

# Integration of the former Panama Canal Zone into Metro Panama City

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## Introduction

Before the term "globalization" became popular, the Republic of Panama had converted in the emblem of its shield an inscription in Latin: "Pro Mundi Beneficio." This was no more

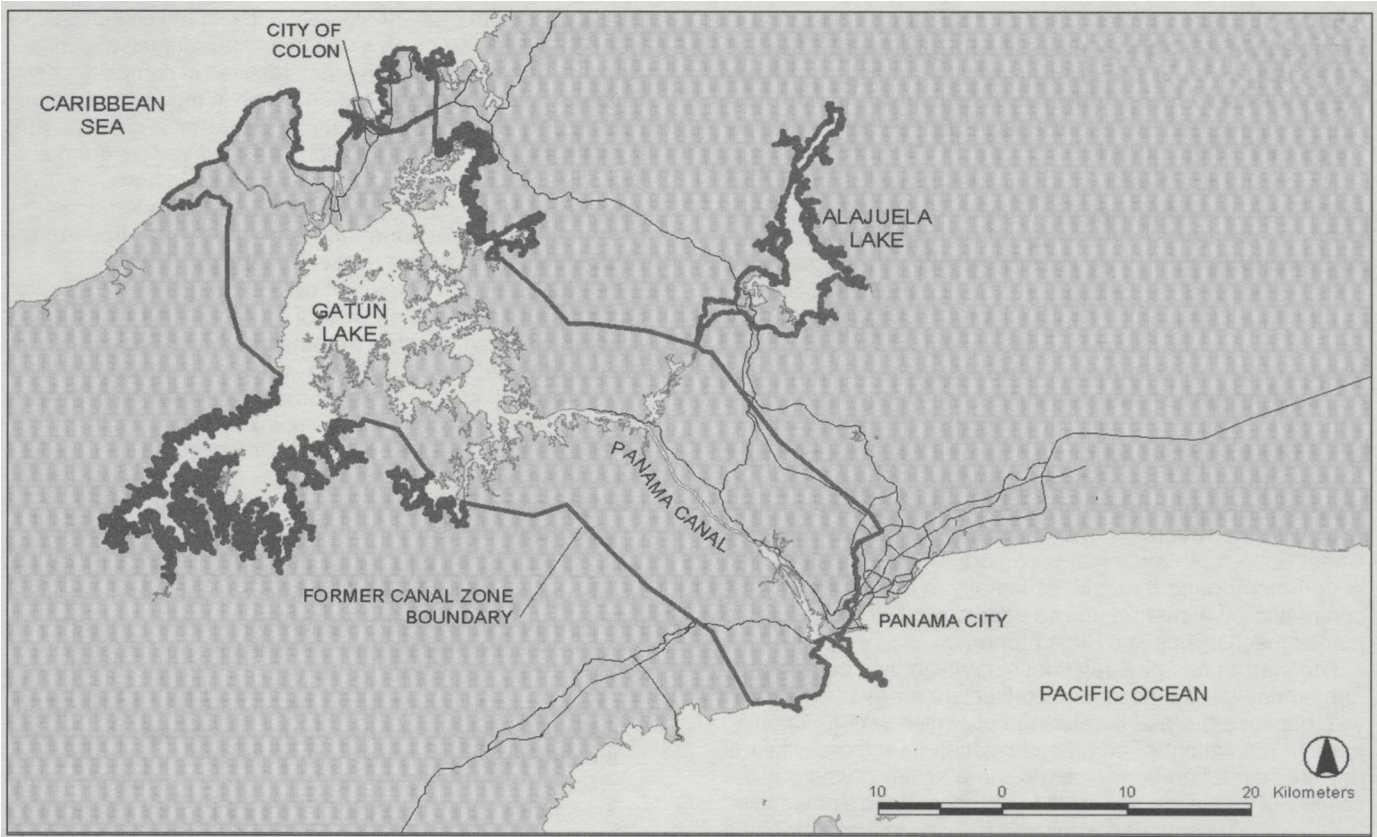
than the recognition of the transit function that, due to its geographic position, the Isthmus had been playing since the beginning of the colonial period. Effectively, with the insertion of Panama into the international market, starting from the colonial "fairs" of Portobelo in the 17th century, its function as a way of passage kept pace with the successive transformation of colonial transit and of technology of inter-oceanic transport and telecommunications. This was clear with the construction of a railway across the Isthmus in 1850 (the time of the California gold rush). And, it was even clearer, later, with the construction of the Canal (1905) to finally generate a platform of international services. Starting in 1948, the creation of the Free Trade Zone at Colon, the granting of flag display rights (flags of convenience), the so-called "paper companies," issuance of insurance, up to the establishment of the international financial center (since 1970) added to this service platform. In this context, the construction of the Panama City-to-Colon autoroute (now in process) and the foreseeable widening of the Canal through a third set of locks that will permit ships of greater size to pass (now in study) are no more than the continuation of Panama's historic function of "transitism."

