
and Dubai, which were linked by bridges and a tunnel in the early 1970s. The contemporary city is centered about Dubai Creek (figure 9.15), which separates the two.

Figure 9.15: The City of Deira along Dubai Creek in 1960 (Source: http://blog.zeemp.com/the-evolution-of-dubai/)

The city has expanded primarily along an east-west axis, parallel to the Persian Gulf. The city’s primary east-west artery is Sheikh Zayed Road (see Figure 9.16 below), the extension of which spans beyond the city limits and forms the principal road axis of Abu Dhabi as well.
To the east, the city reaches toward the neighboring emirate of Sharjah, which today is functionally part of the Dubai metropolitan area. To the west, Dubai extends toward Jumeirah Beach (see figure 9.17), and further down the coast toward Jebel Ali.
Jebel Ali was the first of several mega-projects pursued by the government of Dubai to stimulate tertiary economic activity. The first phase of Jebel Ali was finished in 1979 and the whole project was completed in 1983, supplementing the city’s existing Port Rashid, built just years earlier. The adjacent Jebel Ali Free Zone was added in 1985, creating a regional hub for cargo transshipments that was similar in function to its counterpart in Colon. Home to the world’s largest man-made harbor, the port-free zone complex specializes in re-exports destined for the Indian, Iranian, and Middle Eastern markets, as well as light assembly for Asian-produced consumer goods destined for European and North American markets (Jacobs & Hall, 2007). Both the port and free zone are controlled by subsidiaries of state-owned Dubai World, through Dubai Ports and Economic Zones World, respectively. As of 2005, approximately 1/3 of regional\textsuperscript{115} container throughput was handled by Dubai Ports, and approximately 2/3 of Dubai’s total cargo volume was re-exported (ibid).

In addition to Jebel Ali, Dubai has several other Free Trade Zones (FTZs) promoting private and non-profit enterprise in the tertiary and quaternary sectors. Among these, Dubai Airport City; Dubai Car and Automotive City; Dubai Flower City; Dubai Gold and Diamond Park; Dubai Health Care City; Dubai Industrial City; Dubai International Finance Centre; Dubai Internet City; Dubai Academic City; Dubai Media City; Dubai Multi Commodities Exchange; Dubai Silicon Oasis; and the Dubai Technology and Media Free Zone are all special-purpose FTZs designed to attract foreign capital and know-how (UAEInteract, 2011). Following the same model as the

\textsuperscript{115} I define regional here as the Persian Gulf and the Arabian Sea nations. This includes all ports between Sri Lanka and Kuwait.
initial FTZ at Jebel Ali, each of these targets a specific industry with tax benefits and 100% foreign ownership privileges.

Dubai’s FTZs have been relatively successful in attracting foreign enterprises and institutions. Dubai Media City, which features state-of-the-art infrastructure and fiber-optic connectivity, is home to regional headquarters of CNN International, BBC News, Bloomberg L.P., Sony, and numerous other media outlets. Dubai Academic City and Dubai Knowledge Village features branches of several renowned universities, including Michigan State, Duke, and Harvard Medical School. Additionally, Dubai Internet City has succeeded in attracting IBM, Hewlett-Packard, Oracle, Microsoft, Sun Microsystems, and a plethora of other well-known Information and Communications Technology (ICT) firms (Keivani, Parsa, & Younis, 2003).

As is the case in Doha, the state has had a heavy hand in shaping economic and urban development in Dubai. A principal element of this effort was the recognition that Dubai’s key assets lie in its relational location. Dubai’s “new” economy was crafted around an intermediary role, focusing on business and financial services, re-exports, and more recently higher education and ICTs. This is reflected in the Emirate’s myriad FTZs, which provide tax benefits to firms, as well as provisions allowing foreign ownership and the repatriation of profits. Although private interests have had a heavy

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116 This role largely equates to the initiatives of the Al Maktoum family, which has ruled Dubai since 1833. As such, there is considerable grey area between what constitutes the “state” and the royal family. However, Dubai and the other Emirates do have a formal government apparatus through which development is impacted, and I will therefore refer to the state, the emir, and the Al Maktoum family as most appropriate.

117 Dubai’s land tenure system is based on Arab-Islamic tradition, and though foreigners can own property, they may not own land.
hand in the recent transformation of Dubai, non-state enterprises are guided and limited by the government. Pacione has observed that

Dubai represents a hybrid model between state control and economic liberalism in which urban development is determined largely by the planning vision of the ruling family within an environment of market capitalism that seeks to attract foreign investment and reduce restrictions to free enterprise. (2005, p. 264)

The dominant development discourse pursued in Dubai has been developmentalist, and market-oriented, albeit with considerable influence from the state. The state has undertaken substantial infrastructural projects through its FTZs and residential projects, aimed at capturing footloose capital. Essentially,

Dubai’s formula for development included several components—visionary leadership, high quality infrastructure, an expatriate-friendly environment, zero tax on personal and corporate income and low import duties. The result was that Dubai quickly became a business and tourism hub for a region that stretches from Egypt to the Indian subcontinent and from South Africa to the ex-Soviet republics. (Bagaeen, 2007, pp. 176-177)

Lacking the petroleum resources of other Emirates within the UAE, Dubai’s economic success was predicated upon growth in producer services, tourism, real estate, and its ability to attract corporate operations from abroad (Sampler & Eigner, 2003).

Flows of goods, people, and information all contribute to Dubai’s strong intermediary role in the regional and global economies. As a relational city, Dubai mediates flows through its ports, free trade zones, and other special-purpose enterprise zones. Realizing the potential of a strong intermediary role in a globalized economy, the Emirate continues along a pathway toward greater expansion into the tertiary and
quaternary sectors. A prime example of this is the expansion of the Dubai International Airport. The airport served over 40 million passenger movements in 2009, a four-fold increase from 10 years prior. This increase in air traffic was primarily due to the enlargement and expansion of Emirates, Dubai’s state-owned airline. Having initially started with two planes serving only Pakistan and India, the source of most of the migrant labor building the city and doing its menial service jobs, the airline’s fleet has expanded to include nearly 150 planes serving over 100 destinations. The airline, like Qatar Airways, has focused on linking distant locations with long-haul service. An integral part of this strategy is predicated upon Dubai’s intermediary location between Asia, Europe, the Middle East, and Africa (figure 9.18).

