

POLITICAL DEVELOPMENTS IN PANAMA, 1981-1990

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PREFACE

Outwardly, the isthmian country of Panama in Central America appears as an exception to the general experience of the other countries of Americas. At least, the region's tortuously long history of conflict seems to have not ruffled the surface tranquility of Panama. However, the Canal that divides Panama into two halves (but unites the two great oceans--Atlantic and the Pacific) has, for long, been an overwhelmingly debilitating influence on the country's political and economic development. The United States strategic control of the Panama Canal, punctuated by periodic incidence of military intervention (as many as nineteen, including the December 1989 invasion) have, over the years, caused serious convulsions in Panama's political life. Continued US occupation of the Canal Zone has inhibited the tradition and development of a strong autonomous national political process leaving the microscopic ruling elite with tenuous political control and authority.

It is often argued that Panama's political processes are largely confined to family rivalry within the traditional ruling class. For sustaining themselves in

power, the elite *politicos* balance their economic, and sometimes military dependence on the US by resorting to mobilising lower-and middle-class support with nationalist, populist and reformist appeals. It has always been a precarious balancing act with success often hinged on the willingness of the US to underwrite a regime's legitimacy.

It is in these almost farcical political circumstances the Panamanian military, in the decade of 1970, emerged as a central, relatively autonomous force under Colonel Omar Torrijos Herrera. With the political ascendancy of Torrijos, not only the military became the centre-piece in the political process of Panama, the prospects of establishing a nationalist and reformist government as well as the Panamanian control of the Canal became almost real. Torrijos' efforts at skillfully evolving the military controlled Partido Revolucionario Democrático (PRD) based on broad popular coalition and substantially revising the US-Panama treaty to end the American Control of the Canal by the year 2000 marked a new milestone in Panama's political history.

The democratisation process set into motion following the ratification of the Canal treaty, however, was

shortlived. Following Torrijos' death under mysterious circumstances in an airplane crash in July 1981, Panamanian political process was thrown abruptly off course. Between then and 1984 four presidents were installed, three commanders were appointed to the defence forces, and several complete changes in the leadership of the PRD took place--all pointing to a dismal disintegration of *Torrijismo*.

The scene was thus set for former intelligence chief of the National Guard, Manuel Antonio Noriega to preside and direct the political events in Panama throughout the decade of 1980. Notwithstanding two general elections--one in 1984 and the other in 1989--the political situation in Panama began deteriorating to a point when in December 1989 the United States invaded Panama, imprisoned Noriega on drug charges and installed a new president and thereby initiated a redemocratisation process, the future course of which is still uncertain even after the recent general elections in 1994.

Scholarly writing on the political history of Panama is very limited and on recent developments, it is practically non-existent. However, full-length survey of

Panama's relations with the US since its political independence and the Canal treaty negotiations are treated comprehensively and competently by quite a few scholars both in the United States and Panama. Of these, the two recent studies are of Walter Lafeber's *The Panama Canal: The Crisis in Historical Perspective* (1976) and George D. Moffett's *The Limits of Victory: The Ratification of the Panama Canal Treaties* (1985). Being an 'insider' (as Assistant to the Chief of Staff of the White House during 1978-1981), Moffett offers some analytical insights into the debates in the US on the ratification of the Canal treaty. LaFeber's, on the other hand, is broader in scope and offers a coherent survey of US-Panama relations in the backdrop of evolving Panamanian nationalism. Memoirs of Panamanian professor of Philosophy, Jose de Jesus Martinez, *Mi General Torrijos* (1987) and former US Ambassador to Panama, William J. Jordan's *Panama Odyssey* (1984) add first-hand eye-witness accounts of the period of 1970s. Besides, numerous well-researched articles have appeared in recent times having a bearing on the Canal treaty related negotiations between the US and Panama, and peripherally touch upon the domestic political fall-out in Panama. Nonetheless they are patchy and time-bound.

The basic objective of the present study is to analyse the recent events in Panama especially in the decade of 1980, a period that roughly coincides with the exit of Omar Torrijos from the political scene and the invasion of the US in December 1989. Admittedly, the decade of 1980 has been the most turbulent period in the Panamanian political history in spite of the ratification of the revised Canal treaty which met with the resurging nationalistic aspirations of the Panamanians and the continuing interest of the US to exercise its control of the Canal and the Canal Zone until the year 2000. Notwithstanding, the democratisation process in Panama got short-circuited leading to pitched political battles between the entrenched civil and military forces, a resolution to which came about only hesitantly after US military intervention.

What are the factors fundamentally responsible for the long-drawn political turbulence in Panama? What caused the distortions to the democratisation process and party politics that were set in motion by Omar Torrijos? What factors were responsible for the inability of his successors including Manuel Noriega to maintain the broad populist coalition which Torrijos so successfully ushered

in Panamanian politics? How does one account for the rift within the Panamanian military and the divisions within the rank and file of the PRD? To what extent external factors, importantly the United States policy and perceptions of developments in Panama and the Central American region as a whole, influenced the domestic political course in Panama? There are those who argue that it is the United States which has in the past been a debilitating influence, dementing the Panamanian nationalist movement. However, the *torrijista* interregnum seemed to have successfully synthesised Panamanian nationalist aspirations and US agrandizement of the isthmian country. So, if the events of the decade of 1980 reflect the exhaustion of *torrijismo* as model of governance, the key question that calls for a careful examination is: what kind of forces and interests--both internal and international to Panama--the realignment of which would ever meet the twin imperatives of Panamanian political reality? These are some of the questions that are raised in the monograph.

The study is largely based on the examination and interpretation of available relevant official documents and pronouncements of governments of both Panama and the United States. Alongwith the relevant US Congressional

debates and hearings, appropriate official and unofficial statements of the Panamanian political parties have been carefully sifted to outline the political events in Panama during the decade of 1980. The study has greatly been enriched by the discussions the present writer had with political leaders and academics both in Panama and the United States during a brief visit to these countries in 1994. While the study is largely descriptive surveying the political process in Panama, modest attempts have been made to offer some prognostications on the future course of events on the basis of a descriptive analysis.

Divided into four broad parts, the first Chapter attempts a general historical survey of the birth of Panama and the events that led to the bridging of the two oceans through the Canal. Against this background, an attempt is made to delineate the socio-economic structures which influenced the political process ever since the turn of the Century. The second Chapter deals with the advent of Omar Torrijos in the political scene of Panama and his efforts to give some semblance of political stability in reorganising the institutional political structures and iron out a fresh agreement with the United States on Canal-related issues. The following two Chapters focus

on the political developments of the decade of 1980 highlighting the factors and circumstances which led to the decomposition of *torrijismo* climaxing in the overt attempts of the United States to intervene in the domestic political process of Panama. The concluding chapter while summarising the monograph attempts to delineate the future course of political processes in Panama.



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A handwritten signature in cursive script, appearing to read 'P. Pulla Rao', written in black ink.

(P. Pulla Rao)

CHAPTER I

***PANAMA'S POLITICAL PROCESS:
HISTORICAL SETTING***

Perhaps, no country in the world has been as much influenced by its physical location and geography as Panama in the isthmian region of Central America. As both the narrowest and the lowest point in the Southern Hemisphere, the narrow strip of about 700-kilo-meters-long land area has historically served as a transit passage from the Atlantic and the Pacific Oceans. Panama's locational advantage was understood by Spain which in its early colonial incursions into Latin America occupied the isthmus soon after Vasco Nunez de Balboa discovered the region in 1513.¹ Ever since, more so after the Spanish conquest of the Inca Empire around the 1530s, Panama

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1. The Spanish conquest of the isthmus began in 1507 under Vasco Nunez de Balboa. Balboa, alone among the *conquistadores*, came to terms of mutual trust with the Indians, and with their help in 1509 marched across the isthmus and discovered the Pacific. But his position as leader of the expedition had not had the sanction of the King of Spain, and in 1514 the Spanish King appointed a governor named Pedrarias who had Balboa executed and massacred his Indian allies. Within ten years of Balboa's discovery, the Spaniards were talking of cutting a canal to join the two Oceans -- Atlantic and the Pacific. For details see David Howarth, *Panama: Four Hundred Years of Dreams and Cruelty*, (New York, 1966) pp.30-40. See also Hubert Herring, *History of Latin America From the Beginnings to the Present*, (New York, 1955), pp.126-27.

became a major transit route for whatever treasure shipped back to Spain and for the slave trade throughout Latin America.²

Consequently, the social and economic system that evolved in the isthmus created a small urban elite which largely derived its influence from its ability to control trade passing through the region. With the penetration of Britain by mid-1500, with its military and trade posts established in the Caribbean island of Jamaica, Spanish pre-eminence in the isthmian region of Panama eroded considerably. The final blow to Panama's favoured economic position in the Spanish colonial empire in Latin America came in 1739 when Britain destroyed the forts

2. The idea of cutting the narrow strip of the isthmus and connecting the two oceans was given up on the Spanish King's ruling that "if God wanted the oceans to meet, He would have built the canal Himself", and a "Royal Road" -- a narrow, stone trail wide enough for two mules with their back-loads -- instead was built. Along this rough highway mule trains carried gold and silver from the Port of Panama to the Atlantic where the riches were packed aboard galleons headed toward Spain.

protecting the transit trade route of the isthmus.³ Consequent collapse of the Spanish trade, in turn, seriously undermined the economic and social base of the urban commercial and bureaucratic elite. At the same time, it led to the creation of a new economic class of small property owners in the interiors of the isthmian region.⁴

On 28 November 1821, Panama declared its independence from Spain following the protracted wars of independence throughout Spanish America. Soon thereafter, however, Panama was annexed to the former viceroyalty of New Granada. In early 1830s, when Colombia separated itself,

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3. Since 1572, British pirate Francis Drake and his band of privateers had repeatedly raided the rich trading areas, seized Spanish galleons and finally established a base off the Panamanian coast so that they could attack systematically the Spanish settlements. In the 17th Century the isthmus was attacked by buccaneers, and in 1670 Henry Morgan with 1200 followers crossed it and sacked the city of Panama. In 1698 Scotland tried to found a colony on the isthmus which could provide a crossing open to the trade of all nations. For details see David Howarth, n.1.
 4. Omar Jaen Suarez, *La Poblacion del Istmo de Panama del siglo XVI al siglo XX*, (Panama City, 1978), pp.187-190, 301.

Panama was made a province of this newly emerged sovereign republic.⁵ Placed as a province of a weak Latin American country but located strategically in the isthmus, Panama ever since had been pulled in different directions by outside powers. Not sharing any historical allegiance to Colombia, Panama made innumerable attempts to achieve an independent status. Ironically, however, most of these Panamanian nationalist insurrections were thwarted by the United States.

Birth Pangs of Panama

Serious US interest in Panama began with the 1849 California "Gold Rush", which prompted the construction of a railroad from the Atlantic to the Pacific. At the same

5. In August 1819, following the battle of Boyaca, Simon Bolivar-led forces defeated the Royalists and secured New Granada's independence. In December of the following year, the Republic of Gran Colombia was proclaimed which included what is now Venezuela, Colombia, Ecuador and Panama. For details see Claudio Veliz ed., *Latin America and the Caribbean: A Handbook*, (London, 1968), p.76.

time, the US quickly turned to exploring the potential for a canal, though the first concession to construct one went to a French company in 1870s.⁶ While this initial attempt became mired in a scandal and almost brought down the French government, the idea of a canal grew to a near "obsession" in the United States as successive administrations saw the imperative need to "bridge" the two oceans for both economic and security considerations.

As late as 1902, US Congress was on the verge of a commitment to constructing a canal through Nicaragua. However, the administration sought an agreement considerably more favourable to US interests than Nicaragua's ruler Jose Santos Zelaya would likely grant. Theodore Roosevelt sought no less than the *de facto*

6. Under the impetus of the "Gold Rush", American financiers built a railroad from Panama City to a point on the Caribbean side where they founded the town of Colon. Meanwhile a Frenchman, by name Lucien Napoleon Bonaparte Wyse obtained a concession to build a canal on the railroad route, went home to France where he sold the concession to Ferdinand de Lesseps, the builder of the Suez Canal. Lesseps enterprise floated by a company went bankrupt and for the next fifteen years canal construction work was abandoned.

annexation of territory, so that the government of the country in which the canal was located would have no rights whatsoever over the waterway; nor, for that matter, any other third country. For, the earlier Clayton-Bulwer Treaty that the US signed in 1850 with Britain provided that any canal constructed by either country anywhere in Central America would not be exclusively fortified or controlled.⁷

When Nicaragua refused to concede unlimited sovereignty over a strip of land for the canal construction, Roosevelt administration set the Nicaraguan

7. Under the terms of the Clayton-Bulwer Treaty of 19 April 1850, the signatories -- Britain and the United States agreed never to obtain or maintain any exclusive control over the proposed Nicaraguan canal, never to erect fortifications in its vicinity and never to colonize, or exercise domain over Nicaragua, Costa Rica, the Mosquito Coast, or any part of Central America. Both agreed to lend support and encouragement to the first company that should undertake to construct a canal in accordance with the spirit of the treaty, to guarantee the neutrality of the canal when built and to invite other friendly states to become parties to the treaty.

option on the shelf and negotiated with Colombia.⁸ Again, the US did not seek a treaty as such. Instead, it sought to secure a legal cover for the annexation of territory, and at no point of time did it intend to grant any concessions to Colombia. For these considerations the negotiations with Colombia did not prove fruitful; not only did the resulting agreement not provide for *de facto* annexation, it was rejected by the Colombian senate as an affront to its national dignity.⁹

8. Zelaya had consistently maintained not to concede sovereignty over any Nicaraguan territory. For a decade he had worked to limit the extension of US dominance in Central America. However, subsequently an agreement of sorts was reached with Zelaya but it was insufficiently subservient to induce the Roosevelt administration to initiate work on the canal. In effect, the US government treated the Nicaraguan agreement as precluding any other foreign power from using Nicaraguan canal route through the San Juan River and Lake Nicaragua. A few years later Zelaya was overthrown through US intervention, in part because he indicated interest in offers from other governments to build a canal.
9. Under the terms of the second Hay-Pauncefote Treaty (drafted in January 1903) Colombia was to lease for period of hundred years a strip of 100 kilometers wide across the Isthmus of Panama, for which the United States agreed to pay \$.110 million plus an annual rental of \$.250.000. However, Colombia smarting under the humiliation of the civil war which had just ended, refused to ratify the treaty.

Rebuffed by Colombia and Nicaragua, the United States under the administration of Roosevelt chose to provoke a show of insurrection in the province of Panama, staged by local agents and a French mining engineer named Philippe Bunau-Varilla. Deploying the US navy and by outright bribery, the US government prevented Colombian intervention and ensured a swift and successful outcome for its covert enterprise.¹⁰ On 3 November 1903, Panama's

10. The timing of the 1903 insurrection, its bloodless success, international recognition of the new country, and the character of the new government were all the careful and concerted work of the Roosevelt administration. Diplomatic historian Walter LaFeber has argued that Panamanian independence was incidentally the work of the Roosevelt administration. For details of the events leading to Panama's independence, see Walter LaFeber, *The Panama Canal: The Crisis in Historical Perspective*, (New York, 1978), pp.29-33.

independence was declared.¹¹ Even before the end of the day, Manuel Amador Guerrero one of the leaders of the insurrection wired US Secretary of State John Hay stating: "Proclaimed independence of Isthmus without bloodshed. The Canal Treaty saved"¹² Immediately, the process of writing the treaty began and was concluded and signed in the name of Panama by Bunau-Varilla before any official representative of the newly established sovereign republic of Panama arrived on the scene. Admittedly, the US did not deem it necessary for any Panamanian, not even one loyal to it to sign the treaty which would determine the

11. That Roosevelt took pride in the course of action, he took in declaring the independence of Panama is evident when he states in his Autobiography: "By far the most important action I took in foreign affairs /is/ I took the canal zone and let Congress debate". In his annual message of 7 December 1903, Roosevelt declared that the "United States would have been guilty of folly and weakness, amounting in their sum to a crime against the Nation, had it acted otherwise than it did when the Revolution of November 3 last took place in Panama". Quoted in Julius W. Pratt, *A History of United States Foreign Policy*, (New York, 1955), p.410.

12. Cited in "3 de Noviembre de 1903", *Dialogo Social* (Panama City), vol.24 (November-December 1983), p.20.

course of Panama's history henceforth.¹³

How the political process of Panama since then was largely influenced by the US is writ large in the terms and conditions enshrined in the canal treaty.¹⁴ Article III of the treaty gave the United States power to act in the Canal Zone "as if it were the sovereign of the territory". In the Zone, the Panamanian flag, it was

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13. Without consulting the government he was claiming to represent, Bunau-Varilla on his own altered the draft of the canal treaty that US Secretary of State John Hay had sent him so that it gave the US, instead of administrative control for a hundred years, sovereign rights in perpetuity over the Canal Zone. Hay and his colleagues were astonished by such unasked generosity and saw no reason to refuse the offer. The Treaty was officially signed a few hours before the representatives from Panama arrived in Washington. Bunau-Varilla was able to persuade the Panamanian government into ratifying it, because the members of the government, new to the job, had very little idea of the value of the rights they were giving away, and because they desperately needed the \$10 million. See Charles D. Ameringer, "The Panama Canal Lobby of Philippe Bunau-Varilla and William Nelson Cromwell", *American Historical Review*, (January 1963), pp.345-363; also see Philippe Bunau-Varilla, *Panama: The Creation, Destruction and Insurrection*, (London, 1913).
14. For details of the provisions of the Panama Canal Treaty see Julius Pratt, n.11, p.409. For the text of the Treaty see Diogenes A. Arosemena, *Documentary Diplomatic History of the Panama Canal* (Panama, 1961), pp.303-316,

agreed, would not fly, Panamanian laws would not apply and a US Governor would rule. Under the provisions of Article II of the same treaty, US power and influence was extended beyond the Canal Zone. For, these provisions gave the US government the right "in perpetuity" to seize and utilize any lands which the United States unilaterally judged to be necessary for the construction or maintenance of the Canal. In other articles, Panama ceded control of its waterways, gave the United States the right of military intervention, and granted the US government the option of taking monopoly control over the communications system.

What is even more, a new constitution promulgated by the first Panamanian government went so far as to write into it, at the behest of the United States, a clause that granted the latter the right to intervene "in any part of Panama, to re-establish peace and constitutional order" --

a right which the US exercised quite frequently.¹⁵

As a consequence of these rather unusual historical antecedents since its inception, Panama's evolution has been contorted by three fundamental realities. Historically, while Panama can claim to a genuinely indigenous independence movement, it obtained the nationhood status through the intervention of a foreign power viz., the United States. Politically, Panama has been distorted by continuous domination and intervention by that external power. Economically, ever since its inception, Panama has suffered from extreme denationalization, far beyond the relatively superficial question of ownership.

15. At Panama's constitutional convention, the intervention clause was barely approved, 17 to 14 votes. The response of US officials to this vote indicates the state of US-Panamanian relations at the time. The dispatch from US Minister to Panama William Buchanan to Secretary of State Hay dated 28 January 1904 states: "The fact that fourteen...voted against it amply justified the wisdom of our having secured Article 136". Cited in LaFeber, n.10, p.42.

Socio-economic Structures and their Impact on Political Process

That the Panama Canal had a profound effect on the economy and the class structure can hardly be gainsaid. The economic importance and geographic centrality of the Canal Zone was such that it largely determined not only the rate and direction of national economic growth, but also the nature of the domestic class structure. Urban commercial groups and rural cattlemen depended heavily on the Canal Zone as a market for their products. Commerce and service sector to a large extent undermined the traditional agricultural base. One direct consequence of this economic structure peculiar to Panama was that the traditional oligarchic hegemony so apparent in most of the other Central American countries was never as important in Panama. The dominant economic group, a small cluster of families called *rabiblancos* (white-tails), while continuing to control much of the rural agriculture, including exports like coffee and sugar, derived its major economic power from commerce dependent upon the Canal, and

from related real-estate and financial interests.¹⁶ Even in agriculture this group did not fully control the economy since it was forced to share the export sector with the US-owned United Fruit Company.¹⁷ As a consequence of this urban-based economy near the Canal, rural class divisions did not become the most important class relations as they did in other countries of the region. A remnant rural upper class of cattle ranchers continued to challenge the hegemony of the commercial business elite. However, the dynamic that dominated Panamanian politics was the urban conflicts in Panama City and Colon, initially confined to conflicts within the

16. Among them the ubiquitous Chiari family grew rich from sugar growing; the Boyds from cattle, dairy and import business. Arnulfo Arias later to be elected to the presidency came from a poorer background, yet Arnulfo's coffee plantations gave him social recognition among the oligarchs. Not accidentally therefore, the same names dominated Panama's political life. And, politics gave the key to preserving wealth against competitors and expanding landholdings or concessions.