## The (former) Canal Zone and the Panama Metropolis

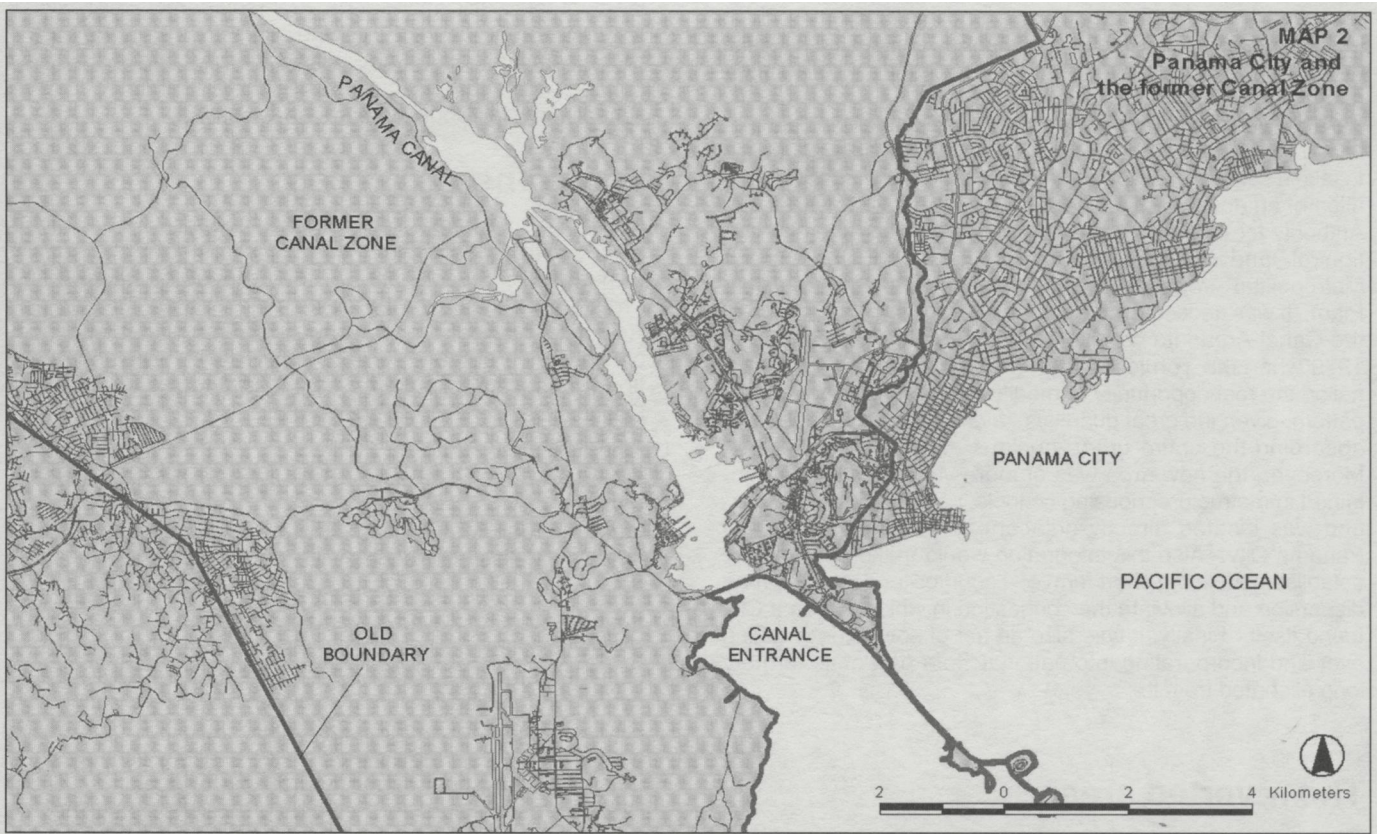
A bit after the birth of the Republic (1903), there was installed on Panamanian territory an enclave known as the Canal Zone, a transverse band 16 km wide and 80 km long, centered on the axis of the Canal (fig. 1). This has conditioned since then the expansion of the two terminal cities: Panama City and Colon. This phenomenon, especially in Panama City, gave rise to a market process of speculation in urban land, by reducing drastically the availability of lands for expansion to a narrow band between the Zone and the Pacific Ocean (fig. 2). This land increased rapidly in price. This change produced an elongated city, starting from a center of great economic activity (services and employment), around which was located the whole of housing for high incomes. At the other extreme, there was produced a vast lineal periphery almost exclusively residential in character, of low density, along the principal arterial routes, where lived the population of medium and low incomes. Such a distribution of land uses generated a pattern of urban development with negative consequences for Panama City.