Figure 9.18: Emirates Route Map (Source: http://dubai.artform.ca/form.php)
This geographic strategy has proven successful in the early 21st century, and *The Economist* predicts that the Doha, Dubai, and Abu Dhabi\textsuperscript{118} airports will handle “about the same number of passengers as were handled last year by a combination of Heathrow, JFK, Narita, Changi and Frankfurt” (“Super-duper-connectors from the Gulf,” 2010) by 2015. Figure 9.19 shows the trajectory of passenger air traffic in Abu Dhabi, Doha, and Dubai.

![Figure 9.19: Passenger Air Traffic at the Abu Dhabi, Doha, and Dubai airports (Source: *The Economist*, June 3, 2010)](image)

As Dubai’s Al Maktoum has grown, a new larger airport is being taking shape. Located in Jebel Ali, the new $50 billion airport will, when finished, be by far the world’s largest, featuring five parallel runways and an annual passenger capacity of over 160

\textsuperscript{118} Neighboring Abu Dhabi is pursuing a similar strategy with Etihad Airlines.
million ("Rulers of the New Silk Road," 2010). Although this expansion is largely motivated by the recent success of Emirates as an airline, and Dubai as a hub, this significant enlargement of Dubai’s intermediary role would not be possible without government support. The emirate has targeted aviation and other sectors though policies that that minimize bureaucracy and increase global competitiveness. As The Economist writes, Dubai International Airport CEO Paul Griffiths, who has been in his current job since 2007, contrasts his time running Gatwick, London’s second airport, with what happens in Dubai. At Gatwick, he says, “if you wanted to do anything, it involved negotiating with large numbers of different stakeholders: the relationship with the airlines was usually adversarial and local councils were hostile to any expansion of the airport.” In Dubai, government, the industry and consumers’ interests are aligned. “The government’s approach is to say, ‘Whatever you do, don’t restrain aviation in any way.’ To make a major decision here, there are probably no more than four or five people who are needed in the room.” ("Rulers of the New Silk Road," 2010)

This statement illustrates perfectly why aviation and other sectors have been successful in attracting foreign investment and achieving economic growth. As a relatively new global city, the Emirati government has been able to adapt to accommodate a suite of flows, motivated by profitability and unrestrained by geography. As the statement from The Economist makes clear, older European systems suffer from bureaucratic hurdles resulting from entrenched systems.

It should be noted that Dubai’s economy suffered in the wake of the 2009-2010 economic crisis, but that this was primarily attributable to the real estate sector rather than the Emirate’s intermediary functions such as air transport, etc. Late in 2009, Dubai World – the Emirate’s government-owned development corporation – faced financial collapse, laying off more than 10,000 employees under a debt burden of approximately $25 billion.
The rise of Dubai as a relational city in many ways mirrors what has occurred in Panama City since 2000. Just as Dubai mediates a robust set of global flows anchored by its relations with Iran, Iraq, and India, Panama’s key linkages are to Colombia, Venezuela, and other neighboring countries in Latin America. The UAE represents the top trading partner in neighboring Oman and Iran (22.9% and 15.1% of imports respectively), and among the top five for the Maldives (15.7%), Yemen (12.3%), Uganda (11.1%), Pakistan (9.8%), Kenya (9.3%), Comoros (7.9%), Zambia (7.7%), Rwanda (6.9%), Turkmenistan (5.8%), Sudan (5.3%), India (5.2%), Syria (5.0%), Thailand (5.0%), Tanzania (5.7%), South Korea (4.4%), and Japan (4.1%) (CIA, 2011).

Figure 9.20 represents Dubai’s relational flows.

**Figure 9.20: Dubai’s Relational Flows**

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120 Data are aggregated at the state, rather than emirate, scale.
Dubai mediates flows primarily between the large economies of East Asia, South Asia, and the U.S. and smaller economies in the Middle East and South Asia. Dubai mediates capital from petroleum producers ("Meeting Demand ", 2007) as well as South Asia, and like Doha, Dubai has a “special” relationship with Iran, acting as a conduit for the flow of goods to its neighbor just across the Persian Gulf (Kerr & Khalaf, 2010).

Both Dubai and Panama City experienced rapid urban growth during approximately the same time frame, and both were driven by liberal trade policy and developmentalist government doctrines. Both responded to profound shifts in the global economy by leveraging their geographic position in concert with their historical political and economic advantages. In the midst of Dubai’s boom, footloose capital flooded in from abroad, transforming the city through speculation, money laundering, and legitimate rent (Kanna, 2007). This selfsame process played out in Panama City, if perhaps on a slightly smaller scale. While Dubai’s FTZs specialize in re-exports to Gulf States, the Colon Free Zone serves countries in Latin America and the Caribbean. As the parallels indicate, Dubai’s rapid economic and urban growth stem from many of the same underlying preconditions as Panama City. The emirate ensures strong property rights to foreign and national owners alike, and Dubai’s developmentalist government has, over the past 40 years, created the appropriate governance and infrastructural frameworks to succeed as an intermediary economy.

Miami

As a final example, I present the case of Miami. The city differs from the past three examples in several significant ways. Unlike the others, Miami is neither the most significant nor the most global city within its respective country. Within the U.S. urban
system, Miami is overshadowed by New York and San Francisco in the financial realm, by Washington in terms of political importance, and by Los Angeles in the entertainment industry. Moreover, Loughborough University’s GaWC research group ranks Miami a “Beta minus” city, putting it below Dallas and Atlanta in terms of global significance (GaWC, 2010b). While Panama City, Johannesburg, Doha, and Dubai all dominate national agendas, Miami does not enjoy the same primacy in American politics.