17. For an insightful analysis of class structure see Ricaurte Soler, *Panama: Nacion y oligarquia, 1925-1975*, (Panama City, 1982), and Marco Antonio Gandasequi, "La concentracion del poder economica en Panama", in Ricaurte Soler, ed., *Panama: Dependencia y liberacion*, (San Jose, Costa Rica, 1976).

elite itself but later reaching beyond to the emerging middle classes as they grew rapidly in the post-Second World War period.

The working-class, largely composed of the Canal construction labour of black and *mestizo* origin, remained dormant because these workers operated within the context of an alliance between the Canal Zone and Panamanian elites that actively strived to limit the workers influence. During the early years, repression of working-class interests was often brutal and exercised through the direct use of military force. The ease with which working-class demands were repressed historically was due to two rather unique features that affected labours' bargaining power.¹⁸ First, the Canal workers were organised into unions that had their primary ties to the United States rather than Panama. Second, the Canal Zone work force was largely composed of English-speaking blacks

18. Ibid.,

who enjoyed little sympathy among the Spanish-speaking Panamanian population.

While Panama's political and economic elite reached an uneasy accommodation with the United States, the broader population consisting of the expanding middle class as well as the masses over the years, resented the heavy-handed US presence and its series of arbitrary military interventions and land acquisitions. The Panamanian dominant class, however, worked carefully to manage this nationalism so as to maximize concessions from the United States while at the same time not losing the crucial stability that was critically necessary for the security of the Canal. In the process, in the initial decades, Panama's stability largely depended on how well the elite was able to cope with, manipulate, and pressure the United States so as to change the initial terms of the first Canal Treaty. Nevertheless, at various points, more so since the 1940s, explosive and violent nationalist uprisings erupted demonstrating the tenuous nature of the control exercised by the elite.

In a sense, these nationalist upsurges were the manifestations of the emerging divisions within the dominant classes. For, the Second World War, in its wake, brought about an expansion of the Canal Zone market with attendant sudden spurt in economic activities and a semblance of industrial growth. With the influx of US and Allied forces stationed in and passing through the Canal Zone came an increase in demand for consumer products and services. But, with the cessation of hostilities, this situation underwent palpable change. The increased wartime demand had no relation to the national domestic market of Panama. Thus, the post-War era initiated economic polarisation with the traditional economic groups on one side, and the new industrial and professional groups on the other. Inevitably such a polarisation made a decisive impact on the political process too.¹⁹

19. Mercer D. Tate, "The Panama Canal and Political Partnership", *The Journal Politics*, vol.25, (February 1963), pp.119-120.

The traditional economic groups which had interests in commercial and administrative activities and services in the Canal Zone had no reason to pursue modifications on United States-Panama relations or, for that matter, of the Canal treaty. In one area the interests of these traditional groups and the newly emerging social and economic sectors converged. Both sought to overcome oligarchic economic and political control and modernize the national economic infrastructure and relations as a way of expanding economic facilities and possibilities. Meeting this common objective called for political and institutional modernisation and an important modification of international relations, primarily a new Panama Canal Treaty with the United States.

Political Process in the Emerging Class Conflict

In the first three decades since the birth of Panama in 1903, the political process in the isthmian country merely conformed to the pattern that characterised most Latin American countries during the post-independence

period of 1820s and 1900 -- a confrontation between the so called "conservatives" and the "liberals". The only variation was that there existed an open and explicit foreign intervention by the United States serving as an arbitrator in inter-oligarchic conflicts. Thus, it became extremely tempting for these factions out of office and power to petition to the United States for a shift in the balance of power by professing an acquiescent posture towards the US. The pliant role played by these factions ensured that no faction -- either the "conservatives" or the "liberals" could emerge and assert itself with any significant nationalist leanings.²⁰

In the see-saw battles between the "conservatives" and the "liberals" which lasted at least till 1934, the "liberals" were a shade more successful. With the exception of the election of 1914 all other national elections during the period were dominated by the

20. Victor R. Goytia, "Los Partidos en el Istmo", *Revista la Antigua* (Panama City), 1975, pp.35-42.

"liberals". The 1920s marked the beginning of more defined nationalist feelings, organisation and actions. Popular and middle class groups nascent though, became increasingly assertive and anti-oligarchic, and, at the same time, expressed anti-liberal sentiments. The popular perception was that the "liberal" continuity in government was tantamount to an anti-national regime, a government controlled by the United States.

As in a number of other Latin American countries, particularly in the adjacent Central American countries, the highly visible US political and economic presence eventually caused a strong nationalistic reaction especially in the 1920s which gathered further momentum in the following decade. During these years, a number of factors worked to seriously undermine the economy too. There was a massive reduction of the canal work force after completion of the locks in mid-1910s. Also, heavy debts were incurred by the national government leading to a cutback in public sector employment since.

The emerging situation gave rise to the first significant non-partisan organisation in Panama called the Communal Action Organisation (CAA). Established on 19 August 1923, the CAA as a semi-secret nationalist group embodied much of the resentment by Panamanians toward the United States as well as toward the Antillean blacks who held most of the lucrative jobs in the Canal Zone. Espousing Hispanic nationalism, the CAA served to channel political needs and demands. However, notwithstanding its pronounced anti-oligarchic and anti-liberal stance the lack of a political programme and maturity precluded it to becoming an important force to reckon with in the

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political process of Panama.²¹ Despite these shortcomings, the most significant long-term contribution of the CAA was that, through its activities, it did put to end the farcical intra-factional fights within the ranks of the oligarchy.

One immediate result of the emergence of the CAA was the break-up of the liberal party. Beginning in 1930s, the party splintered into several factions adopting different names. The Doctrinaire Liberal Party brought together those that favoured political change which included both members of the CAA and the old "liberals".

21. For details of CAA--origins, objectives and achievements--see Steve C. Ropp, *Panamanian Politics: From Guarded Nation to National Guard* (New York, 1982). Although dispatches from the US diplomatic mission in Panama characterised CAA as a political organisation "semi-radical" in its posturing with linkages with the international Communist movement, the mission revised its assessment subsequently and described the CAA as an indigenous movement whose real concern was to become a player in trying to evict Arosemena from office. These dispatches suggested that CAA attracted members from a small new Panamanian middle class, predominantly *mestizo* and included teachers, government employees, small businessmen and some urban workers. See dispatches in US Department of State, *Papers Relating to the Foreign Relations of the United States, 1931* (Washington D.C., 1931), vol.II, pp.894-902.

Some of the members of the CAA who supported military coup took the name Renewed Liberal Party. Other splinter groups included the United Liberal Party, rallying around Panama's political veteran Belisario Porras. The Democratic Liberal Party also emerged although the traditional leaders remained with the old Liberal party.

The most significant consequence of the disruption and dismemberment of the political process was the elimination of the Canal Treaty clauses of the Constitution which had provided for US political and military intervention. In addition, the business classes negotiated the extension of their interests in the economic activities derived from operating and administering the Panama Canal. From this perspective the anti-oligarchic and anti-liberal movement spearheaded by the CAA, permitted, ironically enough, the consolidation

of national oligarchic control and economic expansion.²² At the same time, it created a political vacuum as evidenced by the growing nationalist anti-oligarchic attitudes.

Such that, by now, the politically convulsed Panama became a play-ground for charismatic political leaders exuding strident nationalistic overtures. The most effective enduring of such political leadership that influenced considerably the Panamanian political process between 1930s and 1960s -- nearly for three long decades, was that of Arnulfo Arias Madrid.²³ Although not the

22. On racial, functional and geographical grounds, the oligarchy perceived the CAA as an enemy. Its members often used the verb *luchar* (to struggle) in describing themselves, and saw the oligarchy's control as oppressive. For these same reasons, the CAA was highly nationalistic and anti-Yankee. In its view the United States-subsidized commissaries in the Zone robbed merchants of sales, discriminated against Panamanian workers and humiliated their country's government. See John and Mavis Biesanz, *The People of Panama*, (New York, 1955), pp.210-215.

23. For an excellent account of the political career of Arnulfo Arias see H. Conte Porras, *Arnulfo Arias Madrid*, (Panama City, 1980); also see Steve Ropp, n.21 and Biesanz, n.22.

founder of the CAA, Arnulfo Arias soon became its natural leader. Born on a small cattle ranch in the interior of the country in 1901, Arias graduated from Harvard Medical School and returned to Panama where he practised medicine and began his forays into politics in late 1920s.

The rise of Arias as a political figure had its roots in the breakup of the Liberal party in the early 1930s. His political discourse in the wake of these events in Panama appealed to the lower classes -- urban workers, peasants and housewives, who had little or no political education and longed for national identity.

In a sense, Arnulfo Arias was both a phenomenon in Panamanian politics as well as an institution. For, civilian politics in Panama since the advent of Arias has been a contest between him and the "rest", with the "rest" consisting of factions both within the ranks of both the "right" and the "left"; the "conservatives" and the "liberals". Arias helped create the National Revolutionary Party which at different points of time

sought alliances with political parties and movements both from the right and left of the political spectrum. So much so, his omnibus political movement catapulted him to the presidency on three separate occasions between 1940 to 1968. The military overthrew him all the three times, twice restoring the traditional elite to power.²⁴ While Arias' political movement was unable to consolidate power at any time in its history, it was, however, able to mobilise and gain the loyalty of a broad range of middle- and lower-class supporters, as well as the rural cattle ranchers. His movement formed the core of populism emphasising strong anti-Yankee nationalism and promises of moderate economic and social reforms such as requiring that Panamanians control commercial establishments and creating a social security system. His major appeal came from his charismatic nationalism and his challenge to the

24. Arias was inaugurated as President in 1941, 1948 and 1968. In addition, according to most accounts, he was defrauded of victory in the election of 1964, and 1984. He was out of politics from 1950 to 1963. Arias won the first election with over 95 per cent of the popular vote, for the oligarchy had been so sure of his defeat that it boycotted the polls.

traditional political elite.

It was in these evolving political process, the increasingly important and autonomous National Guard, the Panamanian military establishment attempted to co-opt and weaken this nationalist-populist movement championed by Arnulfo Arias by its own appeals to nationalism and its self-proclaimed modest reform initiatives, an aspect that will be dealt at some details in the following Chapter.

Even in the decade of 1940s attempts were made by the military to undermine Arias. However, these efforts proved to be clumsy and ineffective. Arias had been elected to the presidency in 1940 and was overthrown the next year when he resisted US pressure for more military bases during the Second World War. Arias was followed by a series of weak presidents from the traditionally dominant Liberal party who exercised power throughout the War years. During this period, Panamanian nationalism flared in repeated riots as the United States imposed new demands for military bases to defend the Canal. The

business elite, divided by internal bickering in part arising from competition emerging with the new wave of "easy" import substitution industrialisation, was unable to contain the nationalist pressures in the immediate post-War period and was forced to rebuff US demands for concessions to continue the wartime bases indefinitely.

Riding a wave of nationalism back to power in 1949, Arnulfo Arias began to implement some populist reforms before he was again removed by a military coup in 1951. In the following elections, National Guard Commandant Jose Antonio ("chichi") Remon, taking advantage of continuing divisions within the elite and the growing autonomy of the National Guard, won the presidency. As has been mentioned earlier during the 1930s, the National Police gradually began to gain political influence under the guidance of Remon. By late 1940s, Colonel Remon and his police organisation had become important arbiters in the feuds among leaders of the traditional political parties. Using the police as a springboard, Remon over the years

converted the national police into what came to be known as the National Guard.²⁵

Remon's short-lived tenure (in 1955 he was assassinated) did not accomplish much except a new agreement that he successfully negotiated with the US which contained several economic benefits, most importantly opening more commercial opportunities for

25. For an in-depth analysis of Remon, the founding father of the National Guard see Larry Larea Pippin, *The Remon Era: An Analysis of a Decade of Events in Panama, 1947-1957*, (Stanford, Cal., 1964). Remon was a self-made man, rising out of a lower income family by joining the police ranks, gaining military education in Mexico and the United States, and in 1947 headed the National Guard. As a young officer, he upgraded police prestige through higher salaries and fringe benefits. After becoming president Remon turned part of the Guard, then wholly a police force, into Panamanian army. His initiatives allowed the force to receive large amounts of US military supplies. Politically astute and sensitive, Remon took care to sort out divisions within the ranks of the Guard--between those schooled overseas and those unschooled and the differences between the blacks and those of mixed blood. At the same time, he accumulated several million dollars by monopolising cattle slaughtering, selling the gasoline used in police cars, auctioning city bus routes to the highest bidder, and even owning part of Panama City's renowned brothel. He also acquired farms, apartment houses and race horses.

Panamanian business community in the Canal Zone.²⁶ None of which could satisfy the nationalists demand for establishing Panamanian control of the Canal.

Nevertheless with the advent of Jose Remon of the National Guard into power, although brief, the base was laid for the contemporary structure of Panamanian politics. Also, during Remon administration, the National Guard increasingly professionalised as more officers with

26. Besides committing himself to social reform and economic development, Remon moved to equalize the tax structure. Through public spending programmes, Remon accelerated agricultural and industrial production. Realising that the most important growth industry was the Canal, Remon switched his attention to seeking a revision of the Canal Treaty in terms of the annuity paid by the US. Instead of the \$430,000 annuity, Remon demanded a 20 per cent increase of the Canal's gross revenue or \$5 million. Remon's rallying cry was "Neither alms nor millions. We want justice". In the final 1955 treaty, US agreed to a number of economic concessions--annual annuity was raised to \$1930,000; right to tax Zone employees who were Panamanian, US surrendered the monopoly rights granted in 1903 over all railroad and highway building; US gave its authority to control sanitation in Colon and Panama City. Of considerable importance to Panamanian merchants, Zone commissaries were not to sell goods to anyone except the US citizens, and at the same time, the Canal authority agreed to purchase as many supplies as possible in Panama itself. In addition, the US handed back some lands outside the zone.

academy training entered it. Because of the Cold War, the United States greatly expanded its military assistance programme during 1950s, and many Panamanian soldiers were trained at US installations.

Returning to power after the assassination of Remon in 1955, Liberal party governments encountered the worst outbreak of nationalist violence--the Flag Incident in 1964 in which at least twenty-five people were killed and hundreds wounded in confrontations with US troops from the Canal Zone. In the wake of such violent eruptions, the Liberals attempted to conclude a more favourable treaty with the United States. These efforts met with refusal on the part of the US government to reformulate the Canal Treaty that would remove the crucial "in perpetuity" clause of the 1903 Treaty. The weak treaty negotiations under the presidency of Marcos Aurelio Robles failed to satisfy the minimal nationalist demands and was finally

rejected by the Panamanian legislature.²⁷

Meanwhile, in early 1960s, Panama entered a rapid stage of growth in industrialisation, largely stimulated by commercial concessions from the US which enhanced the Canal Zone as a market for Panamanian goods and services. Besides, Panama took initial steps to attract international banks with liberal banking laws designed to make the country the financial Switzerland of Latin America.

Admittedly, the traditional *rabil Blanco* commercial elite took advantage of these fortuitous circumstances and

27. For a comprehensive analysis of the chronology of events and a detailed account of the political processes of the period between 1960 and 1968 see Lester Langley, "The United States and Panama: The Burden of Power", *Current History*, vol. 34 (January 1969), pp.1-17; Daniel Goldrich, "Requisites for Political Legitimacy in Panama", *Public Opinion Quarterly*, vol.24, (Winter 1962), pp.664-68; and Daniel Goldrich and Edward Scott, "Developing Political Orientations of Panamanian Students", *Journal of Politics*, Vol.23, (February 1961), pp.103-107. On US postures and responses to the political events in Panama during these years, LaFeber offers a detailed account in his *The Panama Canal: The Crisis in Historical Perspective*, n.10, pp.124-58.

⊙ brought into fore an emerging class of small-scale and immigrant-dominated mercantile and financial entrepreneurs often of Jewish, Lebanese and Spanish origin. However, they could not control the growing middle and lower-class urban dwellers who formed a locus of radical nationalism and anti-militarism which in the decade of 1960s led to confrontations with the National Guard and the US military in the Canal Zone. The urban lower classes began organising into divided and weak traditional trade unions. In rural areas too peasants, a shade better-off now organised themselves. The Panamanian communist party, Partido del Pueblo in Chiriqui province became vocal through building a small but enduring union base in the rural regions.

From Bi-partisanship to Multi-partisanship

These growing but diverse social and economic groups constituted separate centres of discontent which no nation-wide single political party could galvanize. Thus, party politics from 1904 to 1968, and more explicitly from

1934 to 1968, consisted of pre-electoral multiplication of political parties, the emergence of ephemeral electoral alliances, and the growing absence of political leadership, both by individuals and organisations. Only six of the seventeen presidential elections from 1904 to 1968 were won by a single party. These six elections took place during 1910 and 1934 which may be described as the Liberal phase. In the other eleven elections from 1936 to 1968, political campaigns were based on pre-electoral alliances that varied from one election to another. In one instance, this consisted of "reconstituted liberalism"; in another it turned out to be joint opposition; and in yet another instance as "officialism" in alliance with earlier opposition parties and factions. In six out of eight elections, from 1936 to 1968, the defeated candidate was also supported by an alliance.

These ever-changing factions and splinter political groups are illustrative of how fragile party programmes, principles, ideology and leaders were characterised largely by electoral fortunes, internal and internecine

conflicts and, above all, political fragmentation. Contrary to the commonly held popular view, as one observer has rightly observed that social, economic and family relations played no more than an insignificant role in deciding allegiance to one party or another. Party allegiance was more the outcome of convenience and accident.²⁸

Without changes in the political structures of government, the rise and fall of either political group was considered of little or of no importance. On four occasions--1940, 1948, 1952 and 1968, the elected president was deposed and replaced by his vice-president. This kind of legal coup demonstrated the predominance of personal over constitutional means. Furthermore, in no way the pre-existing cordial relations of the leaders of the

28. H. Conte Porras, Arnulfo Arias Madrid, (Panama City, 1980), pp. 21-23.

different parties affected by electoral outcome.²⁹

Following the downfall of the populist government of Arnulfo Arias in 1941, the constituent elections of 1945 was dominated by the Liberals. They won nearly two-thirds of the elected deputies and polled more than 70 per cent of popular votes.³⁰ The 1948 elections demonstrated even more dramatically these easy reversals. In this election, Arias ran for the office of president supported by his recently created Authentic Revolutionary Party, and was opposed by the National Revolutionary Party which he led in the decade of 1920.

That apart, in the late 1950s and early 1960s, the number of political parties proliferated. In the 1960 elections as many as nineteen parties were in the fray. In Table 1 below the dispersion of political parties in the three elections of 1960s--1960, 1964 and 1968 is given:

29. Jilma Noriega de Jurado, *Verdad y Miseria de Nuestros Partidos*, (Panama City, 1978), pp. 65-68.

30. See Victor R. Goytia, n. 20.

Table 1

Name of Party	1960	1964	1968
	(Percentage of Votes)		
Liberal National	17.6	15.3	
20.7			
Republican	10.8	10.2	11.1
Third Nationalist	6.7	3.6	3.3
National Liberation Movement	6.4	4.1	6.5
National Patriotic	35.6	7.5	5.9
Liberal Civil	12.0	1.3	-
Renovated	4.0	1.3	-
Progressive	3.6	3.1	4.7
DIPAL	3.3	1.0	-
<i>Panamenista</i>	-	37.6	30.9
Agrarian Labour	-	3.6	9.7
Democratic Action	-	3.5	3.4
Christian Democrat	-	3.1	3.6
Six Other Parties	-	4.9	-

Source: Raul Leis, *Radiografia de los Partidos*, (Panama City, Ediciones Centro Capacitacion Social, 1984).