In the Central Area, this was manifested in a continuous search for greater densities of occupation, threatening the scarce architectural and urbanistic heritage and the very quality of life in this sector.<sup>1</sup>

On the periphery, large displacements resulted in higher costs and low quality of services such as solid waste collection



**Fig. 1:** Panama – Former Canal Zone and terminal cities.



**Fig. 2:** Panama City and the former Canal Zone.

and transportation (time, distance, fuel, congestion) and in infrastructure (roads, water supply and sewerage). This had the effect of even further raising Central Area property values of lands located there. Effectively, investment in new construction in the Central Area surpasses half of the total private investment in Panama City.<sup>2</sup>

The contrast between this urban development style and that in the Canal could not have been greater, for urban complexes in the former Zone were modelled on completely opposite premises: residential clusters in the manner of neighborhood units, abundant open space, very low densities, were extended into the middle of these lands in natural state that served as separation barriers between these installations and Panama City. For this reason, while the image of the city represented congestion and narrowness, the Canal Area evoked abundance of land and amplitude of space. This divergence of urban development styles derived from two models applied for private property and the market, while the Canal Area was organized on State ownership and centralized planning. In this way, with the reversion of the lands of the former Panama Canal Zone, both local market actors and the Panamanian government found themselves literally in an unknown land, confronted by a vast urbanized space, produced outside the market mechanisms and State property.

The start of this new relationship, which was being transformed day-to-day, became inconvenient for everyone. This was because the real estate market (which was functioning more in mediation, or commercialization than in activities of development), had been operating in a situation whereby the scarcity of space created by the presence of the Zone, raised the prices and generated a demand focused in the lands of the Central Area. It observed with some fear the possible competition of a land-owning State that had a monopoly on the "new" areas and housing of central location. The Government, for its part, with no previous experience in the management of such abundant and valuable urban lands, and in a moment in which it had cut back its old functions of planner, limited itself, at first, to "sticking" the lands in the market, playing the role of an intermediary.

As the year 2000 approached – the time set for the culmination of the Treaties – the national government felt itself obliged to take a series of venturesome steps. These included the creation of an agency for administration of the reverted area, the Authority for the Inter-Oceanic Region (ARI) and the elaboration of land use plans, both for the Canal and for the Metropolitan Areas of Colon and Panama City (Metropolitan Plan). It was necessary to gradually incorporate the territory of the Canal Area into complete Panamanian jurisdiction from 1979 when the Torrijos-Carter Treaty took effect. This signalled the real opportunity to modify the existing development pattern, given the great quantity of available space, capable of absorbing the entire urban nucleus and its nearby areas. Moreover, the new area was of more value because it contained infrastructure, housing schools, ports and airports, etc., and was located directly adjacent to the Central Area of Panama City. Also this integration would make possible the establishment in the short term of a counter-tendency to urban dispersion and alleviate the congestion in which Panama City found itself. Finally, it was also an act of sovereignty, taking over and incorporating into national life a part of its territory long alienated from it.

## The reverted areas

The background facts of earlier reversions, areas under North American jurisdiction outside the Canal Area – such as Punto

Paitilla in Panama City or New Cristobal in the city of Colon – were on a scale so much lower that little valuable experience could be derived. Moreover, they resulted in complete privatizations. This treatment is not an option in the present circumstances, for it is fundamentally agreed that a considerable complex of lands and installations be reserved for the operation of the Canal, which is to remain public. In any case, even leaving aside the lands committed for Canal operations, the potential supply continues to be abundant, far beyond the capacity of the local land market to absorb it.