Despite these important differences, however, I include Miami in this chapter in order to show that it is a city’s global linkages, rather than its national importance, that constitute a relational city. Cities exhibiting a high degree of importance within a national urban system are generally referred to as primate cities, following Jefferson’s original definition (1939). By contrast, relational cities are defined by their role in mediating international flows, and Miami – as I illustrate – serves exactly that function. Miami holds a strong intermediary position within both the Caribbean Basin and Latin America more generally, a result of many of the same attributes and preconditions found in Panama City and other relational cities. Nijman (2007) explains that the disproportionately large role of foreigners and foreign capital in Miami had the peculiar result that its international prominence exceeded its importance in the U.S. domestic urban system. Miami has been rated the best place to do business in (!) Latin America for years in a row, yet it remains something of a foreign affair to the rest of the United States. (p. 101)

Miami is the largest city in a greater metropolitan area of 5.5 million. The Miami metropolitan area is an elongated conurbation stretching 180 km north to south, narrowly sandwiched between the Everglades to the west and the Atlantic Ocean to the east (figure 9.21).
Though the region’s history includes limited attempts at settlement by both the Spanish in the 16th century and the British in the 18th century, the Miami area served no significant purpose in either colonial empire. According to Nijman, the region’s early development was limited due to unfavorable natural conditions. Miami has no significant navigable rivers, a poor natural port, a lack of arable land, and a poor natural resource base for industrialization (2000b). It was not until Henry Flagler’s Florida East Coast Railway connected Miami with the rest of the U.S.’s eastern seaboard in 1896 that the city began to grow in any significant way.
With the arrival of the railroad, Miami’s first major urban expansion occurred in the early 20th century. Drawn by warm weather and relatively cheap land, the first wave of migrants came to Miami at the time. These migrants included white Americans from northern states as well as a noteworthy number of Bahamians, who were drawn by labor opportunities in the city’s burgeoning real estate sector (Sassen & Portes, 1993). After relatively significant growth into the 1920s, Miami’s growth was stunted by the collapse of a speculative real estate bubble, compounded by a devastating hurricane in 1926. At the time, Miami’s primary economic base lay in tourism and – during the years of prohibition – contraband. The city’s next growth wave occurred as a consequence of the Second World War, with considerable investment in the region by the U.S military.

Until the mid-20th century, Miami was largely an “Anglo” city. The 1950 Census indicated that nearly 80% of the city’s population was native-born “White”, and that less than 2% of the population was born in Latin America (Census, 1950). However, this began to change in 1959, in the wake of the Cuban revolution. As the leftist forces of Fidel Castro overthrew the regime of Fulgencio Batista, hundreds of thousands of Cubans fled their country to Miami and elsewhere in the United States. Significantly, many of the new migrants were members of Cuba’s business elite who had left unfavorable business conditions back home. These migrants brought their skills, connections, and capital, and in establishing themselves in South Florida ultimately

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121 The city experienced a second wave of contraband trafficking in the 1970s and 1980s; a study at the Florida International University claimed that it comprised an estimated 1/3 of Greater Miami’s economic output (Wakefield, 2005)
sparked the “Latin-Americanization” of Miami. Cubans were later followed by waves of other Latin American migrants fleeing political or economic instability (Nijman, 2007).

Miami experienced a pronounced influx of migrants from Latin America in the latter half of the 20th century, and the most recent data indicates that approximately 70% of the city’s residents are Latino or Hispanic (Census, 2000). Today, Miami features neighborhoods such as “Little Haiti” and “Little Havana”. South Florida has become a haven for Latin American and Caribbean migrants seeking refuge from less-than-desirable conditions in their home countries. Though Miami is still characterized by a large Cuban population (34%), the city is now home to vast of Latin American and Caribbean ethnic groups, including Haitians, Nicaraguans, Hondurans, and Dominicans. As such, Miami has come to be one of the most international cities in the United States, with a majority of residents being recent immigrants.

As Miami became increasingly “Latin Americanized” though the 1970s and 1980s, the city’s position in the regional urban system was rearticulated. Beginning in the mid-1970s, a large number of corporations opened offices in Miami as command posts for their Latin American operations. Writing in 1993, Sassen and Portes note that Miami has long been seen as a hub for drugs, guns, and dirty money. It still is. But over the last few years, it has also become a major administrative, managerial, and decision-making center. Since the mid-1980s, a significant number of secondary headquarters have located in Miami. Large U.S. firms are reorganizing and expanding their Miami offices to handle new trade with Latin America. (474)

Rather than moving offices to Latin America directly, Miami was seen as an intermediary location from which business could be conducted “at arm’s length”.

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A good example of this was DuPont’s decision to relocate Latin American operations to Coral Gables (a posh suburb of Miami). As DuPont’s Kenneth Trelenberg described,

Buenos Aires and Bogota were disqualified because of concern for the personal safety of employees transferred to those cities…Caracas was disqualified because of operational problems…San José and San Juan are somewhat isolated in lacking direct air service to other locations, so they are wiped out (Garreau, 1981, pp. 201-202)

Of the remaining cities of Mexico City, São Paulo, Coral Gables, and Rio de Janeiro, Coral Gables was ultimately chosen because the others were said to have poor interconnectivity with other parts of Latin America (ibid). By 1980, Miami had become the regional headquarters for more than a hundred multinational corporations, including Exxon, General Electric, and American Express. Growth in corporate activity was echoed by a growth in Miami’s banking sector. Between 1977 and 1983 the number of major American banks went from 10 to 42, foreign banks from 0 to 40, and foreign bank representative offices from 0 to 8.

Miami’s role as Latin America’s business capital has been reflected in the growth of the city since 1970. The population of greater Miami has gone from 2.2 million to 5.5 million between 1970 and 2009. Changes in the economic and demographic composition of the city transformed Miami from a peripheral city within a national urban system to a major player in the global urban system with a strong orientation toward Latin America and the Caribbean. Miami has benefitted from a rise in investment in Latin America, as well as the increased complexity of the related business transactions (Sassen & Portes, 1993). As Miami gained significance in the realms of banking,
finance, and administration, the city experienced a significant physical transformation. High-rise office towers were built both in downtown Miami and in the city’s financial district along Brickell Avenue (figures 9.22-9.23), while homes and luxury apartments in posh neighborhoods such as Miami Beach, Fisher Island, and Coral Gables were driven well into the million-dollar range.