As many of these political parties were vying for about three hundred thousand electoral votes. In the 1964 presidential elections, the *Panamanista* Party, the new

name for Arias'-led party, won majority of 37.6 per cent of the total 317,171 votes polled. Yet, it lost the elections to a large alliance of opposing political parties. However, in the 1968 presidential elections, nine of the smaller parties which were in the fray in 1964, disappeared. Notwithstanding these splinter groups not contesting the 1968 elections as well as the growth and popularity of the National Liberation Party, Arnulfo Arias won the elections again with a less than one-third of the total votes polled because of an alliance he himself had master-minded.

Besides the splintering of political parties, yet another feature of the Panamanian elections especially in the 1960s was the high incidence of abstension in voting. Between the 1940s and the decade of 1960, the percentage of voter turn-out dropped from nearly two-thirds to a little more than one half. The highest percentage of abstension occurred in 1960 and 1968 elections. Table 2 below gives the relative percentage of voting and abstension in the elections held between 11948 and 1968:

Table

Year of Election	Total Votes	Percentage of Electorate	
		Voting	Abstaining
1948	216,214	70.9	29.1
1952	231,848	67.5	32.5
1956	306,770	79.3	20.7
1960	250,039	59.24	40.8
1964	326,401	67.1	32.9
1968	327,048	60.1	39.9

Source: Electoral Commission, *Electoral Statistics and Census Supplementary Directory*, (Panama City, 1972)

Whereas the high percentage of abstension in the 1960 general elections was because of the boycott by the masses when Arias was not allowed to contest as president, in 1968 the 39.9 per cent abstension resulted from the conservatives, representing the urban-based oligarchy, not wanting Arias in the presidential ballot.

A third factor which considerably distorted the party politics since the 1940s was the emergence of the military

as an emerging independent political force. In fact, the 1941 and 1949 coups were carried out on behalf of the oligargic interests channeled through the military. The 1952 presidential campaign and the triumph of General Jose Remon, founder of the Patriotic National Coalition, showed an increased political presence within the National Guard. The final stage witnessed the Guard's return to politics deposing president Marcos A Robles.

The cycle was completed in 1968 when the National Guard instead of playing the role on behalf the political factions, itself emerged as a political force. Undoubtedly, number of social, economic and political factors contributed to the military as central force in Panamanian politics. Lack of political leadership and institutionalisation of the executive over the years accompanied by gradual and progressive professionalisation of the National Guard as a military organisation considerably contributed to the armed force entering directly as an independent actor in Panamanian politics. In addition, growing popular disenchantment with political parties, the obvious distance between the array of political parties and the voting masses as evidenced by

the high incidence of abstension, and above all, the strengthened nationalism that resulted from the intransigence of the US government on the Canal Treaty-- all these reinforced the view of a debilitated political system into which the military could move with no restraints whatsoever. So much so, when the ubiquitous Arnulfo Arias (who by now had tempered his nationalist opposition to the United States) became president in October 1968, in less than two weeks he was deposed by the National Guard, marking thereby the beginning a new era in the Panamanian political process.

CHAPTER II

***ADVENT OF OMAR TORRIJOS AND
AFTER***

In the general elections of 1968, Arnulfo Arias was for the third time elected and returned to the highest office of Panama's presidency. Having been "bitten twice" before when, after his election the National Guard had obligingly stepped in to depose him and return power to more pro-US oligarchs, Arias immediately following the 1968 elections took steps intended to neutralize the Guard, if only, to avoid the re-enactment of his deposition as in 1941 and 1948. Realizing now, more than ever, that his acquiescence to the National Guard alone would retain him in power, Arias ironed out a deal with its top brass. Offering to General Bolivar Vallarino, then chief of the Guard, the coveted post of ambassadorship to Washington, Arias chose to elevate two of his trusted friends in the Guard into command, and at the same time recruited a presidential guard to be under his personal power to pre-empt the Guard's possible moves to oust him

from presidency.¹ These initiatives, instead of securing the support of the Guard, proved fatal to Arias.

Hardly, ten days after Arias assumed office, the military cracked, accusing the president of plotting a dictatorship. Such an accusation was rather far-fetched. Intrinsically, the Guard felt threatened that these initial moves of Arias would greatly disturb the established internal command structure, and thereby reduce its power and influence in the Panamanian political process.

Although the military coup was master-minded by Colonel Omar Torrijos Herrera, a junior officer of the Guard who until then was unknown outside Panama and by some other officers of the National Guard, the *junta* that

1. In addition to offering Vallarino the ambassadorship to Washington in return for his resignation as the Chief of the National Guard, Arias had made similar offers to other officers including Colonel Omar Torrijos ambassadorial posting to El Salvador. For details see Walter LaFeber, *The Panama Canal: The Crisis in Historical Perspectives*, (New York, 1978), p. 157.

came to power in its wake was led by two senior officers of the Guard and included five civilian members. But this *junta* could hardly remain in power for long. For, three months after, the civilians of the *junta* resigned *en masse* accusing the Guard of establishing a dictatorship. Shortly before, public protest over the Guard's rule surged. However, without much blood-shed, the Guard quelled the protest jailing a large number of students and members of the faculty of the University of Panama and closed down the University itself.²

By that time it was clear that the National Guard-staged coup was triggered by the junior officers of the

2. During the Independence Day celebrations on 3 November 1968, nearly three weeks after the *junta* had deposed Arias, hundreds of students and faculty members launched massive protest against the military. Armed troops attacked. Many students fled into a hospital for safety. The Guard followed using rifle butts and hauling some 200 off to prison. No killing was reported. For details, Steve C. Ropp, "Military Reformism in Panama: New Directions or Old Inclinations", *Caribbean Studies*, vol. 12, (October 1972), pp. 45-63.

army. Meanwhile, efforts made by Arnulfo Arias seeking US support for his political legitimacy came to naught. While Arias having failed to get any Latin American country offering political asylum fled to the United States, Washington gave no assurance whatsoever to re-install him in power. On the other hand, the US, following the Guard's show of force in containing the public protest against the *junta*, chose to accord recognition to the military government and resumed diplomatic relations with Panama.³

Thus ended an era in Panama, an era which commenced in 1903. In the words of a diplomatic historian,

the October events marked not a revolution but a coup. The *junta* finished what began in 1931 when

3. In the immediate aftermath of the coup, US State Department alone expressed its sorrow stating that "a constitutionally elected chief of state" has been deposed. And so, diplomatic relations were suspended. What is curious is that the top three officials of the US in Panama and the Canal Zone were out of the country on the day the coup was staged. Their advisors had assured that Arias was firmly under control. For details see US Department of State, *Bulletin*, 4 (November 1969), p. 470. Also See *Christian Science Monitor*, (Washington), 15 October 1968

United States military withdrawal made the Guard the keeper of the peace, in 1941 when Guard commanders first overtly determined who would rule, and in the 1950s when Remon transformed the Guard into a tool of reform. The cycle was completed in 1968 the oligarchy committed political suicide.⁴

In a sense, as the military consolidated power in the aftermath of the 1968 coup, it transformed power from the hands of traditional urban economic elite that held sway since 1903 and, at the same time, renewed popular coalition composed of Arias' old lower-and middle-class support (especially students, professionals and rural workers), the progressive labour movements, and new emerging group of technocrats employed by the growing state. The traditional business class was excluded from the governing coalition, and the state itself, whose central element was now the National Guard, arose as a major, relatively autonomous centre of political power. How was this transformation accomplished and what were the underlying dynamics of these changes that came into fore in the political processes of Panama are aspects that will

4. Ibid., n.1, LaFeber, p. 159.

be discussed at some length in the present Chapter.

Ascendancy of Omar Torrijos

Mention has already been made in the previous Chapter that the National Guard had evolved from a weak police force into a more unified and professionalised armed force by the 1950s. The officer corps of the Guard was trained in Nicaragua and Peru and participated increasingly in US-sponsored military courses at the US Army School of the Americas in the Panama Canal Zone.⁵ Unlike in the

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5. US Army School of the Americas was founded in 1949 intended to train the officers of the Latin American armies. By mid-1970s, the School of Americas produced 34,000 graduates, of whom nearly ten per cent were National Guard Officers. Of the top 24 Guard's officers, 19 attended the School of Americas. Omar Torrijos too was a proud graduate of the School. The School of Americas was set up for the broader objective of fighting insurgents throughout the Western Hemisphere. Torrijos himself described the School as the "great colonial encampment". However, his ties with the School were such that he visited the institutions quite frequently, taking students on tours of Panama in his helicopter. The courses taught in the School, in addition to military training and discipline, encompassed anti-communist doctrinaire training, interrogation techniques as well as "Urban and Rural Counter-insurgency Concepts" and developmental studies. For details see Steve C. Ropp, n.2 and *Washington Post*, 11 April 1977 and 16 April 1977.

adjacent Central American countries such as in Guatemala, El Salvador and Nicaragua, where the military forces have frequently been deployed on civilian population to contain popular uprisings, the National Guard in Panama was rarely called to control popular movements and hence was spared from gaining the reputation of being repressive. In addition, although often willing to defend and promote the entrenched economic interests of the urban-based business class in the past, the National Guard was considerably more nationalistic than the traditional elite and maintained a distance from the US military establishment, in spite of training and equipment that the United States supplied. So much so, the Guard avoided open confrontation in the nationalist riots and demonstrations of the mid-1960s, refusing to quell the riots thereby forcing the US troops to confront the rioters directly. More so, the younger officers of the Guard largely shared the view that socio-economic reforms were a more appropriate response to the challenges faced by Panama.

Recapitulating these young officers' disposition, their leader Omar Torrijos himself wrote later in 1970 to US Senator Edward Kennedy stating

there was now a new orientation. We had more contact with people [and became] well prepared professionals with good intentions, that speak, think, and live the language of development....We came to the conclusion that there was a direct relationship between social justice and social violence.⁶

Taking advantage of the military's response to Arias' attempt to replace the high command, this reformist wing of young officers rapidly gained control of the Guard led by Colonel Omar Torrijos. His ascendancy during these crucial years was remarkable and meteoric. In less than three months following the October coup, thirty-nine year young Omar Torrijos emerged as the leading force within the National Guard and made it the centre-piece and the institutional foundation for state power.

Born in 1929 at Santiago de Veraguas, some hundred miles away from Panama City, Omar Torrijos Herrera came from the country's small but ultra-nationalistic,

6. Quoted in Steve C. Ropp, n.2, p.54; see also Omar Torrijos Herrera, *Una revolucion diferente*, (Panama City, 1972) and Richard. F. Nyrop, ed., *Panama : A Country Study*, Area Studies Series, (Washington D.C., 1981), p.148.

ambitious, and anti-foreign middle class, the class that first challenged the oligarchy effectively, if briefly, in 1931. At seventeen, Torrijos left Panama to attend a military academy in El Salvador, and since then he rose through the ranks without being entrapped in the political mine-fields of the National Guard. His training at the School of the Americas of the US Army helped young Torrijos distinguish himself in the early 1960s when he fought the guerrilla movements in Panama's interior provinces. Three months after the 1968 coup, he was able to elbow out other contenders within the ranks of the Guard and became the Commander-in-Chief with Colonel Boris Martinez as the Chief of the Staff. By Spring of the following year, Torrijos had edged Martinez also out by designating the latter for a posting in Washington. Though it is not clear what triggered the deposition of Martinez, shortly thereafter, the United States granted \$.15 million to Panama for improving civic amenities. Whether it was an evidence of United States tacit support to Torrijos is anybody's guess. For, at this juncture, Omar Torrijos notwithstanding his strong nationalistic stance, was unwilling to adopt a more radical posture.

Instead, he chose to remove the rabidly nationalist Martinez within a year of the coup, and emerged as the central, charismatic, caudillo-like leader of both the National Guard and the nation.⁷

Shrewed enough, Omar Torrijos appointed a civilian, Demetrio Lakas an engineer as well as a politician, highly regarded by some oligarchs and US business community and officials as provisional president to give the semblance that what he was evolving in Panama was not a military state. In reality, however, power lay in the hands of the upper echelons of the army, now an impressive praetorian guard of 6,000 men, comprised mostly of blacks or like Torrijos himself, middle class *mestizos*. With the National Guard as its core, the Panamanian state that Torrijos evolved since his advent expanded its role in all the facets of the country's life--political structure,

7. Martin C. Needler, "Omar Torrijos, the Panamanian Enigma", *Intellect*, vol 2., (5 March 1979), pp.15-21; Renato Pereira, *Panama: Fuerzas Armadas y Politica*, (Panama City, 1979) and Steve C. Ropp, "Leadership and Political Transformation in Panama: Two Levels of Regime Crisis", in Steve C. Ropp and James A. Morris, eds., *Central America: Crisis and Adaptation*, (Albuquerque, New Mexico, 1984), pp.227-55.

economy and society. In the process it gained broader popular support.⁸

A key to this popular support was a series of moderate reforms that Torrijos unleashed early in his administration such as a highly visible agrarian reform, labour legislation favourable to collective bargaining, enhanced social security benefits, and health and education reforms. Beneath and behind these popular reforms was the gradual and less visible restructuring of the state apparatus.

An initial period of repression aimed at political opponents on both the far left and the right discouraged

8. For an excellent analysis of the emergence of Omar Torrijos in Panamanian politics see Steve C. Ropp, *Panamanian Politics: From Guarded Nation to National Guard*, (New York, 1982)

early challenges to Torrijos rule.⁹ Besides the Panamanian Communist Party which had been outlawed in 1950, Torrijos declared all political parties illegal. While the government control of the media and constraints on civil liberties, including the exiling of the opposition leaders remained in force from the beginning of Torrijos rule, physical repression, however, appeared to decline quickly in the early 1970s as he came to depend more on popular reforms and also demonstrated willingness to accommodate some of the economic interests of the business elites.

Although Torrijos had promised open elections in time following his ascendancy to power, by 1971, he categorically asserted that political process through elections was inappropriate for Panama. Refuting the

9. In late 1969, left-wing leader Floyd Britton was assassinated by unidentified gunmen; urban guerilla groups retaliated by forming the National Liberation Movement. After the Movement had indulged in large-scale looting of banks and casinos, the National Guard arrested its leaders in 1970, killing two Cuba-trained members of the National Liberation Movement. A wave of repression accompanied this campaign. For details see Donald C. Hodges, *The Latin American Revolution*, (New York 1974), p.222

allegation that his junta was "illegitimate because [it] was not born out of one of those things they call elections", Torrijos proclaimed to a large Panama City rally: "This is precisely our greatest pride...not acquiring credentials of their kind, because we prefer the clean credentials of your support and not the one hundred credentials of their kind which are rolled in the mud."¹⁰

With that proclamation the dye was cast. Shortly thereafter, Torrijos prorogued the legislative branch of the Government viz., the National Assembly.¹¹ He replaced it by a new 505-member Assembly of Municipal Representatives. The delegates were elected at the local level in balloting controlled by the National Guard. This new assembly was ordered to meet once a year for one month to report on regional activities and vote on legislation. When the first session of the Assembly was convened in

10. Quoted in Steve C. Ropp, n.2, p.62.

11. According to a close associate of Torrijos the National Assembly was like the "Ali Baba and the Forty Thieves" for after the military coup, nearly one half of the members of the National Assembly, fled the country along with Arias. See *Latin America*, (London), 18 October 1968.

1972, its main business was to proclaim Omar Torrijos as the *lider maximo* (Maximum Leader) with the civilian president Demetrio Lakas as subordinate to "Maximum Chief", Omar Torrijos.

From then on, the Assembly of Municipal Representatives sat as a constituent assembly to draft a new Constitution for Panama replacing the 1946 Constitution. Although it brought into fore major modifications in the structure of the state, its basic characteristics can be traced back to the Isthmus' Iberian political heritage. For, when Panama declared its independence from Colombia in 1903, a new constitution was drafted that was based on Colombian law. Provision was made for a centralised unitary government composed of three branches--executive, legislative and judicial. The President was to be elected for a four year term and to be ineligible for immediate election. The legislative branch centred around a uni-cameral National Assembly whose members were elected for four years term at the same time as the President. Assembly representatives were elected from circuits corresponding to the nine provinces into which the country was divided. The traditional political

system was eminently presidential as the Chief Executive normally dominated both the legislative and judicial branches. Through his power to appoint provincial governors, the president's authority extended into the country-side and influenced the administration at the local level. Although the municipalities theoretically possessed more autonomy than the provinces, the autonomy was seldom manifest in practice.

With the new Constitution, the dominance of the executive branch became even more pronounced, but power was concentrated in military rather than in the civilian hands. For, the Constitution officially recognized the National Guard as a governing body and unequivocally declared: "The Government alone may possess arms and implements of war". The "penalty of death, expatriation or confiscation of property" was disallowed, but otherwise "public officials" enjoyed considerable discretion, for they could "impose fines or arrest upon anyone who insults them or who is in contempt of their authority". The Constitution also allowed the "lider maximo" and his government to extend their reach into the far corners of Panamanian society. "The State" assumed the right "to

oversee the rational distribution of land" and not allow "uncultivated, unproductive or idle areas". Although "engaging in economic activities is primarily the function of private persons", the Constitution directed the "State" to "guide, direct, regulate, replace or initiate such activities" as it deemed the national economy required. The "State" also acquired the power to protect "marriage, motherhood, and the family", possessed "exclusive competence to organise and direct education" and, for good measure, was instructed to defend "the purity of the Spanish language".

As for the legislative branch, the new constitution substituted a system of representation based on the nation's 505 municipal sub-districts for the National Assembly. Members of the new Assembly of Corregimientos were elected for six-year terms in a process that was tightly controlled by the executive branch. The traditional political parties were allowed no role whatsoever. Assembly members met once a year and served on local municipal councils during the remaining months. In effect, the 1972 Constitution converted the legislative branch into part of the Central Government's

administrative apparatus.¹²

Of central importance to understanding these constitutional changes has been the expanded role of the National Guard. Under the 1946 Constitution, the President of the country was Commander-in-Chief of the National police force. As such, he had the right and power to appoint and remove military personnel. Under the provisions of the 1972 Constitution, the President appointed by the Chief of the National Guard had no such powers. What is more, Article 2 of the new Constitution stated that all government agencies were to act in "harmonic collaboration" with the National Guard.¹³

In the process, Torrijos maintained direct control of the Guard, and therefore, of the political system through a highly centralised administrative apparatus. Lines of authority ran directly from the Commander-in-Chief to all military units without being channeled through the General

12. For the text of the 1972 Constitution, see Organization of American States, *Constitution of Panama 1972*, (Washington D.C. 1974).

13. Ibid., p.43.

Staff. Torrijos thereby maintained direct control over all the seven of Panama's Infantry units, and no officer assignments were made, even at the lieutenant level without the "*lider maximo's*" express approval. At the same time, although day-to-day policy decisions were theoretically made by ministers, it was not uncommon for such officials to defer to the "*lider maximo*". Ministers were also on occasion overruled by members of the National Guard for officers of the Guard commanded the ten military zones into which the country was divided. In this capacity, they often acted as *de facto* provincial governors.

Democratisation and Decline of Populism

The military regime that controlled Panamanian politics since the advent of Omar Torrijos formed the institutional base for state power and for the *lider maximo's* personal coalition partly because of changes that occurred in Panama's basic social and economic structures. Power was taken from the urban economic elite that had held sway since 1903. In contrast to members of this elite, Torrijos was born and raised in the interior. And

although his anti-urban biases were not too strong as the smoldering antagonism of the marginalised cattlemen who supported his predecessor Arnulfo Arias, his concern for the culture and economy of rural Panama was just as real. This concern was reflected in the fact that Torrijos spent considerable time visiting the countryside and that the government moved rapidly after 1968 to address some of the economic problems of Panamanian peasants. In this effort, through a set of economic reforms, Torrijos attempted to reconcile the historically antagonistic interests of urban Panama and the interior provinces.¹⁴ With the mass migration to the cities, urban and rural Panama drew closer together. Changes in the racial composition of the labour movement and the process of industrialisation began to bring this movement into the political mainstream. Although not a central component of the military regime's coalition, labour played a more important political role after the coup of 1968.