In the absence of plans that define the use of the reverted property, as they were given over to Panamanian jurisdiction, some minimum measures were established. These included the concession, rent or in minor cases sale of part of the reverted installations. This measure was considered necessary since they were dealing with complexes of buildings and isolated constructions built more than 50 years ago and whose maintenance in conditions of use would have been a charge that the Panamanian government could not afford.<sup>3</sup>

These considerations made for two forms of intervention:

- The first is the creation of national parks, founded on a complex of principles, such as the need to preserve the woodlands that remain within the hydrological watershed of the Canal, the growing environmental conscience that is nourished by new scientific discoveries about the volumes of water and air that these woodlands can process, the economic possibilities (the touristic potential of these ecosystems), and finally the reaction to the negative experience that was occasioned by predatory practices related to livestock (deforestation, erosion, loss of soil, sedimentation of lakes, sand reduction in capacity for water supply, etc.).
- The second set of measures have to do with a series of concessions or assignments. The concessions are usually for periods of greater than 20 years and concern installations or lands of fixed utilization: ports, fuel tank complexes, railway, reforestation areas, etc. And the assignments, in the form of provisional custody, rent or lease, generally to public entities, concern installations such as airports, sanitary landfills, schools, etc., or lands for future development.

## The plans

In 1993, an agreement for technical cooperation was finally signed with the Inter-American Development Bank and the Panamanian government, for the purpose of elaborating a Program of Studies for the Development of the Inter-Oceanic Region. This would be converted into three plans. After competitions, two of these were contracted with winning international consulting consortia by the Authority for the Inter-Oceanic Region (ARI). These were:

- the "Regional Plan";
- the "Land Use Plan," sometimes called "The General Plan"; and,
- the "Metropolitan Plan" which was contracted by the Panamanian Ministry of Housing.

The first two plans were delivered in June 1996, and the "Metropolitan Plan" was delivered in December 1997.

Obviously, at that point (only three or four years before the culmination of the Treaties), many decisions about the reverted territory had been made without the benefit of any of the plans. It could be said too that these decisions dealt with a general consensus or were so obvious that they did not require any such instrument either before or after deciding. These included matters such as protected areas, ports, housing, etc. With the competition for the Plans, nonetheless, three advantages were obtained:

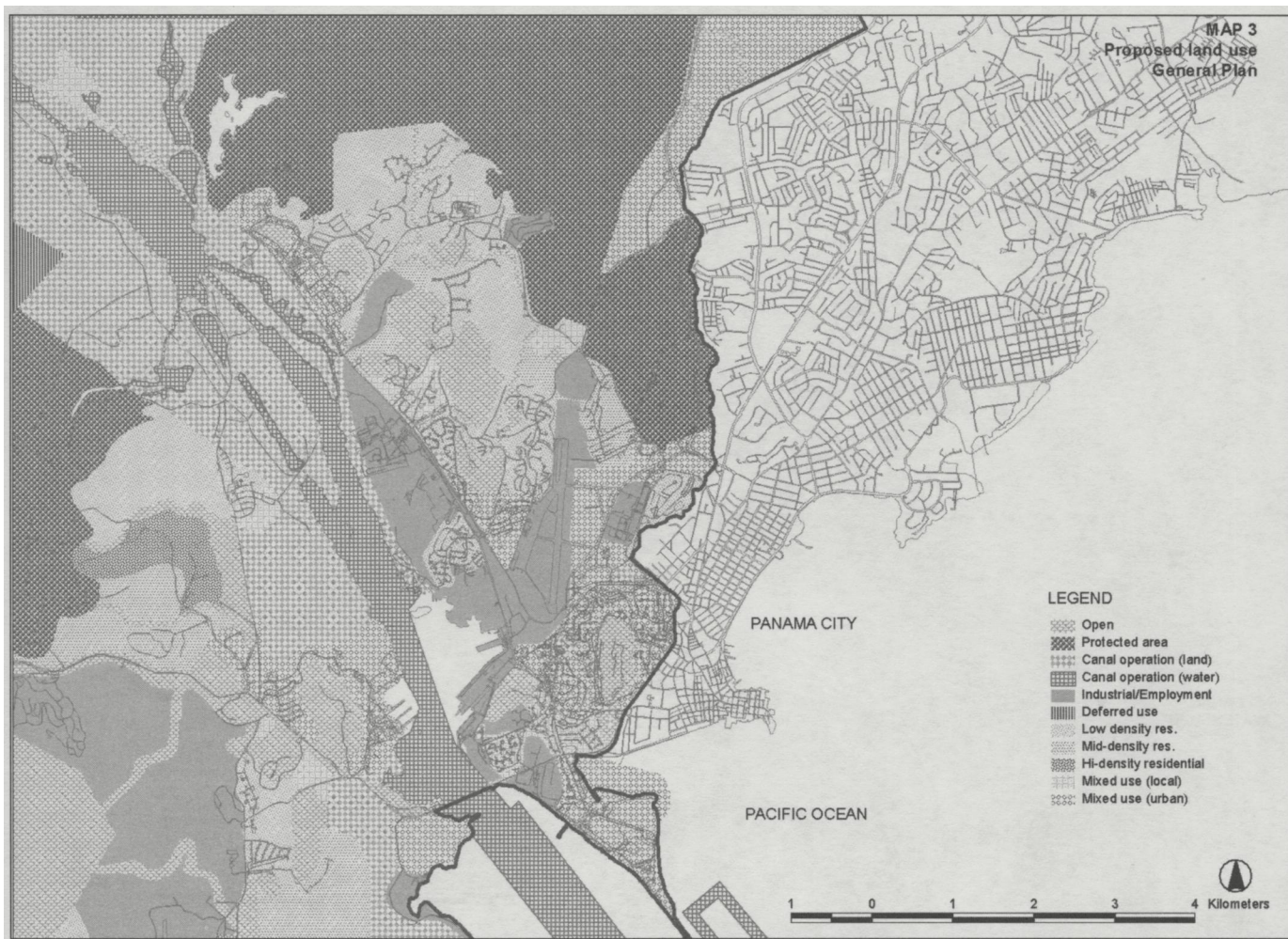


Fig. 3: Panama Canal Zone – Proposed land use, General Plan.

- an inventory of greater detail, with relation to lands, waters, and installations – especially in the Canal Area;
- a series of proposals on land use (General and Regional Plans); and,
- a selection of strategies for urban development (Metropolitan Plan) that enriched the state of knowledge and facilitated decision making.

### The General or Land Use Plan

The scope of this Plan is the territory of the (former) Canal Zone – that is, the strip of land 16 km wide and 80 km long, plus the bodies of water of Lake Gatun and Lake Alajuela. (fig. 1). One of the objectives adopted by the Plan was “to incorporate the reverted areas and, by reverting them to the national economy, to stimulate a comprehensive development that will contribute to attaining a maximum of socio-economic welfare for present and future generations of Panamanians.”<sup>4</sup> Despite this objective, the most concrete proposals included a regional (spatial) ordering and the establishment of a use-zoning proposed by the Canal Area. Through these the magnitude of the area adjacent to Panama City (the “Pacific-East Sector” in the Plans) was determined. This includes 5,776 hectares, of which 2,965 are recommended for urban uses (residential, mixed, employment offices, manufacturing), for protected forests, and for open space. Just 181 hectares are for Canal operations,

and the remainder (2,630 hectares) is for protected woodlands and open space<sup>5</sup> (fig. 3). This represents an increase of some 1,000 hectares for urban purposes, beyond the 1,984 counted as existing urban uses. And some 1,000 hectares constitute the Plan’s vision of development, and should remain “vacant,” that is, without designated use.

### The Regional Plan

The Regional Plan is more schematic and less detailed than the General or Land Use Plan. It includes, besides the former Canal Zone, the area defined by the hydrological watershed of the Canal, attaining a surface of 374,239 hectares. Of these, 328,645 are land and 45,594 are bodies of water (Lake Gatún and Lake Alajuela, mainly). The total area includes what is known officially as “the Inter-Oceanic Region,” and this region is under the jurisdiction of the Authority for the Inter-Oceanic Region, or “ARI” (fig. 4). The inventory, in this case, was of the natural resources, and its objective was to propose a “plan of land uses of the region, under a perspective of economic benefit and conservation.”<sup>6</sup> This means, in good measure, locating under a regimen of protection (woodland and forest) some 40 percent of the territory of the basin and recommending sustainable uses in the management of natural resources in general but especially water. Given that part of the hydrographic basin of the Canal includes the trans-systemic corridor be-