Figure 9.22: Brickell Avenue in 1969, with downtown Miami in the background (Source: www.skyscrapercity.com)
Although real estate has historically been a core industry in South Florida, it was not until the early 21st century that the region was affected by a high-rise construction boom (figure 9.24) resembling that which took place in Panama City. Fuelled by local demand and an influx of U.S. and Latin American capital, the region was affected by an exceptionally large housing boom in the 2000s (Canedy, 2002). Beginning in 2003, developers built 82 high-rise towers with over 22,000 condominium units, which was nearly double what had been built in the previous four decades.\textsuperscript{122}

\textsuperscript{122} However, in the wake of a recession in the United States and the concurrent housing crisis, many of the units were left unsold (Wotapka, 2010).
Much of this growth was driven by Miami’s role as a “safe haven” within Latin America. As a 2002 New York Times article cites, “South Florida skirted the national economic downturn largely because of an infusion of cash, primarily from Latin American buyers fleeing the crippled economy of Argentina and the political instability of Venezuela and Colombia” (Canedy, 2002). A popular local phrase – *deme dos* – refers to Latin American speculators who came to Miami with cash for apartments, translating literally as “give me two” (Schipani, 2010).

Beyond the stability gleaned from Miami’s location within the United States, the city’s location within Florida provides an added boon to investors. Florida’s Homestead Law, which is part of the state constitution, legally shields up to 160 acres of non-urban land and half an acre of urban land from creditors, in addition to wages, annuities, and other benefits (Resnick, 1991). This adds to the already significant benefits of political
and economic stability gained from harboring capital and other assets (i.e. property) in the United States, and contributes to Miami’s allure as an extraterritorial city “within” Latin America.

Although Miami’s real estate boom came a few years prior to Panama City’s, there is a high degree of similarity between the two phenomena. Both were driven by local demand from quaternary services – finance, banking, and headquartering – with strong linkages to the other countries in Latin America. Both were supplied with highly mobile capital from Latin America and elsewhere, and backed by property regimes with a high degree of integrity. Both use the US Dollar and neither imposes significant impediments to the foreign ownership of property. Thus, in the wake of the most recent growth phenomenon, I argue that, at least to some degree, Panama City has replaced Miami as an economic safe haven for Latin American capital flight. Miami mediates many of the same relationships that Panama City does. Figure 9.25 indicates the geographic intermediary position that Miami holds.
Miami serves as a relational city for all of Latin America, mediating flows between Central America, South America, and the U.S. Furthermore, Miami holds an important role as the Caribbean’s relational city, and holds a “special” relationship with Cuba as a result of the migratory flows to Miami after the island nation’s revolution. Although considerably different in character than the other cities I have cited, Miami is a relational city that benefits from its role in mediating flows. In terms of human flows, Miami acts as a gateway city for Latin and Caribbean migrants to the U.S. The Miami International Airport ranks first in the U.S. in terms of percentage of its flights that are international and second behind New York’s JFK in terms of international passengers (ACI, 2010).
Figure 9.26 shows the route map for American Airlines’ – the airport’s largest carrier – flights to/from Miami International Airport.

![American Airlines' route map to/from its Miami connections](Source: www.aa.com)

In addition to its passenger network, the Miami airport is the 4th busiest cargo airport in the U.S.\textsuperscript{123}, and the Port of Miami which – according to its website – is the “Cargo Hub of the Americas” is an important transshipment hub for Asian and European goods to Latin American and the Caribbean (Bussey, 2004). Finally, the city is a node for virtual flows of information vis-à-vis the myriad banks lining Brickell Avenue and the numerous regional headquarter offices located in Coral Gables and downtown. Through the

\textsuperscript{123} Only the Memphis, Anchorage, and Louisville airports rank higher in terms of cargo traffic, all of which are major distribution points for DHL and Federal Express.
institutions that have evolved in Miami since approximately 1960, Miami has assumed a vital hemispheric intermediary role.

Conclusion

Just as Panama City mediates flows between Latin American economies and the world more broadly, other relational cities serve parallel roles within their respective geo-economic realms. As I have shown, Johannesburg is sub-Saharan Africa’s business capital, and houses regional headquarter offices for a number of international banks. The city serves an important role in the regional economy that transcends its role as South Africa’s most populous city. Doha and Dubai both play a vital role in mediating flows in the Persian Gulf, albeit in slightly different ways. Qatar’s historic focus on petroleum exports has led to a delayed impulse toward economic diversification in Doha through the tertiary and quaternary sectors, while Dubai’s focus has historically been on re-exports and more recently on tourism and knowledge-economy development. Lastly, Miami’s linkages to Latin America and the Caribbean since the mid-20th century have resulted in an influential role in mediating flows throughout the hemisphere.

Though each of these cities is unique and historically nuanced, the purpose of this chapter has been to illuminate the common threads that bind them together as relational cities. In each case, growth in key industries has been supported by a politically stable, developmentalist government. In the case of Miami, this policy may be labeled as wholesale neoliberalism, dating back nearly 40 years (Harvey, 1997 [1995]). In the cases of Doha and Dubai, the configuration of power might be considered
“developmental state” model, which differs from _laissez-faire_ North American and European neoliberalism in that the private sector operates within a system of “embedded autonomy” whereby the state maintains control of development planning (Hvidt, 2009). In many ways, this model mimics that which was pursued by East Asian states in the 20th century. In Panama City and Johannesburg, the end of entrenched political systems – U.S. occupation and apartheid – signaled a profound reordering of government orientation. Both Panama's newly sovereign government and South Africa's ANC government implemented neoliberal reforms in order to enhance global competitiveness. In each case, the state pursued considerable liberalization of markets through some combination of deregulation, tax benefits, the creation of free enterprise zones, and/or the construction of customized infrastructure to better accommodate the intermediation of flows.