Industrial growth since the Second World War had created an economy that consisted by the decade of 1960 of

14. See Steve C. Ropp, n.8, pp.60-61.

three major parts. Supplementing the traditional service and agricultural activities was an expanded industrial manufacturing sector which led to the growth of the industrial class. The most important economic development of the 1970s was the dramatic change in the overall importance to the Panamanian economy of these three sectors. While the service sector continued to expand at a rapid rate, industrial manufacturing activities began to level off. The same was true for the agricultural sector which experienced a number of problems related to international competitiveness, marketing and farm technology. The continued rapid expansion of the service sector is important in qualitative and in quantitative terms. Growth of this sector during the 1970s was largely the result of Panama's emergence as a "service centre" for multinational corporations. Panama, as a result, played a y role in the expansion of the "Latin dollar" market. Traditionally, the US dollar was the official currency of Panama, and therefore, the country could service the financial transactions of US banks and multinational companies with great ease and facility. Over the years, other developed industrial countries took advantage of

these facilities and as a consequence, Panama became the major service sector not only for bank transactions but other facilities such as transportation, communication and warehousing. The importance of this continued rapid growth of the service sector had its impact on the social and political development of Panama.¹⁵ These changes also produced positive results in reducing considerably the economic dependency of Panama on the Canal Zone.

In these rather encouraging and fortuitous circumstances, Torrijos instituted two innovative reforms that left a profound mark on the economy. The first stressed the massive governmental intervention in the economy. Multi-year development programmes were adopted in Panama during the 1960s. But they so depended on the private sector, the past governments remained out of many areas such as public utilities. Against this background, the initiatives that Torrijos undertook were indeed path-breaking. His regime sponsored urban housing projects and large apartment and office complexes in downtown Panama

15. Economic Commission for Latin America, "Panama", *Economic Survey of Latin America 1967*, (Santiago, Chile, 1969).

City. Fresh legislation increased personal and corporate taxes, especially on corporate dividends to pay for the construction. For both political and economic considerations, Torrijos promulgated labour law in 1972 that became the symbol of his "revolution". The old market place relationship between capital and labour was suddenly replaced by a code, enforced by a strong ministry of labour, that regulated working conditions, established minimum wages, protected domestic servants, and made collective bargaining compulsory. As has been mentioned, political motives were obviously involved in these labour legislations so that he could make strong labour movement part of his political base.

Along these far-reaching reforms, Torrijos also moved to accord priority to rural upliftment. Never before, with the only exception of Remon, any Panamanian leader focussed so much attention on the interior provinces as did Torrijos. Apart from recruiting into the National Guard men from the interior provinces, Torrijos also announced in 1969 that within three years his government would distribute more than 700,000 hectares of land among 61,300 families so that ultimately the average land

holdings would multiply nearly five times per family. The "expropriated" landowners received "agrarian bonds" paying one per cent interest and repayable in forty years. Farm schools were established; contrary to the past educational policy, half the students' time was devoted to practical lessons in farming. More important than these agrarian reforms was the establishment of 270 farm collectives of nearly 35,000 peasants. These collectives were democratically self-ruled, shared profits, and provided with equipment, technical assistance, capital and over 300,000 hectares of land by the government.¹⁶

Torrijos economic plans also touched the vitals of the US multinational companies operating in the rural regions. By 1970 the United Fruits Company was subsumed into United Brands Inc., and its Panamanian subsidiary known as the Chiriqui Land Company (CLC) because of labour unrest had begun selling off land to Panamanians while keeping the rights to buy and distribute whatever they produced. Also, the CLC gave away or sold over 5000

16. B. Gonzalez, "New Trends in Rural Panama", *World Marxist Review*, vol.18, (June 1973), pp.124-29.

hectares of land to the government for redistribution. Its banana business meanwhile flourished, accounting for two-thirds of Panama's total exports in late 1960s. On Torrijos initiatives, seven of the leading banana producing countries of Latin America agreed to impose new taxes of 40 cents to \$.1 on each 42-pound crate of bananas exported from these countries. Notwithstanding his tuff posturing, in the end Torrijos had to compromise on a mere 45 cents tax. Subsequently, however, Torrijos succeeded in expropriating CLC lands, leased 37,000 acres back so the Company could maintain banana production. Nevertheless, he sought CLC to pay \$2 million annually as rental, 50 per cent tax on profits plus the 45 cents export levy on each crate sold to the United States.¹⁷

Whether these economic reform initiatives were merely populist in nature and content or not is admittedly open to debate. Nonetheless these initiatives enabled Torrijos to gain the support of the lower- and middle-class Panamians, and in the process helped strengthen the state's autonomy

17. For details of the "banana war" see Thomas P. McCann, *An American Company: The Tragedy of United Fruit*, (New York, 1976), pp.215-119.

from the traditional business elite. At the same time, however, the success and the sustenance of these reform initiatives called for raising additional resources. The forays Torrijos made in waging the "banana war" with the Chiriqui Land Company was illustrative of the means that he had to adopt in order to raise resources for his grandiose developmental programmes. Because from the beginning Torrijos was faced with the problem of serious resource crunch. In fact, as early as 1969, in his efforts to stimulate the economy, he had pumped in \$45 million of public investment, half of which he raised from international banks. Consequently, by 1972, external debt servicing alone accounted for governmental revenue expenditure. Over the next two years, as credit sources became scarce, the rate of economic growth dropped from over 8 percent of the 1960s to a mere 4 per cent in 1974.

Under these difficult economic circumstances, Torrijos had to resort increasingly to tax revenues to meet the capital needs. But the new tax laws when implemented in 1972, imposed regressive rates on a range of consumer goods which hurt the lower-class. No doubt, the tax reforms greatly benefitted the Panamanian banking system, making it

attractive for the foreign banks to locate branches in Panama. Whereas in early 1960s only five foreign banks operated in the country, the 1972 tax reforms let foreign banks "with minimal requirements... to whipping in and out of the country with no question asked" to establish their branches and encouraged their operations to expand. So much so, by 1977, as many as 74 foreign banks had set up branches in Panama. Together with the tax reforms, the "dollarisation" of the local Panamanian currency, the country's location and communication facilities and, above all, the political stability that Torrijos regime lent--all made Panama a bankers' paradise, thanks to which Panama too was able to seek easy credit however subject to the vagaries of the international money market. For, if a parent bank weakened, or was subjected to a credit squeeze policy of its home country, its branches in Panama closed creating a financial chaos in the isthmus. Yet, with all these uncertainties, the foreign banks at least until mid-1970s provided funds to refinance the embarrassing national debt and maintain a satisfactory public investment

rate.¹⁸

Despite these decisive advantages, Torrijos' vulnerability and the weakness of his developmental programmes surfaced in early 1970s. The oil crisis of 1973 led to a serious economic decline because of the economy's dependence on the external banking sector. Foreign investment began to fall off in the face of the weakening of the economy. State enterprises, often poorly managed, failed to provide an alternative sources of dynamic growth. As in the rest of Latin America, the state attempted to fill the gap in private investment by extensive public borrowing externally. This debt-fed financing did not strengthen state control of the economy and ultimately led to severe limits on state flexibility. The public debt soon grew out of proportion to Panama's reasonable ability to repay, rising to cover 60 per cent of total exports.

By 1976, it became imperative that Torrijos' reach-out for an accommodation with the domestic business elite and,

18. Harry Johnson, "Panama as a Regional Financial Center: A Preliminary Analysis of Development Contribution", *Economic Development and Cultural Change*, vol.24, (January 1976), p.286.

at the same time, initiate a slow process of withdrawing many of the social and labour benefits. In this effort Torrijos began extending economic benefits associated with the new international banking sector and growing state contracts for supplies and construction. None of these initiatives could bail him out of the economic bind in which his administration was placed. Necessarily therefore, he had to play judiciously his only other 'trump' card viz. the revision of the Panama Canal treaty both for political and economic considerations.

Treaty Revision and Torrijos' Tragedy

The rapidly deteriorating Panamanian economy and Torrijos' increasing dependence on outside private investment forced the hands of the "lider maximo" to use his Canal 'Card'. That however called for deftness in dealing both with the domestic constituency as well as with the United States. For any impulsive move both in respect of timing and finesse could be disastrous to Panama and, more critically even counterproductive to the political regime of Torrijos.

Following the so called "flag incidents" which

provoked violent demonstrations in Panama, in 1967 both the US and Panama announced that agreement had been reached on the "form and content" of draft treaties on the various vexing questions of the Panama Canal. But neither government evinced any disposition to submit the drafts for ratification by their respective governments. A presidential election in the offing in the United States led Washington to foot-drag. This gave Torrijos an opportunity to reject formally the draft treaty and indicate his inclination to initiate afresh negotiations.¹⁹ The talks were resumed by the Nixon administration in 1971, but progress was tardy.

Finding US disposition far from satisfactory, Torrijos in an effort to pre-empt the US sought internationalising the Canal issue. Capitalising on the rising resurgence of Panamanian nationalism, Torrijos ventured to refer the Canal issue to the United Nations. He induced the Security Council to hold a meeting in Panama instead of in New York. In the March 1973 meeting, the General successfully

19. Ibid., see also Robin Pringle, "Panama: A Survey", *The Banker*, Vol.25, (October 1975), pp.1201-02; and *Latin American Economic Report*, (London), 27 May 1977, p.78.

focussed world opinion on the Canal. A resolution supported by thirteen members of the Security Council demanded a new treaty guaranteeing "full respect for Panama's sovereignty over all its territory". Then the inevitable happened with the United States exercising its veto and took the position that the treaty negotiations were a bilateral matter.²⁰ Not to be outdone by the United States veto, Torrijos sought and succeeded in getting a statement endorsed by Latin American foreign ministers meeting in Bogota, Colombia later that year to the effect that settlement of the question "is a matter of common interest and high priority for Latin America".²¹ Admittedly, it was major gain for Torrijos, and a repudiation of the US stance in the UN.

The support Panama received in the UN significantly

20. For details see a compilation of papers prepared for the Commission on the Operation of the Senate by the Congressional Research Service in *Major U.S Foreign and Defence Policy Issues*, (Washington D.C., 1977), pp.222-229.

21. *Yearbook of the United Nations*, 1973, vol. 27, (New York, 1973), p.168; also see Walter LaFeber, *The Panama Canal: The Crisis in Historical Perspective*, (New York, 1978), p.182.

helped transform the issue with the US government from a trivial bilateral or regional issue into one of vital priority. The revelations relating to US clandestine activities in the Chilean domestic politics leading to the killing of president Salvador Allende and consequent mounting of anti-American sentiments in many Latin American countries led Secretary of State Henry A Kissinger to respond more favourably. It is in these changing circumstances, Secretary Kissinger initiated a new dialogue by meeting with the Latin American foreign ministers in Tlatelolco, Mexico. While underlining the basic differences in approach between the US and the Latin American countries regarding their global and regional objectives, Kissinger however admitted that the time was ripe to initiate policies that would mutually benefit both. Apart from the abrasive bilateral disputes with Mexico and Peru, he emphasised the need for a new look at problems that the US encountered with regard to Panama.²² In less than six months, Kissinger designated a veteran diplomat Ellsworth Bunker as his special negotiator on the Canal treaty. Furthermore, Kissinger himself personally visited

22. *Ibid.*, *Yearbook of the United Nations*, 1973, p.172

Panama and on 7 February 1974 signed the statement of principles establishing thereby eight guidelines for a new Canal treaty with Panama's foreign minister Juan Antonio Tack.

Under these guidelines agreed upon, the US administration conceded that i) the 1903 treaty will be abrogated and replaced by an entirely new treaty; ii) the concept of perpetuity to be eliminated and instead agreed to fix a firm termination date; iii) US jurisdiction over Panamanian territory to be promptly terminated in accordance with treaty terms; iv) the Canal Zone to be returned to Panamanian jurisdiction with the US retaining specified use for the duration of the treaty; v) Panama to have a "just and equitable" share of benefits deriving from Canal operations; vi) Panama to participate in the administration of the Canal; vii) Panama to share in the protection and defense of the Canal; and viii) the US and Panama to agree bilaterally on provisions enlarging the capacity of the Canal.²³ The Kissinger-Tack preliminary agreement as

23. US Senate, 93 Cong. 2 Sess., Committee on Foreign Relations, *A Report on the Inter-American Conference of Tlatelolco*, (Washington D.C., 1976), pp.19-28.

the basis for the negotiations did not go a long way. Talks between the two countries were proceeding haltingly, and the progress in terms of working out a revised treaty was limited. The Watergate turmoil and impeachment proceedings on president Nixon diverted official attention during these months while at same time infighting within the executive between the State and Defence Departments as well as interminable debate in the Capitol Hill slowed down the talks throughout 1975.²⁴ Even though the Canal issue figured quite prominently in the ensuing presidential election, it was not until Jimmy Carter assumed office as president efforts were made to expedite negotiations regarding treaty revision. With political passions running high in Panama along with Torrijos professed cordial relations with Fidel Castro's Cuba, congressional opposition to the Canal treaty revision began to whittle down. Earnestly since, the United States resumed the negotiations with Panama, the details were ironed out and, on 7 September 1977 at the OAS headquarters a new treaty

24. For text of Kissinger-Tack statement of principles see Department of State, *Bulletin*, (Washington D.C.), 23 February 1975, pp.184-185.

was signed by both Carter and Torrijos.

Although president Jimmy Carter believed that the new treaty was "fair to both sides", Torrijos was visibly less enthusiastic when he stated that the agreement "was a stone in the shoe, which Panama would have to suffer for twenty-three (more) years in order to pluck the nail from its heart".²⁵ Torrijos' faint praise was justified because the new agreement envisaged the "permanent neutrality" of the Canal and at same time provided the US the right to operate and defend the Canal until 31 December 1999. However, the financial package offered by the US to Panama was very generous. The package included \$10 million by way of rental to Panama and another \$10 million as Panama's share in the canal revenues, this in itself was substantially more than what Panama has been receiving in the past. In addition, the package contained \$200 million in credits from Exim Bank over five years with soft interest rates to be repaid over 10 to 12 years; \$75 million

25. For details of the debate both within the executive and the Congress see R. Narayanan, "The 'Big Ditch' and the 'Big Stick': Panama Parleys", *Foreign Affairs Report*, (New Delhi), vol.26, no.9, (September 1977), pp.179-204.

for popular housing project to be repaid over 30 years from the Agency of International Development; \$20 million credit for the National Financial Corporation to be returned over 15 to 20 years from a group of private institutions and \$50 million in military assistance from the US. ²⁶

Notwithstanding the attractive financial package which would go to infuse additional resources into the anemic Panamanian economy, the political fall-out of the revised treaty was disastrous to Omar Torrijos. Constitutionally, the General was in danger for, he was legally required to submit the treaty to a national referendum. Chances of his winning the constitutional battle was rather uncertain in the face of growing criticism emanating from the leftist ranks.²⁷ Even as the treaty was signed in Washington, left-wing groups and right of centre business organisations launched mass demonstrations shouting slogans such as "Bases No", "No to the Treaty" and "Joint defence-Treason

26. *New York Times*, 30 August 1977; and *Latin American Political Report* (London), 12 August 1977.

27. For details see R.Narayanan, n.25, pp.197-198.

to the People". The critics took exception to such of the provisions of the revised treaty as the two-decade transition period in which US domination will continue, the presence of American military bases along the Canal until 2000, and above all Washington's right to use force after the year 2000.

Under these circumstances, Torrijos necessarily had to change his political discourse and moved to consolidate ties with the moderate political forces. To muzzle unfavorable public opinion, he even resorted to rigid censorship within the country. And finally, on 23 October 1977 he won the referendum by a vote of two to one in support of the Canal treaty. As one observer writes: "The methods employed to gather the votes, however, will not be those which North Americans associate with New England town meetings"!²⁸

The upshot of all these was gradual erosion of his political hold over Panama. Apparently, he himself seemed to have had the premonition. In early 1977 Torrijos

28. Ibid., and also see *Latin American Political Report*, n.26.

admitted: "It will not be easy once the treaty is signed. There will be a vast political vacuum we will have to fill. I am thinking a lot about that. We will no longer have the *gringos* to blame then".²⁹ In a sense he was right for in the following decade Panama witnessed not only the demise of Torrijos but also the decomposition of *torrijismo*.

29. Ibid., and also see LaFeber, n.21, p.208.

CHAPTER III

***CONSTRAINTS OF POLITICAL
STABILITY***

Among others, the United States conditioned its ratification of the revised treaty on the Canal of Panama's adopting a "democratic" government, clearly in the hope that the country's civilian politicians would prove more malleable than the rabidly nationalist elements of the National Guard led by General Omar Torrijos. The National Guard, still the centre of gravity of Panamanian politics, and Torrijos, the hub of that centre, chose to drop out of sight. In October 1978, Torrijos stepped down paving the way for the return of civilian rule. At the same time the military founded the Partido Revolucionario Democrático (Democratic Revolutionary

Party, PRD) to carry forth its policies.¹

Demise of Torrijos and Decomposition of *Torrijismo*

The process of transition to civilian rule was conceived and carried out by Torrijos himself. While he was in power, Torrijos kept the presidency to a purely formal role. When he resigned in 1978, he returned full executive power to the presidency and established a timetable for a staged return to party political activity and to elected government. The first stage involved using his

-
1. The Democratic Revolutionary Party (PRD) was formed to incorporate and guide the various political groups that had historically supported the military regime. According to its declaration of principles, the PRD is democratic multiclass, unitary, nationalistic, revolutionary, popular and independent. In many respects, the PRD resembles other political parties of Latin America established by the military leaders to give civilian institutional form to their ideas. As with such other Latin American political parties, PRD attempted to ensure, through close collaboration between military, government and party leaders, that participation of opposition groups will be carefully channelled. Furthermore, through the creation of the PRD, Torrijos was able ideologically to distance his increasingly conservative government from the radical left parties, including the communist parties. For its objectives and political platform see Partido Revolucionario Democrático, *Documentos fundamentales*, (Panama City, September, 1979).

non-partisan national assembly to secure the designation of a hand-picked successor, Aristides Royo. The second stage involved the opening of the public register for political parties, in which a leading role was to be played by his own political party, the PRD. Then the political parties would be allowed to participate in legislative elections scheduled for 1980, and finally, in the direct elections of a new president in 1984.²

However well intended and conceived the reorganisation of the political system to usher in civilian rule, Torrijos project went awry with the political opening. For one, the political parties pressed for a speeding up of the transition process. But the government bolstered by the PRD's success in the 1980 legislative elections ignored the demand. In his very first years in power, Royo faced strong opposition from the unions who demanded

2. Eduardo Crawley, "Panama", *Latin America and Carribbean*, 1983, London, *World Information*, 1983, p.149.

the repeal of the restrictive labour legislations enacted under Torrijos regime. In his dealings with the trade unions Royo proved to be skilled negotiator and managed to produce a compromise formula in the face of accusations from the left that the PRD was rapidly becoming the party of the big business.³

Though Torrijos played no direct role in the running of the government after Royo's elevation to the presidency, no one in Panama doubted that he continued to be the final and ultimate arbiter in political matters. Then, in July 1981, when an airplane carrying General Torrijos crashed suspiciously on the slopes of Cerro Marta during a ten-minute flight killing everybody on board including Torrijos, Panama's political transition was

3. Ibid., p.152.

thrown abruptly off course.⁴

Several dramatic shifts in policy as well as in the transition process occurred in the period following Torrijos' demise. These shifts occurred after a new leadership had emerged in the National Guard. Around these critical days, the basic question that bedevilled Panamanian politics was whether the budding PRD had matured sufficiently to take on the role Torrijos had envisaged for it i.e the "party of the government" for the foreseeable future, or whether real power would return to the National Guard (now rechristened as Panama's Defence Force), from whose ranks Torrijos himself had emerged.