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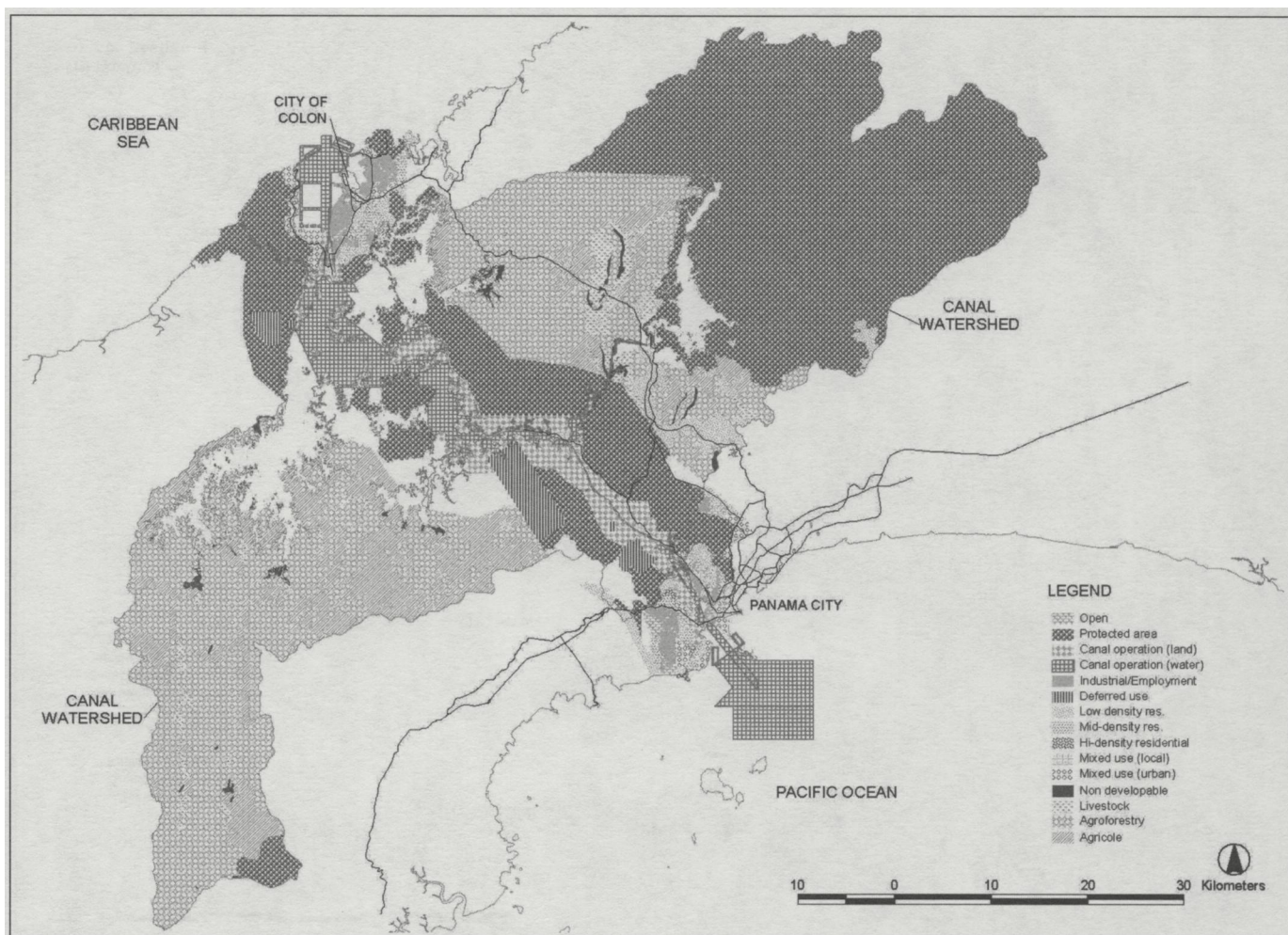


Fig. 4: Panama – Regional Plan (Inter-Oceanic Region).

tween Panama City and Colon (in territory that was always under Panamanian jurisdiction), the population<sup>7</sup> settlement along this way has always been a topic of preoccupation. This is because these lands tend to be considered as simply “vacant” areas, without better use than urbanization. Facing this, the Regional Plan identifies the natural and other constraints for urbanization in the area (and the rest of the Basin). Finally, for the rest of the reverted area, it adopts the urban uses proposed by the General (Land Use) Plan (fig. 4).

### The Metropolitan Plan

This Plan for Urban Development, initiated by a different international consulting consortium at the end of those Plans just discussed, had among its goals the integration of the Canal Area to the metropolitan areas at the Pacific end (Panama City) and the Atlantic end (Colon), as well as assisting the Ministry of Housing “in improving the procedures for planning and control of urban development in the cities and areas of influence.”<sup>8</sup> The territorial coverage of this Plan was of only 319,839 hectares, of which 46,225 hectares were lands occupied within the Canal Basin (“trans-systemic corridor”) identified as “areas of special critical concern.” To attain these objectives, the Metropolitan Plan identified three influential factors on development in the area of study:

- The action of market forces;
- Availability of high quality basic infrastructure; and,
- Quality of the physical and natural environment.

These factors were used to generate one scenario each. After some discussion, the third of these scenarios “Maximal Environmental Conservation” was selected as the most appropriate, following somewhat the patterns traced by the Regional Plan (seek, before anything else, the protection of natural resources, including those that supply the Canal operations).<sup>9</sup> This led to posing two goals “with critical spatial implications, both for the context and for the future form of the urban development”:

- Containment, at the regional level, toward the end of restricting urban expansion, protecting the Basin, and taking advantage of existing infrastructure; and,
- Decentralization, specifically in the Panama City metropolis, to improve access to employment centers and services.<sup>10</sup>

Finally, four scenarios of decentralization were analyzed and evaluated:

- Satellite cities;
- Polarized development;
- Linear corridors; and,
- Multiple nuclei.