The five cities profiled in this chapter are certainly not the only relational cities. In addition to these, I would identify several others that fit the role. Port Louis (Mauritius) serves an important intermediary role through its large financial hub and substantial container port. Located in the former (French) colony of Mauritius, the city is an intermediary for imports – particularly textiles – from India, South Africa, and China destined for Europe and North America. In Latin America, Montevideo (Uruguay) serves an intermediary role between Brazil, Argentina, and the greater global economy. Several others – Singapore, Abu Dhabi, and Manama (Bahrain) – were formerly part of the British Empire, resulting in a unique territorial configuration that has translated into regionally differentiated governance more recently. These cities all have in common a developmentalist orientation at the national scale and a strong intermediary role.
Although individual development strategies differ, neoliberal capitalism has been the preferred doctrine in many cases. Each of these has achieved at least marginal economic success by pursuing higher-order economic sectors. Thus, given the underlying assumption that economic growth benefits urban livelihoods, relational cities are an important urban paradigm. In the following final chapter, I discuss the theoretical importance of relational cities in terms of contemporary and future research.
Chapter X: Hybridity and Extraterritoriality: An “Island” on the Isthmus

“Panama is like an island that’s not an island”

- Personal acquaintance

Introduction

The connection between global change and urbanization continues to be a focus for research in a range of disciplines within the social sciences. This study has concentrated specifically on the link between the global economy and urban growth in Panama City. More concretely, my research question asks: how and why has Panama City experienced rapid urban growth in the past decade, and how is it related to the global economy more broadly? In the wake of an urban transformation in Panama City that has been unparalleled in scale, it was my intention to understand, analyze, and explain the urbanization process though specific factors.

This study follows from the theoretical antecedents established by the world cities/global cities literatures, which focus on the interconnectedness of global urban systems and the role that particular cities play in the global economy. Within these literatures, I have drawn specifically from two methodological strands: network-based approaches and case-based approaches. Network-based approaches frame cities as actors in a series of interconnected global, urban networks. These approaches date back at least as far as Christaller’s seminal Central Place Theory, which situates cities according to their role within a national urban system. A key legacy of this theory is a sense of an urban hierarchy, in which particular cities exert greater importance in economic, political, or cultural realms. This approach is inherently comparative, insofar
as cities are situated amongst others within an urban network. In contrast, case-based approaches focus on more in-depth investigations of particular cities. Case-based approaches are inherently more qualitative in nature, and focus on eliciting the rich details that make a city a valuable site of investigation. This study has drawn from both traditions. By conducting an in-depth analysis of urban growth in Panama City, I have sought the rich detail of a case study. However, in analyzing Panama City within a broader context of other relational cities, I have situated the city within a far greater urban network.

The urbanization process in Panama was led by two parallel and interconnected phenomena. On the urban periphery, the city has extended outward at an astonishing pace. In contrast to the United States, it is principally the working class – rather than the affluent – who have driven the suburbanization process. What characterizes outward growth in Panama City is a high-degree of formal settlement, as the city’s landed oligarchy has directed peripheral urbanization through formal, economic channels. This contrasts sharply with most other Latin American cities, where informal settlements house up to 60% of the urban population. A second, parallel process has been a nearly complete reformulation of the city’s waterfront. Literally hundreds of luxurious residential high-rise towers have been erected in the city, and the city’s colonial-era district has been gentrified in favor of high-end “historic” development. As was the case with suburban growth, the redevelopment of Panama City’s waterfront districts was fuelled by economic gains derived from soaring demand and limited supply. Figure 10.1 shows the various elements influencing supply and demand in the real estate market.
As the figure 10.1 above indicates, numerous factors influenced both supply and demand, which converged after 2000 to create a dynamic real estate sector. The outcome of high demand combined with low supply is robust profit margins, which were realized by the suite of actors who comprise the real estate industry, most significantly local landowners and international investors. Demand was driven by explosive growth in the Panamanian economy resulting from the expansion of the country’s tertiary economy. Much of this was fuelled by the acquisition of the Panama Canal and the surrounding lands and infrastructure in 1999. An additional boost resulted from profound changes in the global economy that resulted from a newly restructured international division of labor. As low-skill production was increasingly shunted to East
Asia, a commensurate rise in global trade and shipping gave Panama a new strategic importance. This increase in global trade has directly benefitted the country’s economy through the Canal, the Colon Free Zone, and growth in trade-related industries such as legal services, insurance, and ship registry. In addition, demand was driven by Panama’s relative stability, which drew people and capital from neighboring countries seeking a regional economic and political “safe haven”.

This sharp surge in demand came after several decades of restructuring in Panama, the result of which was a scarcity in developable land and real estate. Development had been restricted by the Canal Zone, and Panama’s strong system of land tenure ensured that the urban periphery was largely unavailable for informal settlement. The result was that real estate prices in Panama City have historically been high, given that Panama had thriving commercial economy. However, the true culprit for low supply was the political transitions affecting Panama between 1970 and 2000. A shift toward complete deregulation began in the early 1990s, partially in response to the failed government housing solutions promulgated in the 1970s and 1980s. Furthermore, developers were hesitant to build in the 1990s, given the uncertainty surrounding the impending Canal handover in the 1990s.

In order for these changes to have affected Panama City as they did, the existence of particular institutions and preconditions was necessary. Panama’s history as an intercontinental and interoceanic intermediary left a unique imprint on the city, namely a non-rural oligarchy, a legacy of U.S. occupation, and strong links to the global economy. Given that the country has, in contrast to many other Latin American nations, historically been trade- and service-oriented, Panama City has long had a strong private
sector, backed by developmentalist policy at the state level. An integral part of the city’s private sector has been a real estate industry, which has traditionally served as one of the oligarchy’s primary means by which to extract surplus value from the working class. The convergence of these institutions and preconditions with prevailing global economic factors led to rapid urbanization in the city beginning in the early 2000s and accelerating in the middle of the decade.