4. Most Panamanians believe that the crash was no accident. The CIA was accused of killing Torrijos in order to manipulate politics on the isthmus and control developments within the Caribbean basin. Torrijos, according to observers, earned US enmity by providing the Sandinistas with material aid in their struggle against Anastasio Somoza. Within two months, two other key opponents of US policy, president Roldos of Ecuador and General Hoyos of the Peruvian Air Force, died in similar "accidents".

The answer to these questions did not come until a year later, when president Aristides Royo suddenly announced his decision to resign, invoking poor health. At the same time, in a blatant display of power, General Florenzo Florez who succeeded General Torrijos as the Commander of the National Guard, was placed under house arrest for five days until he agreed to resign in favour of Colonel Ruben Dario Paredes. Colonel Paredes served as minister of agriculture during Torrijos regime and was long associated with the reforms that Torrijos had initiated in the 1970s. Notwithstanding his pro-Torrijos leanings, Paredes represented the right wing interests of the National Guard. Even during Torrijos administration, as the government's representative to business conventions, he had been able develop strong personal ties with some leading members of the Panamanian business community. Besides, few observers believed that Paredes' ability to consolidate his position in the Guard and eventually in the Panamanian politics was largely thanks to the support he received from the enigmatic but dominant

chief of intelligence of the National Guard Colonel Manuel Antonio Noriega, a man who practically dictated the course of Panamanian politics throughout the decade of 1980.

With his position relatively secure in the National Guard, it was Paredes, according to most observers, who sought next to remove the 'symbolic' head of the progressive and pro-Torrijos wing, Aristides Royo, to resign in favour of his vice-president, Ricardo de la Espriella, a respected member of the banking community in Panama. As one writer remarked: "General Ruben Paredes explained the resignation [of Royo] in terms of the natural deterioration of a public figure in charge of such a difficult process as was returning Panama to fully elected rule". Since it was too obvious a move in the critical days immediately following the demise of Torrijos, Paredes took care to ensure a semblance of ideological balance in the government and a modicum of institutional continuity, and offered the vice-presidency to the pro-Torrijista, then foreign minister, Jorge

Illueca.⁵

What was little recognised at that time was that these well orchestrated moves were intended in order that General Paredes would soon relinquish his post as the Commander of the National Guard so that he could stake himself as PRD's candidate to the presidency in the elections scheduled for 1984. What was also little understood at the time was that whereas in Torrijos' years real power over the National Guard was vested in the commander himself, following his death the seat of power within the Guard was moving to the General Staff and within that, to one man viz. Manuel "Tony" Noriega! Such that, the intended reorganisation of the political system, the search for an alternate leader, and the military's stubbornness in seeking a principal role in the political developments--all contributed to a sense of

5. For a detailed account of the process up to mid-1984 see Thomas John Bossert, "Panama", in Jack Hopkins, ed., *Latin America and Caribbean Contemporary Record*, vol.3, (New York, 1985).

continuing crisis throughout the decade climaxing in US military intervention in December 1989. In the process, what became apparent was that far from having assured the continuity of the PRD rule, Torrijos' legacy was the unresolved power struggle, a three-sided one--between rival contenders within the National Guard on the one hand, and between the political elite and the soldiers on the other.

How much the outcome of this power struggle could influence and condition the electoral outcome in 1984 remained an open question. Going by the 1980 legislative elections, it appeared that there were no serious challengers to the PRD-National Guard combination. This political combination quite ably directed by Paredes unleashed a series of policy initiatives both domestic and foreign which appeared "centrist" rather than the "progressive" Torrijos posturing.

The new policies marked an accelerated turn toward a free-market policy. Strict government austerity was

imposed, several government controlled enterprises were turned over to the private sector. Social welfare programmes were trimmed. Renewed efforts were made to attract foreign investment in export-oriented, non-traditional enterprises. The private sector was lauded as the new "engine of growth" that needed to be freed from the previous decade's government intervention.

Associated with this domestic shift was the growing concern of Paredes to shore up Panama's relations with the United States. Although even during the later years of Torrijos' administration, Panama's friendship with Cuba's Fidel Castro had been becoming more and more of a formality, under Royo Panama continued to offer support to the Sandinistas' Nicaragua and active assistance to the opposition groups, including the Farabundo Marti Liberation Movement (FMLN) in adjacent El Salvador. In fact, during those brief years under Royo, Panama was at the forefront of opposition to United States policy in the Caribbean basin, and after the British-Argentine conflict over the Malvinas/Falklands actually led those who

demanded a complete revision of the Inter-American system, going as far to as to propose the creation of an organisation of Latin American states without the US, instead of the existing Organisation of American States (OAS).⁶

Such posturing was a constant source of irritation to the United States, particularly among those members of the administration who feared a communist "domino effect" throughout the region. Though the Canal treaties signed by Omar Torrijos and US president Jimmy Carter provided for the staged return of the entire Canal Zone to Panama, the area was the base for the US Southern Command. Ever since Royo's removal from office, Panama began making conciliatory gestures towards the US. For one, it abandoned its call for an overhaul of the OAS and, at the same time, desisted from offering asylum to the Central

6. Eduardo Crawley, n.2, p.152.

American revolutionaries.⁷

To support these marked shifts in policy, Paredes accelerated the process of including the traditional elite in the political process. He convened the representatives of the traditional parties and independents to revise the Torrijos' imposed constitution and electoral code. The sixteen-member Commission reported out a reform that changed almost half the number of articles in the constitution, modestly strengthening the independence of the legislature and judiciary, formally weakening the role of the National Guard, assuring great civil liberties, and constructing a new electoral system. The reforms gained the official support of almost all political parties. In the referendum that followed, over 85 percent of voters approved these sweeping reforms. With perhaps less evident success, similar processes of carefully constructed commissions with representatives from various

7. Gonzalo Ramirez, "Crisis Politica", *Dialogo Social*, (Panama City), vol.18, (March 1985), pp.11-13.

pertinent interest groups were formed to revise the electoral code, the labour code and the agrarian reform.

These efforts to bring the previously excluded business elite back into the political process were, however, not sufficient to overcome its hostility toward the military-populist coalition. Members of the traditional political parties, business associations, and the independent press had long expressed vehement opposition to Torrijos government and its successors. They criticized the populist reforms, in particular the labour code and state enterprises as undermining private initiative and discouraging foreign investment. They chafed under the restrictions on civil liberties and denounced the growing corruption within the military regime. As the regime began to respond to their political and economic demands, the traditional elite only sought more concessions in a drive to regain power and

push the military back to the barracks.⁸

At the same time as the traditional elites mounted their centre-right opposition to the regime, the lower- and middle-class members of the military-populist coalition were also growing restive. As has been mentioned in the previous Chapter, the Torrijos coalition was built on the leadership of Torrijos himself and his masterful ability to combine the nationalist appeals with moderate socio-economic reforms benefiting the lower class. With Torrijos death and the steady erosion of these reforms, the bases of this coalition had decidedly weakened. Furthermore, the state's independent force had been weakened by the international debt crisis and by the restoration of the private sector as the preferred engine of growth --effectively strengthening the business elite's leverage over the political leadership and reducing the regime's capacity to give benefits to the lower class

8. James LeMoyne, "The Opposition Takes Over in Panama", *New York Times*, 13 October 1985.

members of the coalition.

Until recently, the government and the Guard successfully retained the open support of unions, students, and the other professional groups. While somewhat discontented with the loss of reforms, these groups still saw the Guard as more likely than the centre-right coalition to respond favourably to their reformist and "progressive" demands. However, as the government and the Guard shifted increasingly toward the right, these groups began to search for alternative political expression. In July 1983, a moderately successful general strike was called--it was only the second general strike since the formation of the military government. Several small leftist political parties were able to gain the required thirty thousand registrants to become legal, and some formed an electoral coalition behind a popular physician, Dr. Jose Renan Esquivel who was responsible for the most active stage of the Torrijos' health reforms. Meanwhile, once a staunch supporter of the government, the communist Partido del Pueblo ran its own presidential

candidate rather than promote the government candidate. However, the fragmented left was still quite weak and could not pose a major challenge in the 1984 presidential election.

Neither did the centre-right coalition remain in tact towards the time of the election. Within the National Guard an internecine war broke out leading to change in its leadership. And, by now, it became evident that Noriega had his ambitions to become the leader of both the National Guard and its political party, PRD. At the same time Panama's dominant economic classes and their foreign mentors pushed hard for a return to "business-as-usual" politics. This meant that the Defence Forces should return to their pre-Torrijos role as guarantor of elite rule. And, above all, despite widespread protests, some elements within the ranks of centre-right combination lobbied successfully for the imposition of an unpopular International Monetary Fund stabilization plan.

1984 Election and After

The scene was thus set for the great political debate of 1984, the first direct presidential and vice-presidential elections in sixteen years.⁹ The 1984 elections were crucial because, in a sense, it marked the culmination of the long process of transition toward formal democracy that Omar Torrijos had initiated in 1978. They were a test of the ability of the military-populist regime to transform itself into a new stable democratic regime. The governing coalition attempted to retain power and extend its legitimacy by gaining a clear electoral mandate. Despite the fragmentation of its own support and the growing centre-right opposition, the government was hopeful that it had still considerable support through its legacy of reform, its patronage, and the implied stability of the National Guard's support. Yet, any doubts about

9. Legislative elections had been held in 1972, 1978 and 1980, a plebiscite on the Canal treaties was held in 1978; and in 1983 a referendum on constitutional amendments was approved.

its rightward turn were put to rest in 1984 when the PRD brought the oligarchy's Liberal and Republican parties into its National Democratic Union (UNADE) coalition along with the business-oriented Labour Party (PALA) which, like PRD, is a creature of the military.

UNADE nominated Nicolas Ardito-Barletta, a former minister of planning under Torrijos and a vice-president of the World Bank. As planning minister, Barletta had been the brains behind the strengthening of the international banking centre and the transnational services platform. A respectable moderate, he was in many ways similar to the former president Ricardo de la Espriella. He was however a political unknown and therefore had to rely primarily on the governing party machine and the National Guard. His running mates were made of similar mould. First vice-presidential candidate, Erick Arturo Delvalle--later to become US president Ronald Reagan's *cause célèbre*--was a businessman who had amassed wealth in sugar, television and thoroughbred horses. His

party the Republican, is a family clan which in the past ceased to exist between elections. The government's UNADE coalition slated for the second vice-presidential candidate the Liberal Party's Roderick Esquivel, an astute Panamanian politician tied to landowning and merchant interests. UNADE had several sources of support: the government, the Defence Forces, the business class linked to transnational interests, the traditionally *torrijista* public employees and grass-roots leaders as well. It even enjoyed the support of the US Embassy in Panama City and Southern Command in the Canal Zone, and most of the media. But an important sector of the ruling party, the Torrijos Lives Movement, put out a warning that would prove to be prophetic:

A process of "Reaganization" of the country is underway. It began with the physical liquidation of Torrijos and now would like to liquidate his economic and social program. The UNADE slate is center-right. The military has changed its politics, attacking the fundamentals of *torrijismo*.... We are facing an accelerated race towards the past in which democracy is viewed

simply as the pre-1968 political system.¹⁰

Challenging UNADE was the Democratic Opposition Alliance (ADO) which garnered the support of less profitable business interests, such as landowners, real estate interests and non-export merchants, as well as sectors of the middle class, unorganized workers and poor *campesinos*. Most of them were drawn by the charisma of ADO candidate Arnulfo Arias Madrid, now an octogenarian, and who had been thrice elected president, as many times overthrown, and seemed virtually immortal. Besides his own Authentic Panamanian Party (PPA), ADO's principal constituent members were the Liberal Republican Nationalist Movement (MOLIRENA), the Christian Democratic Party (PDC) and the remnants of the traditional parties. While the MOLIRENA is a political "quilt sewn from dissident patches of the oligarchic liberal and Republican parties and from the defunct Third Nationalist Party", the Christian Democrats are a different "kettle of fish". It is, like elsewhere in Latin America, a middle-class reformist party. Heavily influenced by the right wing of

10. *Movimiento Torrijos Vive*, (Panama City) February, 1984.

the Christian Democratic International it is one of the most conservative of Central America's Christian Democratic parties. Despite its strident slogans such as "Let us drive away from our shores the threat of violent and enslaving Castro-communism", Arias' ADO did not put forth a specific platform. As one observer remarked that ADO's campaign rather "churned out an unending stream of snippets from the 'Leader's' "half-century of political speech-making". His economic programme was vague but clearly in favour of continuing the free-market orientation of the current government. His major policy differences with the military regime had to do with the military itself. Rather than following the government's policy of expanding the military force, he sought its reduction and---ironically for a past track record of anti-Yankee nationalism---Arias proposed that the defence of the Canal remain in the hands of the military.

There were in all seven presidential candidates including that of UNADE's and ADO's. General Ruban Dario Paredes after being frustrated in his attempt to maintain support of the governing party and the Defence Force, now

ran as a "Third Force" candidate.¹¹ However, the real contest was between the government candidate--UNADE's Barletta and the opposition candidate, ADO's Arnulfo Arias. The campaign was relatively peaceful but quite vituperative. The opposition was particularly strident in its charges of "treason" and "fraud" even before the elections were held.

The elections held in May and June were tumultuous, and the vote-counting and validation, itself a long process, even more so.¹² The contest was finally decided in favour UNADE's Nicolas Ardito-Barletta. According to the official results Barletta won by a narrow margin of 1,

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11. Paredes was supported by the centrist Popular Nationalist Party (PNP); the other contenders were the social democratic Popular Action Party's (PAPO), Dr. Carlos Ivan Zuniga, and three other leftist parties' candidates were Jose Renan Esquivel (PRT), Ricardo Barria (PST) and Carlos del Cid (P del P).
 12. The voters gave more votes to Arias' Authentic Panamanian Party than to any other, with the ruling PRD at its heels. Of the twelve other parties seven received less than 3 percent of the vote and thus were ruled off the ballot. Most of these were new progressive parties with few resources. Six of the seven that survived were traditional old-style oligarchic parties from the pre-Torrijos period. The Republican and Liberal parties showed little strength, as did the three Left Parties.

713 votes. However, the opposition did not accept the results and, finding that even the head of the Electoral Tribunal questioned the tally, was able credibly to charge that the elections were fraudulent and illegitimate. Some riots and one death followed the election but the Defence Force soon restored peace. Many thought the crucial 1984 presidential election would build sufficient consensus among politicians, businessmen and the United States to carry through the modernization process begun under Torrijos, Instead, internecine struggles over how to continue ruling Panama only grew worse since.

Winning a very close and hotly contested election amid broad and credible charges of electoral fraud, Barletta was not able to provide new dynamic leadership necessary to replace the decaying military-populist coalition with a more enduring democratic-reformist model envisaged by Omar Torrijos. In one of his first acts as president, Barletta imposed new and widely unpopular austerity measures, reinforcing the right-leaning drift begun under the military government and contributing further to the gradual deterioration of populist support. Furthermore, Barletta's dependence on the National Guard

and the PRD made him a continuing target for the centre-right opposition within the UNADE. Protest marches and demonstrations which included professional associations, high school and university students and business associations thwarted Barletta's new tax proposals-- proposals designed to spread the burden of austerity to the middle _ and upper classes. Their continuing campaign against Barletta's fraudulent election and against government and Defence Force corruption further weakened the regime. In September 1985, the opposition went further accusing the military of engineering the assassination of a colorful revolutionary, Dr. Hugo Spadafora whose decapitated body was found after he had been seen with Panamanian border police. The charge was particularly serious since unlike other Latin American militaries, the Panamanian military had earned a reputation for maintaining its rule without resort to torture or assassination.¹³

13. The assassination of Dr. Hugo Spadafora was followed immediately by accusations of the military involvement. For details see *Central America Report* (London) 31 January 1986.

In the wake of this crisis and the growing opposition to his unsuccessful economic austerity policies, president Barletta was forced to resign after being elected to office in less than one year. In a move reminiscent of the removal of the two presidents who had been installed by the military, Barletta was summarily called home from a visit to the United Nations and closeted with General Noreiga until he issued his resignation. He claimed that having lost the confidence of the military, he would no longer stay in office.¹⁴ However, reports circulated in Panama that he was forced to resign because he insisted a governmental investigation on Spadafora's assassination which was unacceptable to Noreiga!¹⁵ However, as before, the appearance of constitutionality was retained when vice-president Eric Arturo Delvalle, another businessman with no political base was elevated to the office of the presidency. Barletta's resignation only underlined the failure of the regime to achieve a transition toward an alternative form of government. Panama, in the process, was left with a regime led by Delvalle that was

14. "Panama coup", *The Baltimore Sun*, 7 October 1985.

15. James LeMoyne, n.8.

increasingly alienated from its earlier popular bases of support, facing a growing opposition with no solutions in sight.

Economic Constraints on Panama's Political Stability

Eric Arturo Delvalle's administration was a nonstarter. For, when Delvalle assumed office, the country faced one of its worst crisis--both economic and political. As it will be argued in the subsequent section of the Chapter, it is the combination of the domestic political and economic crisis together with the intransigence of the United States that ultimately brought the political process to a grinding halt leading to the military intervention by the US in the final months of 1989. In this section an attempt is made to delineate the looming economic crisis which riddled Panama during most part of the decade of 1980.

Although generally more healthy than the rest of Central America, Panama's economy has also been extremely dependent on its external sector and quite responsive to changes in the international economy. Reflecting this dependence the booming economy during the Second World War

soon gave way to severe depression as wartime demand for the Canal dropped precipitously. Following world trends in the 1950s and 1960s, Panama profited from steady growth in maritime trade and import-substitution industrialization. Reaching peak growth rates of 11 per cent in the early 1960s, this period of growth was marred only briefly in mid-1960s in response to the political violence. Worldwide recession accompanying the oil crisis in 1973 marked an end to Panama's broad prosperity. In the aftermath of the Canal treaty revision, Panama recovered a 7 per cent annual growth rate for 1978 and 1979, but by 1980 its growth slowed with continuing world slump. In 1983 and 1984 the growth rate was near zero and no relief was anticipated in the near future.¹⁶

The combination of a narrow domestic market and a large export sector--approximately 40 per cent of the

16. Economic commission on Latin America, "Panama", *Economic Survey of Latin America 1980*, (Santiago, Chile, 1982), pp.413-29; US Department of Commerce, *Foreign Economic Trends and Their Implications for the United States: Panama*, (Washington D.C., October, 1983); and "La Economia en 1983", *Dialogo Social*, vol.17, (January 1984), pp.22-26.

gross national product, one of the highest in Latin America--had made Panama particularly vulnerable to changes in the international economy. The Canal and the military bases accounted directly for 15 per cent of the GNP and had a multiplier effect that brought their contribution to at least 26 per cent of the GNP.¹⁷ Canal traffic reached a peak in 1982, but suffered a 20 per cent decline in response to the slump in world maritime trade and competition from Panama's own oil pipeline completed around that time.¹⁸ Once a major contributor to the growth in the export earnings in the 1970s, the Colon Free Zone, a duty free transport and commercial centre that rivalled Hong Kong, experienced severe setbacks. Growth dropped from an annual average rate of 24 per cent in the 1970s to 8.8 per cent in 1981, and from 1982 to 1983 suffered a

17. Alfred E. Osborne Jr., "On the Economic Cost to Panama of Negotiating a Peaceful Solution to the Panama Canal Question", *Journal of Interamerican Studies and World Affairs*, vol.19, (November 1977), pp.509-21.

18. The pipeline is more than offsetting the loss of the Canal revenues and is generating additional economic growth.

precipitous decline of almost 30 per cent¹⁹. The Free Zone depended directly and indirectly on the adjacent markets of Venezuela and Mexico, both of which collapsed in the wake of the dip in petroleum prices in 1982. While this loss in export earnings had a national impact, it also seriously eroded the already troubled regional economy.