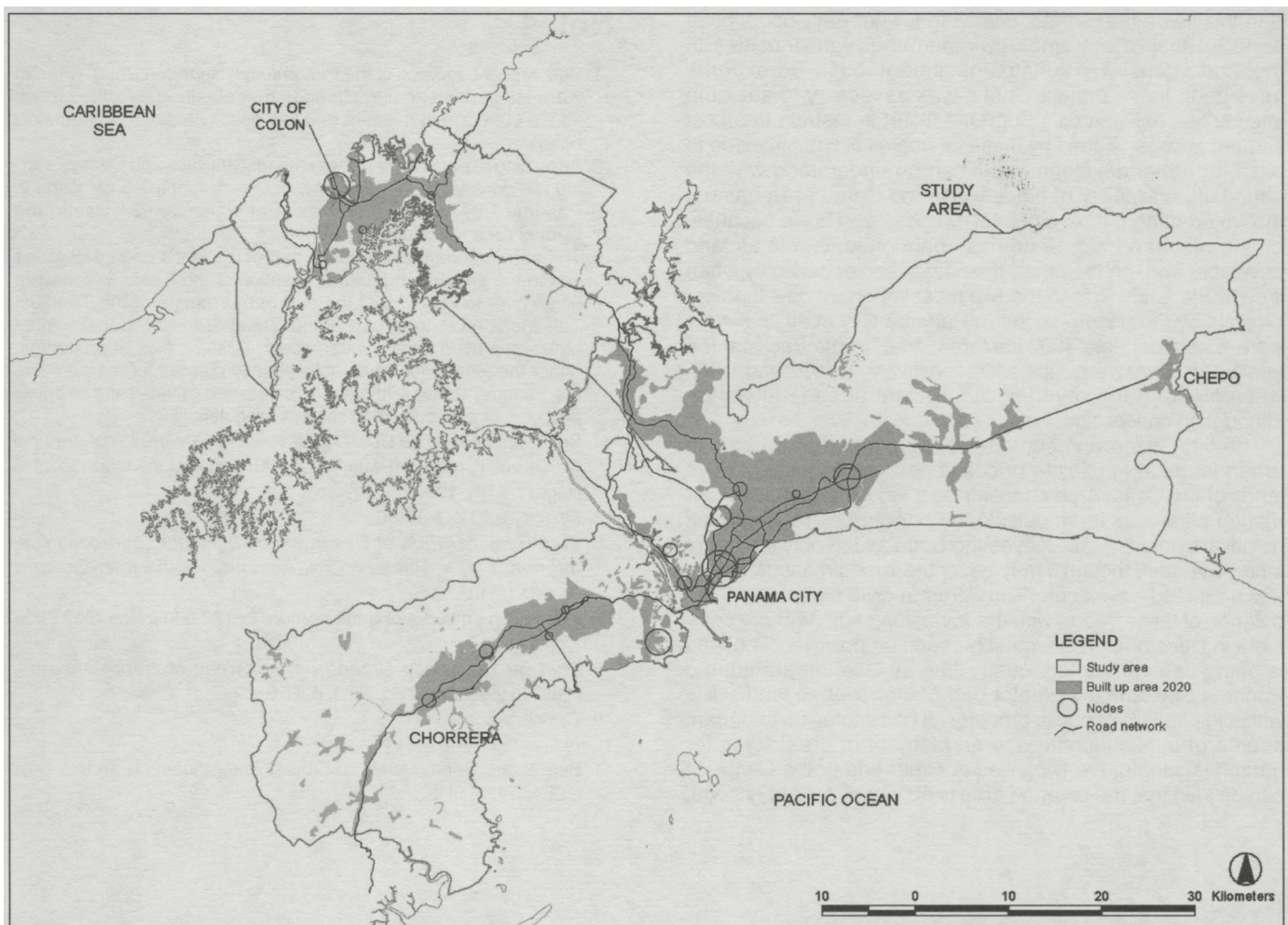


Fig. 5: Panama – Metropolitan Plan (Inter-Oceanic Region).

This analysis produced a proposal for development based on the establishment of urban service or employment nodes for the Panama City metropolis (fig. 5). The nature of this proposal made for a foreseeable net growth in the Region, requiring 10,000 additional hectares of newly developed land by the year 2020, of which about half would come from the reverted areas.