**Relational Cities: An Emerging Model for Urbanization?**

Though Panama City is unique in many respects, the drivers underlying urban growth are less so. On a fundamental level, it is the city’s relationship with the global economy that has in large part shaped the urbanization process. As an intermediary, the city responds positively to an increase in flows. Therefore as trade, FDI and migration have increased, the city has grown. Figure 10.2 illustrates the relationship between the events that have transformed Panama over the last 40 years and the trajectory of urban growth, enumerated in terms of the number or residential housing units at various points over time.
Growth accelerated after 1990, and particularly after 2000 in the wake of a series of events that triggered economic growth and consequently kick-started the construction industry. Although this growth is – on the ground – facilitated by a suite of institutions and actors, it has ultimately been driven by a pro-development government, whose legal and infrastructural framework has responded to accommodate the mediation of flows. Harvey contends that the state “is the primary vehicle to assure the production of the collective preconditions for production, exchange, and consumption. State administration is always therefore an active agent in capital circulation and accumulation” (2006, p. 106).
In this study, I have identified a number of relational cities, linked by common attributes. In each case, a regionally and globally oriented intermediary economic role has been facilitated by a pro-development state. Panama shares with South Africa, Qatar, the UAE, and the United States a strong orientation toward capitalist urban development. Though the individual strategies differ, major cities in each context have grown precipitously as a result of that orientation. Despite this common thread, however, not every city within these contexts is a relational city. In the United States, for example, many cities retain a decidedly domestic orientation, despite developmentalist efforts of actors at a variety of scales, including local, sub-national state, and national state.

In linking cities through their common attributes, I stress a focus on function rather than form. This differs from many of the urban typologies that focus on form through spatial attributes such as size (megacities) or relative location (edge cities). The way I have framed relational cities, I focus on function through an internationalized, intermediary role. As such, the importance of relational cities has emerged relatively recently. While many cities have specialized in intermediary trade for centuries, it is only since the convergence of global neoliberalism and advanced capitalism since the early 1970s that relational cities have garnered increased importance though advances in digital telecommunications, electronic banking, and massive increases in global trade. Up until that period, Dubai and Doha were little more than small port cities reliant on petroleum-related flows, just as Miami was of secondary importance as an economic node within Latin America.
Many of the cities that I have labeled as relational cities are repeatedly cited in the literature as entrepôts due to their intermediary role. I argue that relational cities are a contemporary derivative of entrepôts. The key defining attribute of an entrepôt is a city that connects an economic hinterland to a greater global system. As such, Chicago served as an entrepôt for the agricultural products of the American Midwest in the 19th century, just as Mombasa serves as an entrepôt connecting East Africa to the rest of the world. The world has many entrepôts, most of which are seaports, connected to their hinterlands by railroad and/or roadway links. Entrepôts, however, are fundamentally oriented around their tertiary (transportation, wholesaling) functions, and connect primary (farming, mining) and secondary (industrial production) hinterlands with a greater world economy. As a greater share of global economic activity takes place in the knowledge economy, I argue that relational functions supersede or replace entrepôt functions. If entrepôts primarily mediate bulk commodities and finished products, relational cities add to that profile by mediating information, ideas, and capital. Relational cities rely on modern technologies – computers, fiber-optic cables, container ships, airplanes – to mediate flows, and can now do so with astonishing rapidity and efficiency.

A key concept in understanding the contemporary emergence of relational cities is de-territorialization. Within the contemporary nation-state system, states act as socio-political containers of power and wealth. National states are the primary actors within the system, and the flow of goods, people, services, and ideas are to a large degree bound by national frameworks. In particular, national sovereignty ensures that states are the primary scale at which economies are defined. Information is most commonly
aggregated at the state scale, and processes and phenomena such as trade and migration are most easily defined by concepts such as “national” and “domestic”, or “international” or foreign”. This implies an inherent territorial focus, both in terms of a conceptual framework for analysis as well as a material reality of how flows are articulated.

The advent of advanced communications and transportation technologies (i.e. airplanes, intermodal shipping containers) as well as global deregulation and liberalization – both by national governments and by international institutions such as the WTO – has caused scholars to question the validity and salience of the territorial state (Agnew, 1994; Agnew & Corbridge, 1994). Globalization has rearticulated the concept of territoriality, leading to the phenomenon of “de-territorialization”, as spaces are conceptually reformulated to fit the needs of contemporary capital flows and the material realities of the global economy. De-territorialization first emerged in the 1970s to describe the increasingly transnational business networks being crafted by multinational enterprises. Since this initial period, this process has also come to include the importance of ICTs in de-nationalizing global economic activity; this has been so prolific that nation-states are no longer an adequate scale at which to aggregate flows of capital (Brenner, 2004). Transnational flows have reduced the importance of national borders as capital, ideas, and information now flow invisibly and instantly between countries and continents.

“Extraterritoriality” as a concept derives from the need to explain the geographic imprint of globalization in a post-territorial world. Extraterritoriality refers to a space that is “beyond” a national territory. As national territories wane in importance, their
constituent components are reconfigured in ways that defy conventional spatial logic. As such, Panama City becomes an extension of the Venezuelan economy and Colombian society. Panama City is formally “beyond” those respective national territories, but due to its role in mediating the flow of people, goods, and capital, the city becomes an extraterritorial extension of another country. Panama as a state is legally a part of neither, yet functionally a part of many other countries’ political economies. This, of course, implies an inherent hybridity. Johannesburg finds itself in a quasi-European democratic state located physically in southern Africa, while Miami has been named Latin America’s business capital even though technically not a part of the region at all. At the edges of the Arabian Desert and the Persian Gulf, business in Dubai and Doha is conducted in English by foreign businesspeople and local bureaucrats, many of whom were educated in European or American university systems. These cities have adopted attributes from multiple systems, and benefit as a result of their hybrid composition. In describing Miami’s transition to a regional intermediary, Nijman writes,

Miami…owed its emergence as a world city to its position as an oasis of peace within the region…According to most measures, liberal democracy was a rarity [in Latin America], and free markets rarely functioned for prolonged periods of time. Miami was the only “Latin American” city with a stable political economy throughout the 20th century. The infusion of migrants and capital into the city since the late 1950s was directly related to revolutions, wars, and political instability in the Caribbean and South America. (2007, p. 96)

In many ways, this transition can be attributed to Miami’s hybridity between Latin American and U.S. systems. Miami had the social and cultural attributes of a Latin American city but benefited from a suite of advantages that derives from its U.S.
territorial status. This same parallel can be drawn for Dubai, too. Kanna describes the “reversal” of Dubai’s fortunes.