The third major external sector was international banking. Banking directly accounted for 13 per cent of the GDP, and its multiplier effect through demand for construction and through employment of middle-class professionals, made its contribution to the economy even more significant. While banking contributed to the growth of the economy in the 1970s thanks to the significant reforms unleashed by Omar Torrijos--a description of which has already been made in the earlier Chapter-- this sector had reached its peak in early 1980s. Major banks began to move some of the regional offices from Panama largely on

19. US Department of Commerce, n.16,

account of the evolving of the political crisis.²⁰

Under these circumstances, by the beginning of the decade of 1980, IMF had become a central influence in the economy imposing a severe austerity policy on Panama's debt-ridden government. Being one of the highest per capita public international debts in the world at that time, Panama became particularly vulnerable to IMF conditions. The public sector's external debt in 1983 was US \$2.8 billion, up 20 per cent from 1981, and equal to over 60 per cent of total exports of goods and services. Total national debt of \$4 billion was the equivalent of 93 per cent of the GDP, and debt service in the public sector equaled 40 per cent of the central government's budget, contributing to an average of more than \$300 million fiscal deficit in 1984-85.²¹ IMF conditionalities forced the state to withdraw from its previously active role in state enterprises, halt housing projects, reduce public health efforts and trim government jobs. While in the past the IMF had shown some flexibility, by early 1980s it came

20. Direction de Estadísticas y Censo, *Panama en Cifras: años 1977 a 1981*, (Panama City), 1982.

21. US Department of Commerce, n.16.

hard on the Panamanian government.²² This externally imposed burden on the state had continued to erode the reforms so important for populist support and weakened the state's capacity to direct the economy in ways that challenged the desires and interests of the traditional elites.

The economic policy of Barletta government conformed to the IMF austerity programme but was also inspired by a commitment to market liberalisation. The upshot of all these was that unemployment showed a steady rise in the early 1980s to 17 per cent, nearly double the historical standards of structural unemployment. In 1984s several urban areas began experiencing higher and growing levels of unemployment. Colon had an estimated 29 per cent and in Panama City it was still higher. The economy thus was entering a dangerous transition period when the political atmosphere too was becoming anarchic.

It was in these critical economic circumstances, president Delvalle put into motion in March 1986 the

22. Ibid.

economic adjustment programme prepared by his predecessor Barletta at the behest of the IMF. This was no mean feat. Opposition to this austerity programme immediately surfaced both from the labour and the industrialists. A wide informal coalition including the 70,000-strong labour confederation, CONATO, the peasant cooperatives confederation, CONAC and the industrialists' association SIP had managed to paralyse this programme for over a year. The union bitterly opposed the proposed changes to the 1972 labour code. This piece of labour legislation, as has been mentioned in the earlier Chapter, issued under Omar Torrijos regime, granted workers an unusual degree of protection. But according to the IMF, the advantages gained by the labour force already employed have paralysed employment and hindered the ability of local manufacturing industry to adapt. Domestic industry, in turn, had to be given skyhigh tariff protection and other subsidies to survive under those conditions, and the result has been a costly and inefficient industrial sector that was sapping the country's economic dynamism instead of propelling growth.

These were the considerations on the basis of which

the IMF had recommended, together with the reform of the labour code, a gradual reduction in import tariffs. Also, it advised the tariff exemptions for the import of industrial inputs, forcing industry to contribute more to finance the deficit-ridden public sector. Most Panamanian industrialists resisted these proposals that threatened to put an end to their low-risk operating conditions. When the indefinite general strike called by the labour confederation, CONATO appeared to fizzle after its eighth day, the industrialist's association SIP declared a lock-out. In the same month of March, the peasant cooperatives confederation CONAC which was protesting against the elimination of subsidies for the production food-stuffs supported the labour strike.

Undaunted, Delvalle went ahead with the revision of the labour code by getting the National Assembly approve the austerity programmes. While it sealed the government's victory in going ahead with its austerity plan spelt out by the IMF, politically it became disastrous. What little support that Delvalle's government had until then, was lost since. At the same time, the restructuring of the country's external debt which the IMF had ironed out could

not also be implemented because, by mid-1986, United States attitude towards Panama also underwent considerable changes. For, by now, in the United States both within the Congress and the media serious misgivings were aired about Panamanian bank's complicity in the 'laundering' of drug-related funds.

From Delvalle to Deluge

Under these circumstances by mid-1986 US pressure was beginning to bite. The suspension of some \$40 million in US aid, and the delays in the disbursement of the IMF and private bank loans were causing anxiety about Devalle government's ability to continue meeting its obligations including the payment of salaries to public employees. Even more worrying for the chief of the Defence Force, Manuel Noriega who by now the effective ruler of Panama was that US attacks had become increasingly directed against himself.

In less than one year divisions within the Panamanian Defence Force and the official Democratic Revolutionary Party began to surface. In June of 1987, when Colonel Roberto Diaz Herrera, the second in command of the Defence

Forces was forcibly retired, he publicly accused General Noriega of drug trafficking, rigging the 1984 elections, master-minding the murder of Dr. Hugo Spadafora and forcibly retiring Barletta hardly eleven months after his assumption of office as president²³. Colonel Diaz Herrera accusations detonated a serious political crisis unleashing pent-up tension at all levels of Panamanian society. Thousands of demonstrators took to the streets, raising barricades, stoning buildings and burning vehicles. The opposition moved quickly to harness anti-government sentiment and launched an anti-government coalition called the Cruzada Civilista, the National Civic Crusade -- a coalition of two hundred business, professional, student and labour groups. Despite its name and membership of these organisations, the real movers behind the Crusade were the major political parties which united to contest the 1984 elections--PPA, MOLIRENA and

23. Ibid.

The arrest of Colonel Diaz Herrera following his denunciations once again unleashed mass resentment at the government's extremely unpopular economic policies implemented at the behest of the IMF and the World Bank. That resentment was directed in part at the same people who would subsequently lead the Crusade, as they had actively lobbied in favour of the most anti-labour of the policies. The mass protests of July-August 1987 represented a spontaneous and unstable alliance of classes which could not last, particularly when the Civic Crusade made

24. On 8 June 1987, a small circle of wealthy businessmen opposed to the military rule formed the National Civic Crusade. From the beginning with its avowed objective to create civic consciousness in the general public, the Civic Crusade embraced two vital principles: non-violence and non-partisanship, both of which would be seriously tested in the coming months. Notwithstanding its pious proclamations, the Crusade could not rid itself of its privileged, *rabiblanco* image. Besides, the Crusade could neither bridge the larger social gap between the traditional rural and the modern urban sectors. Above all, the core leaders of the Crusade never participated in politics before, and their immaturity debilitated opposition efforts. When the crisis began, its founder Roberto Bernes and others left for Yale University to attend workshops on non-violent resistance. Their "lack of political finesse" Bernes admitted, worried him about Crusade's ability to control the old time party veterans.

no serious attempts to enter into an alliance with the actual and potential leaders of the poor.

The course of the civilian protest in 1988 indicated the limits of its effectiveness. In late February 1988, Delvalle--Noriega's hand-picked successor to Barletta travelled to the United States where he met with top officials of the Reagan administration, announced in a televised broadcast that he had demanded the resignation of Noriegas as the commander of the Defence Forces.²⁵ To Delvalle's dismay, the man he designated to succeed Noriega refused to assume the post. What is more, the following day the Panamanian legislature stripped Delvalle of the presidency and appointed in his stead minister of education Manuel Solis Palma, who promptly affirmed

25. Of the many surprising turn of events, this action of Devalle is one of the most curious since he owed his office to Noriega when Barletta was removed as president in September 1985. Since then held in general contempt both by the opposition and the supporters of the government, it is conjectured that he took this precipitous step which made him lose his office only at the behest of the United States. For details see Chapter IV.

Noriega as the commander of the Defence Forces.²⁶

From that time onwards events began to overtake. The Civic Crusade called a strike which after briefly paralysing the economy dwindled and was suspended after four days. For, the Civic Crusade opposition coalition found it increasingly difficult to maintain within its own ranks. In part this was the result of the surprising US demand that opposition continue to treat Delvalle as the legitimate head of the state. Whatever Delvalle's virtues, a claim to political legitimacy was not among them. He had come to the presidency through a coup against his predecessor, Barletta who himself had fraudulently been elected. More seriously, Delvalle had loyally provided a civilian front for military rule under Noriega, continuing in his office when other high officials had publicly broken off with Noriega. Above all, Delvalle had formally

26. Considerable confusion arose following Solis Palma assuming office as president. In effect, two parallel governments--one led by Delvalle officially recognised by the US and the other headed by Solis Palma functioned. IN June 1988, the newly designated West German ambassador presented his credentials to Solis Palma, defying US recognition and support of Delvalle's government.

presided over the repression of protests following Colonel Diaz Herrera's denunciations of Noriega.

Because most members of the Civic Crusade found Delvalle unacceptable, the opposition was spilt which offered an opportunity to Delvalle to form hastily a "national reconstruction government" with the blessings of the US. ²⁷

Around the same time, ostensibly with a view to pressure Noriega, the US clamped economic sanctions which in a sense began with its decision to suspend its aid package last July. Then, in December the US government suspended Panama's sugar quota and instructed all US directors of multilateral agencies to vote against

27. Even before, in October 1987, when vice president Roderick Esquivel of the Liberal Party broke with his government, publicly denouncing it for corruption and abuse of power, Delvalle responded by abolishing all offices under the vice presidency and aided another Liberal Party leader in an attempt to take over the party from Esquivel and thereby broaden his political base.

proposed loans and aid to Panama.²⁸ This further split the opposition between those who opposed Noriega and those who opposed both Noriega and Delvalle. In early April 1988 Arnulfo Arias with his Authentic Panamanista party broke away from the Civic Crusade.

28. Available media reports suggest that the economic sanctions were designed to provoke a cash-inflow crisis in Panama--"starve the economy of cash" as it was frequently described in the press, which was to be achieved by the freezing of the Panamanian bank deposits in the US and blocking the payments of the various revenues to the Panamanian government. The inspiration for this strategy, it appears, came from the unique characteristic of Panama's monetary system i.e. that it had no currency of its own. Since Panama uses US dollars as its official currency, it was hoped, the economy would grind to a halt for lack of liquidity; in other countries governments can always meet their obligations under such circumstances by printing money at the risk of inflation, but this was impossible in Panama since national currency was non-existent. So, on 3 March in a document issued by the US State Department, US \$50 million of deposits of Panama's Banco Nacional was frozen in New York banks. Promptly, Banco Nacional notified commercial banks that it would be unable to meet its obligations and required the Banking commission concerned with prospective capital flight as well as liquidity pressure closed the banks in Panama. Subsequently, on 11 March US president Ronald Reagan announced that his administration would withhold the \$6.5 million monthly payment for the Canal and would suspend Panama's trade preferences, that benefitted approximately 30 percent of Panama's exports to the US. The above analysis is largely based on newspaper reports from *New York times* and *Wall Street Journal*, March 1988 corroborated by Panamanian officials.

It is in these circumstances, Noriega in an attempt to save himself announced to hold elections, hoping that this move would provide his regime with some legitimacy in the world community. The absence of public support for the *de facto* rule of General Noriega was made clear by the pressure to hold elections in May 1989. By late 1988 the political parties began a process of realignment and coalition-building in preparation for presidential and National Assembly elections. Two coalitions emerged: the pro-governmental Coalicion de Liberacion Nacional (COLINA) which included parties and groups loyal to Noriega and the opposition forces, representing a broad ideological spectrum, which united their parties under Democratic Opposition Alliance (ADO).

Yet another tragedy struck the opposition ranks when at this juncture Dr. Arnulfo Arias Madrid died. With his demise, Panama's political system was left without an heir-apparent. Arias' PPA, the leading opposition party, divided in December 1988, shortly after his death. The Noriega appointed Electoral Tribunal recognized the faction of the PPA led by Hildebrando Nocosia and his colleagues who were granted official use of the party

symbols. This faction joined the COLINA in its pro-government coalition. In what many believe was a move engineered by Noriega, the other PPA faction, led by the party secretary general Guillermo Endara, joined the opposition coalition, ADO rather than support Noriega.

To understand the background of the events that led to the 7 May 1989 elections, one must go back to the 1984 elections and the coalitions that emerged at the time. The pro-government coalition COLINA included five parties that belonged to the ruling coalition elected in 1984 and two parties from the left one of which formally aligned with the opposition. The remnant of the 1984 coalition included the PRD, the Partido Laborista (PALA), the PPR, the Partido Liberal (PL) and the Partido Republicano (PR). The Partido del Pueblo (PPP) and the Partido Democratico de los Trabajadores (PDT) represented the communist and left labour parties which were part of the COLINA alliance.

The PRD was COLINA's leading party. Its president, Carlos Duque, a business associate of Noriega was the coalition's presidential candidate in 1980. Ramon Sieiro, the coalition's candidate for first vice president came

from the PALA; Sieiro is Noriega's brother-in-law. Aquilino Boyd, former foreign minister ran as the coalition's second vice president.

In December, ADO included the PDC, the MOLIRENA and as mentioned before, the Arnulfo's PPA faction, the PLA, the unregistered Partido de Accion Popular (PNP). Arnulfista loyalist Guillermo Endara became ADO's candidate for president, with Ricardo Arias Calderon of the PDC and Guillermo Ford of MOLIRENA, first and second vice presidential candidates respectively.

On 7 May 1989 Panamanians went to polls witnessed by international observers. Two former US presidents, Jimmy Carter and Gerald Ford, and several highranking Latin American and European Community leaders also participated.

The May elections admittedly marked a turning point in the regime of Noriega. That elections were being held at all was part of Noriega's strategy to convey some legitimacy to the status quo. In the government's view the problems that Panama faced were the direct result of US interventionist posturing. Thus, holding an election with international observers would elevate Panama's intentions

to promote democratic governance in the eyes of the international community.

Just a day after the balloting, however Jimmy Carter, head of the National Democratic Institute's delegation, denounced the election process as defective. On the same day, the Episcopal Conference of the Catholic Church announced that the opposition, ADO had won the election by a three to one margin over the pro-government COLINA coalition, based on parallel vote count reported by party officials collecting data from election booths around the country.

In spite of the evidence of opposition victory, on 10 May the Electoral Tribunal, whose members, as has been mentioned before, appointed by General Noriega, nullified the elections, alleging foreign interference in the process and the absence of sufficient documentation to declare the winner. Hours after, ADO leaders--Endara, Ford and Calderon were brutally beaten by thugs sent by pro-government forces known as "dignity battalions". The bloody encounter recorded on videotapes by international television coverage dramatized the brutality of the Noriega government. The dye then was cast on the General

whose options narrowed to one of relinquishing power. It will be a few months from now that Noriega will be forcibly removed from power in the wake of US invasion in December of 1989. Hours before that invasion ADO's Guillermo Endara was summoned by US officials to their military base in Panama City and asked to adorn the presidential sash. The long shadow of the "big stick" will become painfully visible from now on in Panamanian nationalist movement.

CHAPTER IV

*US POSTURES AND POLICIES
TOWARDS PANAMA IN 1980s*

The focus of the two preceding chapters has largely been to identify and analyse the domestic political and economic factors which had caused intermittent convulsions through which Panama had to pass especially since the advent of General Omar Torrijos. Towards the end of the decade of 1980s, however, the political-economic pressure generated by the US government on Panama had become overwhelming and finally, climaxed in the overt US military invasion in December of 1989. As a consequence, the political process of the isthmian country has since been totally subverted, heralding a new chapter in the recent history of Panama. Not that the United States militarily intervened in Panama for the first time only in December of 1989. Even at the birth of Panama, way back in the 1900s, the United States had intervened militarily. Ever since, the US had deployed its military at least

half-a-dozen times on one or the other pretext.¹ However, the US military invasion of Panama in the third week of December 1989 was unprecedented in many respects. It was the first-ever massive military invasion by a 26,000 strong US military force causing an estimated \$2 billion worth of damage and a loss of no less than 2,500 lives. What is more, in the aftermath of the invasion, the US federal agents captured the commander of the Defence Forces, General Manuel Antonio Noriega, and

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1. Between 1903 and 1914, US Marines were stationed in the Isthmus in order to "protect US interests and lives during and following the revolution of independence from Colombia, due to the construction of the Canal in the Isthmus". Besides, during 17-24 November 1904, US military intervened in Ancon, Panama at the time of the "insurrectionary threat". Also, in 1912, US troops were deployed at the "request of the political parties" to "supervise elections outside the Canal Zone". Again, between 1918 and 1920, US troops went into Panama for "police duties... during electoral disturbances and subsequent agitation". In April 1921 a US navy squadron "held maneuvers on both sides of the Isthmus to prevent war between" Panama and Costa Rica "over a border dispute". In the second and third weeks of October 1925 "strikes and riots by tenants obliged some 600 US soldiers to disembark to maintain order and protect US interests". During the "flag incidents" of January 1964, US soldiers were deployed in the Canal Zone who killed 21 and wounded more than 500 Panamanians. See for further details testimony made by US Secretary of State Dean Rusk excerpts of which is reproduced in Este Pais # 2, July 1986.

forcibly extradited him to Miami, Florida on a number of criminal charges.

What led to the escalation of US diplomatic and economic pressure since the second half of the decade of 1980 and what factors dictated president George Bush to order US troops to invade Panama on the Christmas Eve of 1989 are some critical questions that need careful examination. Related to these basic questions are why at all relations between the US and Panama began to sour and to what extent developments within Panama were responsible for the deteriorating relations? And a final issue that calls for some scrutiny is what did the US achieve out of this rather costly enterprise of invasion which the Bush administration curiously dubbed as "Operation Just Cause". If it was an operation for a just cause, what was the "cause" and how "just" was the "operation"?

Two events of significance occurred in the backdrop of US military invasion on 20 December 1989--one, the installation of Guillermo Endara as president at the behest of the US administration, and the other, the arrest and extradition of Manuel Noriega by US federal agents.

On the basis of the sequence of these two events it is possible to argue, as it is argued by some that the US resorting to military invasion was motivated intrincically by a noble cause of restoring democracy in Panama.²

The forcible extradition of Noriega by the US, it is suggested, was a reinforcing step towards the consolidation of the democratic process in the isthmian country which ever since the demise of Torrijos passed through a political trauma largely on account of the enigmatic General Noriega. What, in effect, does not jell in this line of argument is the timing of the US military intervention.

