



SPECIAL REPORT

Panama: Varela defeats the other candidates and proves polls wrong

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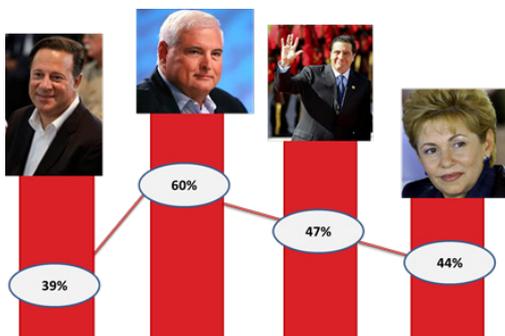
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1. A HISTORICAL BATTLE

At 7.36 pm, the Electoral Tribunal announced Juan Carlos Varela's electoral victory, with 39% of votes cast (450,348 votes) and therefore defeating his rivals José Domingo Arias, from the ruling party Democratic Change (Cambio Democrático) and Juan Carlos Navarro, from PRD. However, he also proved that all polls predicting that he would rank third in the elections were wrong, as already occurred in Costa Rica a few months ago.

On an Election Day with no major incidents, Varela had a head start from the beginning of the scrutiny and the gap widened as the day progressed. Panama maintained its tradition of voting for the opposition party and favored the party that invested the least amount of money on these elections. Even though many experts predicted a tighter result, which could cause "institutional stress", the advantage of the Head of Panamanian Party, a seven points difference, is large enough not to doubt his victory, yet not important enough to rule alone, and thus he must take the reins of government together with the opposition party.

In the light of these results, it seems that Varela managed to garner the votes of his party and of the 200,000 independents, whereas José Domingo Arias could not escape the shadow of the current President and Juan Carlos Navarro's PRD was totally unsuccessful on the Election Day. This electoral race started on 4 January 2014 with the official opening of the elections, which have now dictated, on the first round of elections, a renovation of the authorities of the country. In addition to the President, mayors, MP's and representatives have also been elected. This election was characterized by the excessively high level of public expenditure and "dirty" campaigns that forced the Catholic Church to establish an electoral ethical pact. However, despite all the rumors, the Election Day proceeded in an orderly manner from the moment voters started to exercise their right to vote from 7am until the polls closed at 4pm. At the end of the day, the electoral turnout was around 75%.



According to preliminary results, Juan Carlos Varela wins the presidency with 39% of the total votes for the 2014-2019 five-year term.

Juan Carlos Varela inherits a country with 4.1% inflation, due to the high levels of foreign investment and public expenditure and a more expensive food basket (46%). These are the main complaints of the Panamanians for the new government. He will have to lead the government of the first Latin American country to build an underground network and will also have the responsibility to meet the existing economic and social challenges so as to avoid deceleration in the pace of the country's growth in recent years.

2. VARELA AND HIS IMMEDIATE PLAN OF ACTION

Juan Carlos Varela, who has held the post of Vice-President of the Republic after the collapse of the Democratic Change coalition in September 2011, has now appointed a woman as his Vice-President (for the first time in the history of the Republic): Isabel Saint Malo.

In Panama, the traditional alternation in power continues with Varela and his allied party, the Popular Party. Some people no longer fear that, as had been predicted, the country was going to witness an indirect reelection after José Domingo Arias appointed Marta Linares de Martinelli, the current President's wife, as his Vice-President. Yet 39% of the votes is far from the result obtained by his predecessors.

Following his presidential inauguration on 1 July 2014, Varela stated that his priority would be focused on the price freeze of 22 basic food basket products, which is expected to generate savings of up to USD 600 million per year. He claimed that several initiatives would be launched with the aim to supply drinking water to the most popular areas, which is still a major national priority.

Likewise, he will make a tender for lines 2 and 3 of the Metro and also he will create the Metropolitan Transportation Authority, through which he expects to merge the Metro Bus and Metro services.