Before the 1970s, trade in the village was largely limited to re-export of petty commodities like watches, house appliances and gold. After the oil boom and the ensuing events, Dubai became a veritable island of stability in an ocean of political turmoil. By the 1990s, the collapse of the Soviet Union and neoliberal restructuring in India and various African nations was guiding the capital “freed” from these countries, increasingly, to Dubai. More capital—financial and human—arrived by way of Iraq, owing to that country’s hideous experiences since 1991. (2007, p. 1)

While Nijman uses the metaphor of Miami as an “oasis” by drawing parallels to Amsterdam’s role in the 17th century, Kanna uses the metaphor of Dubai as an “island”. However, both metaphors outline the same fundamental idea, which is extraterritoriality. Due to their hybrid political, economic, and social compositions, relational cities serve as islands, oases, and/or havens for extraterritorial flows.

As the global economy continues to shift toward greater deregulation and de-territorialization, it is likely that an increasing number of cities will come to serve relational roles. Globalization has accelerated the mobility of capital, and states – at a range of scales – will continue to open their doors to “footloose” capital flows (Castells, 1996; Harvey, 2006). In the course of this process there will certainly be large-scale transformations, and urbanization is realm that will continue to change as a result.

The Next Steps: Panama City

Panama City has grown tremendously as a result of its relational role. The city has expanded both upward and outward, and the local standard of living – as
enumerated by indicators such as GDP per capita and unemployment – is higher in Panama City than almost any other in the region. Despite this rosy outlook however, Panama City and others like it are sites of intense conflict, contestation, and inequality. In spite of the state’s ostensible focus on economic development and growth as a tool for ameliorating social conditions, persistent problems prevail. Harvey (2006 [1982]) asserts that the neoliberal state reverses the redistributive trends established during the pre-neoliberal social democratic era. While Harvey’s (Marxist) assessment is not specific to Panama, his commentary offers a strong admonition from acceptance of neoliberalism as a development panacea.

In many respects, the rapid growth that has transformed Panama City has yielded mixed results. Although they are improving, Panama still maintains significant rates of poverty and social inequality. Poverty and its material ramifications – social polarization, substandard conditions, crime, and a potential for political instability – are the most palpable challenges on the Panamanian development agenda. More than 40% of Panamanians are poor and more than 25% live in extreme poverty (UNDP, 2002).

Additionally, haphazard urbanization has led to chronic urban development issues. Porras notes that the result of lax planning controls was that “the handful of private property owners were thus effectively in charge of "land use planning" in the city” (2008, p. 378). The streets are seemingly perpetually shrouded in the sound of blaring horns stuck in the quotidian traffic snarls caused by an inadequate road network, and the city’s crumbling infrastructure is woefully inadequate to handle the sudden superimposition of thousands of new residents (Kraul, 2008). Although the reaction of
first-time visitors to Panama City is often one of amazement with regard to the city’s glassy skyline, a structural analysis reveals a city that grew up too fast, as the headlines of the city’s major newspapers regularly proclaim.\textsuperscript{124} A firm understanding of the city’s growth and development dynamics is thus imperative for a sustainable future.

Beyond the city’s more obvious development challenges, an impending crisis looms. The city’s rapid growth since the turn of the 21\textsuperscript{st} century has been predicated on a successful intermediary economy and a sudden construction binge driven by the concurrent demand. Unemployment remains low at 4.7%, particularly in a time of near double-digit levels in the United States, Panama’s largest trading partner. However, if historical trends are any indicator, Panama City’s rapid boom will be followed by a crash, particularly in the housing sector. Although it is not wise to attempt to predict the future, if this were to happen, capital flight and job losses would leave the Panamanian state scrambling to pay for the myriad infrastructural investments that it is currently engaged in, lacking the tax revenues derived from the thousands of tax-exonerated housing units that were built during the height of the boom. Furthermore, the state must reconcile numerous structural issues related to governance; a 2010 ranking by Transparency International placed Panama 73\textsuperscript{rd} of 178 countries, behind Cuba, Ghana, Brazil, and Rwanda.

In terms of future research on Panama City, a more micro-scale study might focus on the structural issues that underlie urban growth. This study has been focused

\textsuperscript{124} As I write this paragraph from my apartment in Panama City, many parts of the central city are without water due to heavy rains in the past few weeks of November 2010. The result of this flooding has been devastating inundation in the eastern part of Panama Province, as well damage to the Chilibre purification plant, which is one of the city’s main water sources. This event marked only the second time in the Canal’s history that traffic through the waterway was suspended – the first being the 1989 invasion – in order to open the locks so that water could flow out to sea.
on the metropolitan scale, treating growth as a local issue as related to global processes. Specifically, research on more growth issues such as zoning and land use, and/or the social impacts of growth would be profitable. In terms of research on zoning and land use, a more narrowed study might investigate the morphology of land use over time. The city’s haphazard development patterns are a result of inadequate zoning, and the city’s arresting traffic stems from a wholesale failure to follow any sort of metropolitan-scale urban plan. Understanding how and why the current system evolved would inform possible solutions to the city’s growing pains. The current plan to build a $1.5 billion metro transit system\textsuperscript{125} is a clear indication of the government’s recognition that something must be done, but without comprehensive metropolitan planning advanced through better zoning and land use controls, another crisis looms imminently.

In terms of research on the social impacts of growth, there is a lack of knowledge about the implications of rapid urban growth on inequality. Panama City, and the country more generally, is rife with social and economic inequality, and in a metropolitan setting it is presumed that spatial segregation fosters greater inequity and vice versa. Given that Panama has “delegated” the task of providing affordable housing to the private sector, future investigations might focus on the outcome of privatized housing solutions. Large urban renewal projects are currently in the works in Curundu and El Chorrillo, two inner-city slums occupying sites that are likely to become attractive to developers in the near future. The expulsion of squatters in the Casco Viejo serves as an important precedent in terms of the relocation of the urban poor, and research in this

\textsuperscript{125} Panama’s “Metro” system, currently under construction, is a system that includes one major subway line (part of it above ground) and a system of modern buses to replace the retired American school buses that currently ply the streets of Panama City.
realm might inform how to proceed with the upcoming projects. Figure 10.3 illustrates a variety of “renewal” projects slated for the center city.