As has been described in the earlier Chapter, the power struggle that began within the military

2. The chronology of events, however, suggests otherwise. Neither Endara nor any of his associates were consulted about the invasion. Interviewed after the marine landing, Endara had stated that the invasion was "like a kick in the head. It was not the best thing I would have thought. We are not really consulted...I would have been happier without an intervention". He continued: "The *gringos* have their defects, but I am used to...them". See for detailed statement of Endara *Philadelphia Inquirer*, 21 and 24 December 1994.

establishment in the wake of Torrijos' demise in 1981 led to the advent of Manuel Noriega as the Commander of the National Guard in 1983 when it was redesignated as Panama's Defence Forces (DF). Although documentation is understandably scarce, it is widely accepted that Noriega as the intelligence officer of the National Guard was engaged in a variety of clandestine activities which included importantly his being an 'informant' for US intelligence agencies and a 'dealer' in the profitable but

illegal drug trade even as far back as 1950s.³ Also,

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3. Media accounts abound on Noriega's multifarious clandestine activities. Piecing them together it is possible to point out of Noriega's role as an informant to the Central Intelligence Agency (CIA) ever since 1950s. From his position as the intelligence-in-charge of the Guard, he appeared to have furnished information on developments in Panama and the Central American and the Caribbean region. For details see Larry Rohter, "America's Blind Eye", *The New York Times Magazine*, 29 May 1988. This close relationship continued regardless of the fact that US officials had strong evidence in the 1970s that Noriega was deeply involved in drug trade. Larry Rohter writes that "there is strong evidence that the Panamanian military began dealing with drug almost as soon as it seized power in 1968 and the United States knew of that involvement much sooner than is supposed". John E Ingersoll, director of the State Department's Bureau of Narcotics and Dangerous Drugs during the administration of Richard Nixon, according to one source, told Seymour Hersh, then journalist with the *New York Times* that the agency had "hard information" in early 1970s that Noriega was in drug trade. Even more significant seemed to is that Noriega coordinated or was tolerant of whatever the US Southern Command did with its forces in the Canal Zone which according to media accounts included training and supplying the contras fighting against the Sandinistas in adjacent Nicaragua, coordinating air strikes in El Salvador, logistic support for US invasion of Grenada in 1983--all activities in clear violation of the 1978 revised Canal treaty which proscribed bases in the Canal Zone. Roberto Eisenmann editor of Panamanian *La Prensa* wrote that a memorandum from Noriega to General John Galvin, head of the Southern Command "had the tone of an underling reporting to his boss". For details see Council on Hemispheric Affairs, "News and Analysis", (Washington D.C), 12 June 1986, p.2 Two books published after US military invasion of Panama by journalists--John Dinges of *Newsweek* and Frederick Kempe of *Wall Street Journal* give detailed accounts of Noriega's rise to power and the role of the US in building up the Panamanian General. According to Kempe much of Noriega's military training came from the US. In 1967, Noriega attended classes in intelligence at

according to observers, evidence suggests that Noriega after becoming the chief of the Defence Forces was

the US School of the Americas in Panama. He was an avid student, Kempe writes, taking "every available course in order to broaden his knowledge and gave himself an edge over other young Panamanian officers". At Fort Bragg, Noriega immersed himself in courses on psychological operations, "learning the art of media manipulation to conquer adversaries and control people". Kempe concludes: "As with no other Latin American military officers, the American training was more successful in teaching him the technical skills of how to control the Panamanian population than in transmitting democratic ideas or procedures". The message remained unchanged throughout Noriega's rise to power. Particularly revealing was a visit Noriega made to Washington in 1983 at the invitation of the US government. Noriega had just taken command of Panama's national Guard, and the visit was seen as a means of cultivating him. On the plane ride, John Dinges relates, Noriega was accompanied by two high-ranking military officers. In Washington, Noriega was put up in the Watergate Hotel. After a round of meetings at the State Department and National Security Council, Noriega spent a full day at the CIA, including a four-hour lunch with William Casey, chief of CIA, and another day at the Pentagon meeting with Defence Secretary Caspar Weinberger. Dinges observes: "Noriega and his entourage were in their element at the Pentagon, military men talking to military men. And Pentagon officials greeted Noriega's rise to power with great satisfaction. One of his first actions as commandant had been to set in motion an elaborate plan to restructure the national Guard into a more professional fighting force, renaming it the Panama Defence Forces. The restructuring had been urged on Panama for years. It was seen in Washington as an absolute necessity if Panama was to fulfill its treaty obligations to defend the Panama Canal". See Frederick Kempe, *Divorcing the Dictator*, (New York, 1990) and John Dinges, *Our Man in Panama*, (New York, 1990)

involved in the manipulation of the 1984 elections, the murder of Dr. Hugo Spadafora, arresting of General Florenzo Flores and replacing him by Colonel Ruben Dario Paredes in the Defence Forces as well as forcing president Barletta to resign in favour of Delvalle in addition to his more blatant activities relating to drug-trafficking in the 1980s.⁴ Notwithstanding these serious allegations against Noriega, that the Reagan administration seemed to have been rather tolerant towards Noriega in these initial years, according to some observers, has to be explained not in terms of United States lack of concern over Panamanian political process as much as its serious concern over the developments in Central America, particularly in Nicaragua and El Salvador.⁵

4. See Richard Millet, "Looking Beyond Noriega", *Foreign Policy*, no.71, (1988), pp.46-63; and Ricardo Arias Calderon, "Panama: Disaster or Democracy", *Foreign Affairs*, vol.66 no.2, (Winter 1987/88), pp. 328-347

5. For an analysis of US postures and policies toward Central America during 1970s and 1980s see the present writer's unpublished monograph entitled: "Contadora Peace Initiative and the Central American Crisis", submitted for M.Phil degree in Jawaharlal Nehru University, New Delhi, (1990).

Reagan Administration's Search for a Policy

As has been described in Chapter II, a major issue of conflict between the United States and Panama during the 1970s was admittedly the Canal treaty. Despite treaty revision signed by Torrijos and Carter in 1977 and its terms decisively in favour of the United States at least until the year 2000, the prevailing conservative opinion in the US was opposed to the Torrijos-Carter agreement. During the presidential campaign, Ronald Reagan himself fervently attacked the 1978 treaty because, in his view, it had diluted the "perpetuity" clause of the original Panama Canal treaty. Policy-makers in the Reagan administration were even more worried about the future of the Canal should Panama come under the spell of a regime not amenable to the United States. "Fully functioning democratic institutions in Panama are the best guarantee to Americans and Panamanians alike for the success in the turnover of the Canal to Panama"--so stated US Ambassador

to Panama, Arthur Davis.⁶

While the future of the Canal was the over-riding concern of the Reagan administration in the initial years, the developments in Nicaragua and El Salvador since then became its major preoccupation. In turn, the administration's posturing towards Noriega underwent perceptible change seeking his acquiescence to the larger policy of the United States towards Central America, and if possible, use him towards realising its objectives in the region. With this in view, Reagan administration had made several overtures to Noriega.⁷ While Noriega had in fact cooperated to some extent, his support for the *contras* booth in terms of training and supplies remained evasive and low-profile largely on account of domestic

6. "Ambassador Davis clearly related the future of the canal to democratisation", so writes Ricardo Arias Calderon. See n.4, "Panama: Disaster or Democracy", p.342. Two articles published in *Miami Herald*, 14 and 27 November 1986 reporting Davis' speech stated that it was part of a "conscious campaign of the US to link the transfer of the Canal to political changes in Panama".

7. Admiral John Poindexter, later to be indicted for his part in the Iran-*contra* arms scandal, travelled to Panama in December 1985 to seek Noriega's approval to train the *contras*, according to reports at the time.

pressure. Already he had ceded much of his claim to Torrijos mantle of nationalism and populism, the measure of his political legitimacy, by endorsing behind-the-scenes an IMF/World Bank austerity package. Also, when all political parties backed national control of the Canal, the military lost exclusive leadership on that issue. An independent policy toward Central America was the only ideological policy option left for Noriega in an effort to enlarge his political base.

That apart, the price that Noriega exacted for his cooperation on US policy towards Central America was both prohibitive and embarrassing to the Reagan administration. Not only did he seek a free-hand in his drug dealings but also a free-hand in his dealing with the domestic political process, subverting all constitutional practices and the institutional structures. As US Senator Paul Simon stated in the floor of the Senate on 28 April 1988: "We tolerated [Noriega] drug dealings because he was helping the *contras*!"⁸ According to a testimony to the US

8. US *Congressional Record*, 25 April 1988, p.S4687

Congress made by Jose Blandon, Noriega's erstwhile consul in New York, the General received a monthly stipend from the CIA in return for training the contra soldiers in Panama at the request of Oliver North.⁹ Little wonder then that when Senator Jesse Helms introduced legislation in 1985 to cut off economic aid to Panama, CIA director William Casey urged the Senator to withdraw it because Noriega was "doing things for the US that Helms did not know".¹⁰

In addition to these considerations, there was yet another constraint which explained the ambivalent US policy at least until 1987 indicating a strategy of seeking to pressurise and influence rather than remove Noriega from the Panamanian political scene. That related to the leadership rivalry within the Defence Forces. In the event the US chose to overthrow Noriega, it was widely believed that the mantle of commanding the Defence Forces would fall on Roberto Diaz Herrera, second in command (a

9. John Weeks and Andrew Zimbalist, "The Failure of Intervention in Panama: Humiliation in the Backyard", *Third World Quarterly*, (January 1989), p.10.

10. *Congressional Record* n.8, 9 February 1988, p.E219.

first cousin of Torrijos who was perceived by the Reagan administration as an acknowledged "leftist".¹¹ Precisely when Reagan needed an enthusiast and vocal ally for his *contra* war against the Sandinistas, he could not afford the Panamanian military establishment coming under the spell of the "leftist" forces. Also, around this time Congressional opposition to *contra* aid had become vocal and vociferous. At the same time, the Central American presidents were moving towards the signing of the peace plan named after then president of Costa Rica Oscar Arias Sanchez which, among others, provided for the formal acceptance of the Sandinista government in Nicaragua and the dissolution of the *contras*--both of which were unacceptable to Reagan.¹²

Given these constraints, Reagan administration instead of choosing the option of outright removal of

11. *This Week in Central America*, vol. 26, 14 July 1986 in which are summarised reports that the Reagan administration considered but rejected plans to pressurise Noriega out of fear that he would be replaced by Colonel Diaz Herrera.

12. For a detailed analysis of Arias' peace plan see present writer's unpublished monograph, n.5.

Noriega adopted a strategy of not antagonising the General. In policy terms such a strategy sought two important components--one, choke the Panamanian economy with economic sanctions which included seeking the IMF/World Bank to extend assistance on the strict adherence of Panama to the "conditionality clauses" as well as suspending and delaying US assistance to Panama; and the other was to encourage a civilian regime in Eric Arturo Delvalle as a possible successor following the inevitable exit of Noriega from the Panamanian political scene.¹³ For, the Reagan administration saw in Delvalle a more receptive and amenable audience for its policy toward Central America. Additionally, given that Delvalle had no significant political base, the policy-makers in Washington were quite confident of his assured loyalties towards the United States.

At the height of the campaign against Noriega, US policy-makers took pains to convince the Defence Forces

13. For a detailed description of Reagan administration's overtures towards Delvalle see Chapter III.

that their goal was not to dismantle or even reform the military establishment. Indeed, on 12 March 1988, with the economic warfare raging, US Secretary of State George Shultz emphasized on the virtues of the Panama's Defence Forces, referring to the need to "maintain its integrity" and describing it as "strong and honorable force that has a significant and proper role to play and we want to see it play that role".¹⁴ Then, the Reagan administration also rejected the Panamanian opposition's demand that a list of officers be retired from the Defence Forces.¹⁵

Reagan administration's scenario for the ouster of Noriega presumably went along the following lines: US economic sanctions and political pressure would cause unrest provoking the leadership within the Defence Forces to break with Noriega which in turn would facilitate his early departure.¹⁶ Such expectations however went awry. For one, as has been described in the previous Chapter

14. *New York Times*, 12 March 1988

15. *Ibid.*, 22 March 1988

16. See Chapter III for a description of domestic political events in Panama.

when in February 1988, Delvalle returned from Washington and sought Noriega's resignation, by all accounts, at the instance of the US, to his utter dismay he found neither he could ease the General; what is more, the Panamanian legislature the very following day stripped him of his presidency and appointed in his stead Manual Solis Palma. No doubt, in the wake of these developments, the Civic Crusade led by a large number of independent business men called a general strike paralysing the economy. But neither could the Crusade sustain its opposition to Noriega nor could they support Delvalle as the constitutional president of Panama. The upshot of all these was that it contributed to a much worse political chaos in Panama.¹⁷

The reasons for the failure of Reagan administration's strategy are not far to seek. The economic sanctions by way of freezing Panamanian bank

17. Mention has already been made in some details in the previous Chapter of the political upheavals that followed suit when Delvalle chose to dismiss Noriega. The course of political events convulsed the political process and proved the ineffectiveness of civilian protests in Panama.

accounts did not produce the desired results because for one, it was intended as a temporary measure and secondly with Panama's merchandise exports close to \$2.5 billion, the freezing of bank accounts in the US did not really "starve the economy of cash inflows".¹⁸ Further, whatever may be the power struggle within the Defence Forces, the military officers overwhelmingly shared the view that removing Noriega at the behest of the US would be to admit their own lack of power and resolve in this regard. More fundamental than the military's role in US strategy was the role of the civilian opposition upon which the Reagan administration placed such hopes. These hopes were dashed before long. Neither Delvalle could galvanize a popular opposition to the discredited General nor the Civic Crusade could mount an effective anti-Noriega campaign.

18. Among the payments received by Noriega around this time was \$2.5 million from Eastern Airlines, Texaco and the United Brands. This source of revenue represented a major loophole in the Reagan administration's tactic of "cash strangulation". When corporate payments began to flow, White House officials obtained from the US Internal Revenue Service a ruling that the US foreign tax credit would not apply to profit taxes paid to Noriega, but would apply if taxes went into Delvalle escrow account.

Abandoned by the Panamanian opposition which it presumably sought to aid, the Reagan administration also found itself more and more isolated diplomatically. The administration had clear warning. In June 1987, the Organization of American States, (OAS) passed a resolution, 17 to 1 with eight abstentions, condemning the US for interference in the internal affairs of Panama. This vote, in which not a single Latin American or Caribbean country supported the United States, indicated the diplomatic reception that would be forthcoming when economic sanctions were applied. Again in March of 1988 at a meeting of the Latin America Economic System (SELA), 23 of the 26 participating countries voted to extend support to Panama and condemn the United States intervention.¹⁹

Shortly thereafter, Mexico announced that it would make concessionary sales of oil as "an act of solidarity with the people of Panama".²⁰ This was followed by several other Latin American countries offering Panama facilities

19. *Central America Report*, (London), April 1988.

20. *Ibid.*, 29 April 1988

through their central banks to overcome the credit crunch.

The subversion of the US campaign was not limited to Latin American government. In March, at the height of the sanctions, non-US banks in Panama cooperated with Noriega's government to ease the financial crisis, and the Japanese corporations apparently continued to deal in Panama on a business-as-usual.²¹ And in an extraordinary diplomatic slap in the face of Reagan administration, on 14 June the new West German ambassador presented his credentials to the rival president Solis Palma, defying US recognition of Delvalle as the legitimate president of Panama.²²

Consequently, Reagan policies and postures, instead of weakening Noriega's political clout, weakened his opponents. He grew stronger each day he survived, recovering the nationalist reputation which he had effectively lost in previous years through his close

21. *Latin American Monitor*, April 1988, p.32

22. For details see previous Chapter III.

cooperation with the United States, particularly with the Southern Command. The conservative opposition, on the other hand, was slowly bled white by the US economic sanctions as the economy contracted and domestic capital fled.

Recognising the urgency of the moment and the inefficacy of the US policy, the Reagan administration even dispatched 1300 new troops to the Canal Zone to join the 10,000 already there in the hope that a mere show of force would bring the Panamanian government to heel. Instead, Noriega described by those in Washington as "hanging on to power by his fingertips", appeared to be holding his fist strong enough to keep himself in power.²³ For, he knew that the US Department of Defence, still valued close ties with the Defence Forces of Panama, as regular consultations between the Southern Command and the Defence Forces continued uninterrupted.²⁴

23. The statement is attributed to US Assistant Secretary of State for Latin American Affairs, Elliot Abrams. See *New York Times*, 28 March 1988.

24. *Ibid.*, 30 March 1988.

Given his unassailed position ironically in some respects, on account of the policy initiatives made by Reagan administration, now it was left for the successive administration of George Bush to remove him through a massive military intervention in the following year. Commenting critically on Reagan's policy overtures, two keen observers of Panamanian politics thus say:

Manual Noriega, accused murderer, election fixer, CIA client, and drug-trafficker, managed with the help of the Reagan administration to transform himself into one of the nationalist heroes of Latin America. From an unsavoury tyrant destined a for a black spot in the history of Panama, Noriega was converted by the Reagan administration into a pivotal figure in the struggle for Panamanian nationalism and national respect. While other tyrants...south of Rio Grande have longed to stand bold and defiant before the colossus of the North Manual Noriega did and ruled to boast about it...[His] survival through...1987 and 1988 made it clear he had the power to dictate the terms of his departure.²⁵

Operation Just Cause

The "terms of his departure" were dictated in less than six months following president Ronald Reagan's exit from the White House by his successor George Bush. On 10

25. Weeks and Zimbalist, n.9, p.27

May 1989, following General Noriega's annulment of the national election results, president Bush signed a National Security Directive "laying out an action plan to Noriega's overthrow".²⁶ Soon after, Chairman of the Joint-Chief-of-Staff, Admiral William Crowe instructed the new commander of the US military forces in Panama, General Ma Thurman "to review existing invasion plans 'top to bottom' and start getting.... ready". **** Defence Secretary, Richard Cheney in a statement made some time in May admitted that the plans for the military invasion was in existence even before. He stated: "It was one of the first items I was briefed on when I became Secretary of Defence last spring".²⁷

But, as William Crowe's successor to Joint Chiefs of Staff General Colin Powell pointed out later that "getting rid of Noriega was something to do on a time table", preparations for a "massive military intervention" began soon after the national Security Directive.²⁸ Between October and December, tanks, helicopters, and other "heavy

26. Joe Pichirallo and Patrick E. Tyler, "Countdown to an Invasion", *Washington Post, National Weekly Edition*, 22-28 January 1990, p.32.

27. *Philadelphia Inquirer*, 21 December 1989, p.15A.

28. Andrew Rosenthal, "US Considered Aid to Panama Rebels", *New York Times* 5 October 1989.

offensive military equipment" were secretly transported to Panama and put in place for an invasion.²⁹

On 20 December came the day of reckoning, when a strong 24,000 US troops moved in although the "operation" was by no means easy as was expected. US marines surprisingly meet strong resistance precisely because Noriega retained a modicum of popular support in the poorer neighbourhoods around Panama City where the invading force concentrated its firepower.³⁰ Significant resistance was confirmed after some days of fighting when president Bush dispatched 2,000 more troops to reinforce the original 24,000 because of "the slow pace of efforts to establish control in the Panamanian capital." A day after, US military commanders conceded growing alarm over the unexpectedly stiff resistance by forces loyal to Noriega.³¹ General Maxwell Thurman, directing the US operation from the Panama City called them an "organized force" and criticised the pre-invasion intelligence as too optimistic by stating: "The target population of the Dignity Battalions were considerably larger than we had

29. John Dinges, *Our Man in Panama*, (New York, 1990), p.305

30. Joseph B. Treaster, "US Says Noriega Seems to Direct Attacks in Panama", *New York Times*, 23 December 1989.

31. *Philadelphia Inquirer*, 24 December 1989

estimated."³² US airforce systematically bombed working class communities that were strongholds of nationalist opposition. On 24 December, one leading American news agency described: "In the latest attempt to rout Noriega backers, an Air Force plane repeatedly bombed a hilltop...in the working class district of San Miguelito....Later yesterday, dozens of US troops descended on the neighbourhood, which was the site of some resistance."³³ Bombing attacks on the densely populated community of El Chorrillo, located near the Commandancia, Noriega's headquarters, accounted for hundreds of civilian deaths. Kevin Buckley of *Newsweek* in a recent book makes startling revelations about the air attack on El Chorrillo:

Most of the civilian deaths occurred in El Chorrillo a neighbourhood of densely packed wooden tenements abutting the Commandancia, as Noriega's military headquarters was known. El Chorrillo caught fire when US warplanes shelled the Commandancia at the start of the invasion, and many residents burned to death. Fred Woerner [former Commander of the US Southern Command] had drafted a military plan that imposed "extraordinary controls" on US firepower, especially in El Chorrillo, but General Thurman

32. Ibid., 23 December 1989

33. Ibid., 24 December 1989

rejected it in favor of a full-scale attack.³⁴

Reports on the damage that the "Operation Just Cause" caused in respect of deaths of soldiers and civilian population as well as the destruction of property vary. It is estimated that anywhere between US \$1.5 to 2 billion worth of property was damaged, creating severe dislocations that continue to plague the country. More than 15,000 people lost their homes making the task difficult to find shelter for these people. According to some, Manuel Noriega himself was responsible for the difficulties faced by the Panamanians. In the weeks leading up to the invasion, Noriega seemed to have distributed thousands of guns to his supporters, and during invasion he emptied the country's prisons, allowing hundreds of hardened criminals to go free who seemed to have been responsible for the looting and arson that erupted in the days following the invasion.³⁵

About the number of Panamanians died during the invasion, Buckley notes that "estimates of the civilian death toll ranged from 202 to 4,000. The only consensus

34. Kevin Buckley, *Panama: The Whole Story*, (New York, 1990), pp.242-43.

35. Michael Massing, "The Salvation of Panama", *The New York Review*, 13 June 1991, p.23

was that most of the dead were civilian and poor and dark-skinned."³⁶ Noting various estimates, Buckley writes that "whatever number was accurate, Operation Just Cause was the single bloodiest episode in Panamanian history."³⁷ However, other estimates such as that of Americas Watch and Physicians for Human Rights place the number of deaths of civilian to about 300. While some Panamanians insist that thousands of bodies are buried in mass graves, journalists and human rights organisations have not confirmed these reports.³⁸ The allegation about mass graves have regrettably diverted attention from the troubling issue of the ratio of civilian to military deaths caused by the invasion. In all, about fifty Panamanian soldiers are thought to have died in action. This means about six times as many civilians as soldiers, according to the Americas Watch died during the "Just Cause" operation--hardly the "surgical operation" that US officials claimed!³⁹

36. Kevin Buckley, n.35, p.203.

37. Ibid., p.236.

38. See for example, Lee Hockstader, "In Panama Civilian Deaths Remain an Issue" *The Washington Post*, 6 October 1990; and Kenneth Freed, "Panama Tries to Bury Rumours of Mass Graves", *Los Angeles Times*, 27 October 1990.