## Conclusions

All the actions undertaken so far in relation to the Canal contain, implicitly, an idea of attempted development promotion. In the years that preceded and followed the signing of the Torrijos-Carter Treaty, the State played a central role. This was true both in the direct occupation of the areas to be reverted and in the direct operation of development (public corporations). During the first decade of the Treaties, in the 1980s, when the military government controlled everything without really doing anything, the prevailing vision (lacking more determinant interventions by authorities) was of environmental protection. This was a theme quite subject to discussion because of its implications for the function of the Canal (and implying the creation of national parks). Starting in the 1990s, with the creation of the Authority for the Inter-Oceanic

Region and the elaboration of the General (Land Use), Regional, and Metropolitan Plans, all of the proposals limited public sector participation to regulation of a development promoted fundamentally by private agents (concessions of ports, railway, processing zones, etc.).

In the agenda of the local private sector, however, urban land has been considered as a monopolizable element, whose value is realized upon being **developed**, which is to say urbanized (in the sense of being provided with infrastructure). This perception derives from an old model of real estate speculation in the “cornering of urban lands as a form of investment of accumulated profits from commercial activities. . .”<sup>11</sup> This model was prevalent during the first half of the 20th century. Around it were mixed private interests and political power. This has produced a traditionally weak legislation related to property in land. It becomes manifest in facts such as:

- the flexibility of zoning norms (permitting almost anything to be done);
- the failure to update the urban property register, which dates from 1970; and,
- a 20-year exoneration from tax on real estate (“the parcel tax”) for any new building.

These measures seem to benefit owners of vacant and unproductive lands.

In this favorable climate, some landowner-developers have gone to absurd extremes in implanting high densities in moderate-density residential neighborhoods. So extreme have been these projects that it was necessary to seek the intervention of Panama's Supreme Court to restrain the most flagrant abuses. Faced by these examples of what is made to pass for urban development, it can be understood why the abundant availability of lands within the Canal Area has not motivated daring, or even novel, proposals. This is because, on the one hand, the State has abandoned its role as land developer and, on the other, the private sector acts only when it owns the land. In fact, the two most important development projects by the private sector in Panama City in all its history were "Costa del Este" (300 hectares), and "Punta Pacífica" (65 hectares). They were initiated, respectively, in 1992 and 1999, when lands in the reverted areas were already in view – although in concession, not for sale.

The time when one could really acquire large parcels of urban lands at negligible prices is now lost in history. The lands of the Canal Area concentrate a value so high that their market price puts them outside the possibilities for cornering by private agents. This leaves the State as the only important landowner and, though it may be for the wrong reasons, acting again as land developer. Thus, from a civic perspective, the balance of these years, with the reversion of the territory complete in December 1999, must be seen as positive. The land is being used advantageously, little by little integrated into Panama City, and the greater part of the reverted land still is within the sphere of public property. It constitutes an important source of public income and an element of great force for urban planning of the two cities at either end of the Canal. It can be said that the reverted area is no longer an empty good.

## Notes

1. See a recent decision of the Panamanian Supreme Court, wherein were suspended zoning changes that obtained densities much above the norm in medium and low density residential neighborhoods.
2. According to data of the Directorate for Statistics and Census, during the decade 1990-1999, private investment in construction in Panama City was \$1.753 million, of which \$0.924 was in the Central Area (that is 52.7 percent).
3. The only important exception is that of the lands and installations tied to the present and future operation of the Canal, which were given over to Panama at the end of the regime of the Treaties. This included a great part of the Canal Area (the Canal and its banks, the hydrological watershed). This complex of properties, under the jurisdiction of a public agency created for the purpose, the Panama Canal Authority, is maintained in the realm of public property, or else subject to strict use regulation.
4. See *Plan General de Uso, Conservación y Desarrollo del Area del Canal*, vol. II, pp. II-1 (Panama City, Authority for the Inter-Oceanic Region (ARI), 1996).
5. *Op. cit.*, vol. IV, p. IV-58.
6. *Plan Regional Para el Desarrollo de la Región Interoceánica, Informe II*, p. 1 (Panama City, Authority for the Inter-Oceanic Region (ARI), 1996).
7. Population settled along the corridor is 120,000 in the May 2000 Census.
8. *Plan de Desarrollo Urbano de las Areas Metropolitanas del Pacífico y del Atlántico*, vol. I, p. R-1.
9. *Op. cit.* Vol. II, p. 5-4.
10. *Ibid.*, p. 6-1.
11. See Alvaro Uribe, *Panamá: Ciudad Fragmentada* (Panama City, CELA, 1989), p. 33.