![Image of Panama City's urban development projects](http://arquitran.files.wordpress.com/2010/12/ciudad-gubernamental-concepto-preliminar.jpg)

**Figure 10.3: The Future of Panama City?** (Source: http://arquitran.files.wordpress.com/2010/12/ciudad-gubernamental-concepto-preliminar.jpg)

These projects include a new “Government City” to house the state bureaucracy (yellow, at the top), a 200 hectare land reclamation project in front of El Chorrillo that would accommodate Central America’s largest convention center (pink, at the bottom), and a new street grid in Curundu (red lines, connecting to Government City).

**The Next Steps: Relational Cities in a Global Urban System**

Cities are increasingly the most important sites of global change, development, and contestation, and as a result urban research has risen in salience. Slightly more than 50% of the world’s population is currently urbanized, and both the proportion and number are expected to increase due to the mechanization of agriculture and a greater
national policy focus on the development of manufacturing and knowledge-based industries. As the world urbanizes, cities globalize in response.

The relatively recent arrival of relational cities as a particularistic subset of global cities has been fuelled by the processes of de-territorialization and re-territorialization. De-territorialization blurs the lines between the local and the global by unbundling long-standing nationalized systems. Global cities are increasingly characterized by fragmentation as territorial systems are remolded to accommodate the changing contours of the global economy. Graham and Marvin note that “the physical fabric of many cities across the world is starting to fragment into giant cellular clusters – packaged landscapes made up of customized and carefully protected” spaces (2001, p. 5). The consequence of this “unbundling” is re-territorialization, in which the state rescales the way in which power is articulated (Brenner, 2004; Graham & Marvin, 2001). Cities, particularly global cities, are profoundly impacted by this rescaling, as they serve as the sites of convergence of capital, labor, and knowledge.

As territorial configurations move toward increased global connectivity, it is likely that the relational city paradigm will be pursued through directed policy. Relational cities’ specialization in higher-order economic functions ensures a high demand for skilled labor, the attraction of which has been the focus of many urban development efforts (Florida, 2002). In order to achieve this, states have pursued a variety of extraterritorial configurations, in hopes that any economic gains may be spilled over to the “national” territory.
One tactic that has been employed by states to “create” territories within
territories has been the designation of special economic zones (SEZs), operating under
parallel, liberalized regulatory frameworks. Most significantly, the Chinese state has
pursued SEZs as a means by which to attract investment without compromising its
nominally communist economic system. After successful “experiments” in four coastal
cities beginning in 1979, the Chinese state quickly changed its conservative political
doctrine in favor of more of these extraterritorial enclaves, and by 2003 there were
2700, ranging from Free Trade Areas to Export Processing Zones to Economic and
Technology Development Areas. Similar policies have been pursued in many
industrializing nations in East and Southeast Asia, and the SEZs in Doha and Dubai
follow much of the same logic.

The creation of SEZs is – as Park (2005) suggests – tantamount to “spatially
selective liberalization”, with highly uneven geographic dimensions. Driven by a
developmentalist logic, states whose bureaucracies are either too large or too complex
to fully adapt to the contemporary global economy have resorted to SEZs as a strategy
by which to attract footloose economic sectors. Although bureaucratic obstacles may
impede the establishment of a production facility in China, for example, a firm might
locate within one of China’s SEZs so as to leverage both the benefits of an
extraterritorial regulatory framework as well as access to China’s labor pool from just
across the fence. As states scramble to adapt to new, globalized economic realities,
the widespread creation of SEZs and other extraterritorial configurations will
undoubtedly result in the emergence of more relational cities.
Despite the popular rhetoric of the benefits of “growth” and “development”, the economic and social outcomes of developmentalist policies are not universally positive. Just as Panama City faces infrastructural collapse and chronic social inequality, cities pursuing higher-order economic functions in order to address social issues should proceed with caution. A harsh material reality of economic liberalization is that it may actually increase social inequity, as knowledge economy job growth reinforces the “digital divide”, and liberalized economic policies undercut what may already be a thin tax base to support social services and public goods. The social stratification produced through “development” can be witnessed by examining any one of Dubai’s labor camps or Johannesburg’s growing squatter settlements. In the case of the former, streams of migrants from South Asia are flown to Dubai to do the work that the Emirate’s native population is unwilling or unable to do. In the case of the latter, migrants from Zimbabwe, Mozambique, and other neighboring countries tangled in political and economic strife erect makeshift shacks on the urban periphery in the hope that South Africa’s economic engine will help them make a better life.

More broadly, research might focus on examining the myriad linkages between cities in terms of a range of flows. The connections produced by contemporary communications media such as social networking sites and email are well documented and may reveal interesting patterns in the interconnectivity of cities. Global cities research has focused on the enumeration of financial flows, advanced producer services, and other high-order economic functions. With the widespread popularization of instant communications platforms, one might reveal an intricate urban network based on the flow of information at a pedestrian scale. For example, while I have examined
patterns of passenger arrivals at Panama’s Tocumen International Airport from Colombia, one might look at the volume (and content?) of text messages sent between Panama City and Bogota against the number sent between Panama City and Colombia’s more rural provinces to get an accurate measure of where and why bilateral linkages existed. Might the geographies of Panama City’s role as a financial "safe haven" be traced by the amount and volume of money transfers between banks in Venezuela and Panama?

In an increasingly urbanized world, cities will undoubtedly continue to be a major focus of research within Geography and related disciplines. In order to tackle contemporary problems arising from this changing global landscape, the complexities of the urbanization process must continually be studied, analyzed, and interpreted. Further study of Panama City and other new urban paradigms is necessary for the continued production of new knowledge, and for continued engagement with salient urban development issues.
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