3. CANDIDATES' REACTIONS

The first to appear in the media was Juan Carlos Navarro, who, accompanied by his family and by PRD's leadership, thanked his team for their support during the electoral campaign.

José Domingo Arias recognized the Panamanian Party's victory and he stated that "his opposition would be constructive". President Ricardo Martinelli, for his part, played a very relevant role in Democratic Change's electoral office. After the name of the winner was revealed, Martinelli noted that "it had been an unequal competition since everyone was against José Domingo" and added that he would ensure that "all votes were counted". Finally, he concluded that he is "going to be a true opponent" as he "knows exactly what is happening on that side".

The President-elect, for his part, made a speech calling for the unity of people for the next five years. "We all represent one country. The era of insults, confrontation and disrespect must now be left behind" he said, and he added that he was going to "rule the country equally and transparently, with proposals developed on a social basis, with a State vision and from a human perspective".

To conclude, he highlighted that these elections entail a "political change where no corruption whatsoever will be tolerated".



Isabel Saint Malo, relatively unknown in the political sphere but closely linked to many government administrations thanks to her 15-year experience as a United Nations Development Program Manager in Panama.

4. CONCLUSIONS

According to preliminary results announced by the Electoral Tribunal, a total of 1,167,000 voters throughout the country democratically elected new authorities for the coming five-year term. This is the sixth President in 24 years of democracy in the Isthmus, after two decades of military dictatorship.

The President-elect must meet the challenge of, at least, reaching the same implementation capacity as the current President, Ricardo Martinelli, who is proud of fulfilling 95% of the promises he made during his electoral campaign.

He will also have the task of strengthening the Panamanian institutional structure, an issue addressed by the seven presidential candidates in debates and during their campaigns. There is a national consensus on the weakening of public powers and the appointments that Varela will make

by 31 December 2014 (two Public Prosecutors, four Magistrates of the Supreme Court, one Electoral Attorney, six Executives of the Panama Canal Authority, Bank and Stock Market Superintendents and a new President for the Electoral Tribunal) is expected to show a political will to ensure the unrestricted autonomy of public powers, which would further strengthen Panamanian democracy.

DC will have to start thinking about opposition, as well as PRD, which has obtained one of the worst electoral results in its recent history. Furthermore, FAD, the main left-wing party in these elections, has obtained less than 4% of the votes, which excludes them from running for the next elections.

In any event, we will have to wait a few days to know the legislative body's political composition. This will be a key element for the government to develop new policies.

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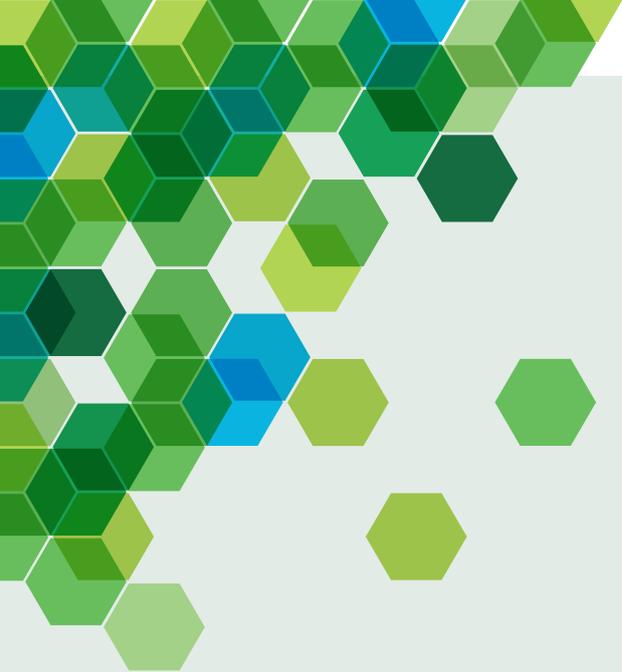
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