39. Americas Watch, *The Laws of War and the Conduct of Panama Invasion*, May 1990, p.14

Within days the Panamanian Defence Forces had surrendered to US troops, and some Panamanians heaved a sigh of relief as Noriega fled the City. Taking refuge in the residence of the papal nuncio, Noriega ultimately surrendered in early January to US authorities and was removed to Miami, Florida to stand trial on charges of drug trafficking and drug-related money laundering. A trial is currently in progress since the fall of 1991; as yet no decision has been made as to Noriega's guilt or innocence, only further unraveling of the long and tragic episode of Noriega's relationship with the United States.

Panamanian Political Process Post-Invasion

Among the several justification for the United States military invasion, one that "vociferously promoted" by the Bush administration related to "a request from the democratically elected government of Guillermo Endara" to restore it to power.⁴⁰ Mention has already been made in the previous Chapter that neither Endara nor his closest associates were even consulted about the invasion. The

40. James Petras and Morris Morley, *Latin America in the Time of Cholera: Electoral Politics, Market Economics, and Permanent Crisis*, (New York, 1992), p.82.

chronology of events also suggests that neither did Endara solicit military invasion. On the other hand, only two to three hours before the invasion, according to media reports, Bush seems to have informed Endara of the impending invasion. And, Endara's response if any thing, was muted.⁴¹

Appropriately enough, Guillermo Endara was installed as president at a US military base in Panama City and his "first orders were sent out on US fax machines". What is more, his subordination to the United States was vividly evidenced by the matter-of-fact way in which the US federal authorities airlifted Noriega to the mainland despite the absence of an extradition treaty between the two countries.

Official records in Panama however state that Guillermo Endara as president, and Ricardo Arias Calderon and Billy Ford as two vice-presidents were installed in office on 26 December 1989 by a government Decree No. 127! Be that as it may, it was not until 1 March 1990, president Guillermo Endara made public appearance when he addressed the national assembly for the first time. In his first-ever public address, Endara extolled the return and

41. Ibid., pp.81-82

restoration of democracy to Panama. He called for the creation of a "new, more just Panama" and stated: "We will be truly free when each Panamanian has an equal opportunity to develop himself fully as a human being....That is the aspiration of the people that elected us, and that is the goal of my government."⁴²

After indulging in high rhetoric on the lofty ideals of his government and profusely thanking the United States for its loftier motivation of restoring democracy in Panama, president Endara made a dramatic announcement stating that he was embarking on a fast at the metropolitan cathedral to show his sympathy with Panama's poor!

Whether his sympathies were the poor Panamanians or not, admittedly the isthmian country was in poorer shape both politically and economically following the US military invasion. Even before the invasion, the country was in deep recession and the invasion only exacerbated the economic crisis. Largely on account of the US sanctions, the country's gross domestic product declined by 28 per cent during 1988-89 while offshore bank deposits plummeted from \$29 billion in 1986 to 3.6 billion in

42. Michael Massing, "New Trouble in Panama", *The New York Review*, 17 May 1990, p.44.

1989.⁴³ In an effort to attract large-scale reconstruction aid from the US and the multilateral development banks, the new government signalled its intention to initiate an export-based World Bank-IMF development strategy.⁴⁴ High on the agenda of Endara's government was the privatisation of state enterprises, major public spending cutbacks, the deregulation of labour laws, the rebuilding of the banking system, and support for the "free trade" zone. In October of the year, the pace of austerity programme accelerated with wage freezes, the first divestment of public enterprises and retrenching of tens of thousands public sector workers. Inevitably, these policies triggered mass demonstrations by an increasingly hostile populace. In the following months, Endara's government announced plans to privatize publicly owned infrastructural sector to satisfy the demands of its international creditors and declared its intention to further liberalise its trade.⁴⁵

43. *Central American Report*, 12 October 1990, p.311

44. Michael Massing in his reporting on Panama wrote in May 1990: "The government is drafting plans to revive Panama's banking industry, relax its labor laws, off unprofitable state-run enterprises and radically cut public spending. All in all, officials talk about making Panama the Singapore of Latin America". See Michael Massing, n.43, p.47

45. *Latin American Weekly Report*, 30 May 1991, p.9

With all these major reforms purported to restructure the economy, the rate of growth was far from satisfactory. Whatever the growth that occurred, it was largely on account of the replenishment of inventories lost during the invasion, the completion of a number of building projects, the lifting of the US sanctions and a slight improvement in the off-shore bank deposits. The promised \$500 million of economic assistance from the US was not forthcoming. Neither the US Congress was favourably disposed to such a generous assistance nor the US executive willing to extend financial support without Endara's government fulfilling its external debt obligations. Besides, Bush administration insisted on Panama signing of a mutual legal assistance agreement easing bank secrecy laws and permitting US investigators access to financial records in search of drug-money launderers and tax evaders. Although Panama was unrelenting on signing an agreement to that effect, under continued economic pressure finally made an agreement with the US in April 1991.⁴⁶ Despite Endara's positive response to these rather onerous demands, the US economic assistance package in 1992 was limited to a miserly \$27

46. Clifford Krauss, "Panama-US Accord Set on Bank Records", *New York Times*, 3 April 1991

million.⁴⁷

Apart from the severe economic bind in which Panama was placed following the invasion, politically too the country seemed to be coming apart. General lawlessness was rampant following the invasion. Land-hungry squatters, called *precaristas* (the precarious ones) invaded a number of vacant estates at the out-skirts of the towns. In Colon, a group calling itself the Permanent Committee of Hunger, Desparation and Hope held noisy demonstrations demanding jobs and shelter. And, in the countryside, authorities were reporting the first signs of pro-Noriega guerrilla activity.

It was in the midst of the prevailing chaos, Endara's government embarked on restructuring Panama's Defence Forces at the behest of the United States. Substituting the Defence Force by what is now called the Public Force, vice-president Ricardo Arias Calderon stated: "We are undertaking a demilitarisation the likes of which no Latin American country has undertaken in the last quarter century."⁴⁸ However, according to many observers, the new Public Force looked suspiciously like the earlier Defence

47. *Los Angeles Times*, 28 April, 1991.

48. Michael Massing, n.43, p.45

Force. Not only have most Public Force members--including more than a thousand officers--previously served in the PDF, but the same military ranks and hierarchies have been retained. And, with 13,000 members, the Public Force is now nearly as large as the force it has replaced, raising fears of yet another military regression. When asked about this, vice president Arias Calderon stated that purging the Panama's Defence Force "would have been most dangerous and irresponsible of all decisions."⁴⁹ The argument is that by liquidating the Defence Forces 17,000 soldiers would have resulted in these military men out in the open, providing a possible nucleus for urban guerrilla warfare. As Arias Calderon submitted: "They would have felt that they had no hope in a democratic Panama and that their best bet was to radicalize what was happening."⁵⁰ Therefore, Endara's government adopted a different approach calling on all Defence Force members to rejoin the Public Force service and redefine their loyalties to the new civilian president, the constitution and the other democratic practices. At the same time the United States instituted comprehensive training programmes for the Public Force. Although joint US-Panamanian patrols were

49. Ibid.

50. Ibid.

terminated in November 1990 on grounds that the Public Force were now sufficiently capable of maintaining law and order, senior officers of the Public Force continue to maintain contact with American military officers.⁵¹

In the process, the Endara government was no less dependent for its survival on the presence of thousands of US troops at the end of the year than it had been at the beginning. This was vividly demonstrated in December of the year when Endara was forced to turn to the US Southern Command to quell an anti-government rebellion by the former head of the Public Force, Colonel Eduardo Herrera. The attempted military coup collapsed following the intervention of the American marines.⁵²

Although the military coup was aborted, opposition to Endara's government became even more pronounced because of growing political instability as the fragile anti-Noriega ruling coalition began to disintegrate into self-serving factions. Deep rifts surfaced between the supporters of Endara and his two vice presidents Arias Calderon and Guillermo Ford over policy goals. Mention has been made in

51. Mark A Uhlig, "US Yielding Its Police Role in Panama to Rebuild Force". *New York Times*, 30 October 1990, p.8

52. *New York Times*, 16 December 1990; and *Washington Post*, 16 December 1990.

the previous Chapter of the different political affiliations of these three leaders. Of these three--Endara, Calderon and Ford (sometimes referred to as the "one who eats, the one who thinks and the one who talks") most--Ford belonging to the MOLIRENA was the one who lacked a sizeable political base. His MOLIRENA had no real ideology beyond an unswerving belief in the free enterprise system. In contrast, Calderon's greatest asset was his Christian Democratic Party.⁵³

In January 1991, when Panamanians went to polls to fill nine National Assembly seats that had remained vacant since the May 1989 elections as well as to elect members to the local neighbourhood *corregidores*, the split within the coalition came into open. Although as many as twelve political parties contested the elections, the voter turnout was considerably poor demonstrating low public esteem for the government of Endara. The prevailing

53. Catholic by birth, Arias Calderon hails from an old aristocratic family, spent his formative years in the US, first at the Culver Military Academy in Indiana then at Yale where he studied Economics. At Yale, he seemed to have undergone a deep spiritual crisis whence he entered a Dominican monastery in southern France and immersed himself in reading the Catholic theologians. Later he earned a doctoral degree in Philosophy from the University of Paris. As much devout a Catholic, according to observers, Calderon is also a shrewd politician and was described by Noriega as *monja loca* (crazy nun).

perception was that the Endara's coalition government represented a return to the period of oligarchical families rather than a step forward for citizen participation in the wake of Noriega's years as *de facto* ruler. In the end, Calderon's Christian Democrats gained a majority of twenty-eight seats of the total fifty-eight member National Assembly.

It was not surprising therefore when in May 1991, dissonance among the multi-party coalition came to a head when the Calderon's Christian Democratic Party announced that it was going to serve as an opposition party to the government. Consequently, he lost five cabinet posts of his party as well as other important positions. The events of May 1991 also strengthened and elevated ironically the importance of the Democratic Revolutionary Party--the party that was created by Omar Torrijos way back in early 1970s and subsequently manipulated by now discredited Noriega! It began using its ten assembly seats to leverage either the Christian Democratic Party or Guillermo Ford's MOLIRENA pluralities, thus becoming a key player in the national political process.⁵⁴

54. Pro-Noriega candidates of the Democratic Revolutionary Party won five of the nine seats in the January 1991 National Assembly elections.

The fragmentation of the coalition led by Endara contributed further to the unpopularity of the president. Not surprisingly therefore, the attempts he made to restructure the economy and the adjustment policies he initiated, admittedly at the instance of the United States, had all come to naught. They proved unpopular with the different sections of the Panamanian society obviously for different reasons. The labour was resentful of the regime because of rising levels of unemployment, the small business community opposed because the loss of tariff protection had bankrupted them; the members of the capitalist class viewed the free market strategy as reducing Panama to a service economy benefiting only a narrow elite in the financial sector. The prevailing public mood reflected a sense of despair over the continued deterioration of the political system and the low credibility of the government, a sense that Panama was nose-diving to unfathomable depths.

Although presidential elections were not scheduled until 1994, even by late 1992 both the political leaders and the people were looking towards that event. And the issues that seemed to interest the general public were defending the Panama Canal in the wake of the dissolution of the army; the need for new political force to replace the traditional political parties holding on to the

vestiges of the oligarchical past; and the initiation of a sound strategy which would facilitate economic recovery.

Surprisingly however in the last May (1994) presidential poll, the candidate who gained a majority (33 per cent) of votes was Ernesto Perez Balladares of the revitalised Democratic Revolutionary Party, the party of the military. Popularly known as "*El Toro*" (the Bull), Balladares, according to observers, is credited with having purged the Democratic Revolutionary Party of its "thuggish" elements loyal to Manuel Noriega. He publicly denounced Noriega, now serving 40 years of jail sentence for drug-related criminal activities in Miami prison, as a "traitor and disgrace to his country." Commenting on Balladares victory, Panamanian political analyst, Manuel Zarate stated that the voters seemed to have followed an old saying in his country of opting for the evil they knew rather than the good they had yet to encounter.⁵⁵ In a sense, he is right. For, Balladares electoral victory is less an endorsement of his programme than a rejection of the record of president Guillermo Endara. To most Panamanians, Endara's administration was weak and corrupt; drug trafficking and money laundering continued to thrive;

55. Present writer's interview with the journalist.

and there was an explosion of street crime and general lawlessness, blamed in part on the ineffective Public Force that replaced Noriega's refurbished Defence Forces. But the challenges that Balladares will have to face are immense, the most important among them being the smooth transfer of the sovereign control of the Panama Canal and the dismantling of the principal US military bases--a process due to be completed by the year 2000 in accordance with the terms of the revised treaty of the Canal that Omar Torrijos had ironed out in 1977. More important than these, president Balladares must make the transition while preserving the thousands of jobs and hundreds of millions of dollars in revenue generated by the Panama Canal and the US military bases.

CHAPTER V

SUMMARY AND CONCLUSIONS

Commenting on Panama's birth as a nation and its political evolution since, Omar Torrijos had stated that the United States behaved like the "midwife" but kept the "baby" in payment for her services! To understand Panama's political processes and party system, one must understand this peculiar political heritage of this small isthmian country. Carved from a rebellious province of Colombia and nurtured by US diplomats and business interests, Panama's political heritage is admittedly split. It lies both in the Iberian and Anglo-American institutions and aspirations to evolve its political culture and processes. Without an insight into this political heritage, it is very difficult to evaluate the current political crisis, the role performance of the political parties and movements over the years, and the characteristics of the periodic political confrontations in pursuit of the twin objectives of democracy and development.

There is no gainsaying that Panama's prolonged confrontation with the United States, punctuated by instances of acquiescence and accommodation over sovereignty, administration, and control of the Panama

Canal and the Canal Zone have significantly influenced political events in the isthmian country. In equal measure, the United States economic, political, military and diplomatic presence in Panama has inhibited and demanded considerably the nation's autonomy and political independence. The overwhelming US influence has greatly affected even the social fabric of Panama, and possibly, will continue to affect Panama as long as the United States continued its presence in the region, and perhaps even beyond.

It is against this background of the peculiar political heritage should one consider the political developments in Panama. At least a few major characteristics of the Panamanian political system may at the outset be identified. They are: i) the fragility of the political party system which in the years after 1934 became further fractured and fragmented at least until 1968 when the military establishment itself evolved as a political party; ii) the predominance of party alliances intended only for electoral battles without political institutionalisation; iii) the predominance of

personalismo in the politics of Panama as evidenced in the three political leaders--Arnulfo Arias Madrid, Omar Torrijos Herrera and Manuel Antonio Noriega; iv) the growing tendency of political and social forces channelling and articulating their demands through non-partisan organisations illustrated by such movements as the Communal Action Association of the 1920s and the National Civic Crusade of the 1980s; and v) the emergence of the armed forces as an independent and autonomous political institution.

Overall, Panama's political system has so far seemed to have developed along three stages: 1. the oligarchic stage characterised by a governing style of social exclusiveness; 2. the nationalist and popular stage largely led by the emerging middle class seeking national sovereignty, national control of the Panama Canal, and socio-economic and political modernisation; and 3. the democratic phase based principally on a capitalist modernisation strategy rooted in the nationalist movement.

Generally speaking, the democratic phase seemed to have coincided with the advent of Omar Torrijos during which leaders of the middle- and popular classes established alliance with Omar Torrijos in response to his call for national unity. They shared common objectives such as the dismantling of the oligarchic system of the past decades, achieve satisfactory economic growth, and attainment of political modernisation and stability. Although led by a "personalist" the alliance that resulted from the cooperation and forged between 1969-1972 helped establish a new political system in response to the deterioration and limitations of the earlier oligarchic system.

Party politics and political development since the advent of Omar Torrijos can be divided into two phases--the first phase could be described as a corporative consolidation of the political scheme with the absence of political parties between 1969-1978; and the second phase beginning since and through the decade of 1980 is characterised by the reopening of the party

politics, either multi-partisan or bipartisan. This phase of political reopening also saw a permissive political role for the military. Most analysts underline the abnormality of military intervention in politics or argue that the political crisis, which resulted from twenty years of military intervention, will lead to a solution of Panama's political system with or against, but not without, the military.

The consolidation of the new political system, without a party framework achieved during the Torrijos regime was accompanied by the institutionalisation and professionalisation of the military. Because political parties played no role beyond the periodic electoral contests, different institutions had to function as vehicles for political articulation, confrontation and the framing of political debate. In this effort, interestingly non-political organisations took on as much role as that of the state institutions.

Some analysts consider the period of 1969-1978--the Torrijos' years, as one of the most democratic periods in Panama's political life in terms of mass participation.

These were also the years of establishing and forging national unity, explicit development plans and seeking the building of an economic infrastructure, economic diversity, social reforms, and identifiable political leadership on an individual, institutional and organisational level. These years also contrasted with the political ambiguity that preceded the advent of Omar Torrijos. In a sense, political positions became more pronounced and clarified. But such stands were not ideological. Torrijos stressed that his regime, at least in the initial period was neither the "left" nor the "right" of the political spectrum. He repeatedly maintained that he was with the "nationalist" Panama. So much so, both the "left" and the "right" supported Torrijos.

The centrist political course could not however be sustained for long even towards the end of the Torrijos' era. Economic constraints precipitated by increased public debt, the failure of the state-run sector, the failure of the agrarian reform, and the unfulfilled expectations raised by the revised Canal treaty of 1977 brought to

surface the "personalist" traits of Torrijos and the political inadequacy of the institutions he had created. Popular disenchantment with the revised Canal treaty then marked the end of the first phase. The Torrijos regime and the political institutionalisation that he had painstakingly evolved came to be discredited. In the absence any other viable political system, Panama itched to return back to the old time-tested but infructuous political party system.

The second phase beginning in 1978 with a general mobilisation against the Torrijos administration, ended with the May 1989 general elections. However, within this span of eleven years, it is possible to glean three sub-phases in Panama's political process--i) from 1978 when mobilisation against Torrijos began till his demise; ii) from the year of Torrijos death to the general elections of 1984; and iii) the years between 1984 and the May 1989 general elections.

Through the entire period of 1978-1989, Panama underwent serious economic and political crisis. Efforts

to avert the impending political-economic crisis by Omar Torrijos through his decision to reopen the political scene merely revived the party system familiar to Panama of the past decades. The readvent and regrouping of political leaders and the further fragmentation of the array political parties only accentuated the already endemic political instability. What was even more tragic for Panama was the sudden exit of Omar Torrijos from the political scene. That his presence and "personalist" influence would have lessened the traumatic experience through which Panama passed since cannot be gainsaid. For, in his sudden death, Panama lost a *caudillo*, a political leader of stature and the real head of the state.

As Panama was re-emerging into a political life, Torrijos death caused an irreparable vacuum, and in the process, the whole system awoke to sudden crisis. In the wake of this crisis, several realignments, occurred--inside the armed forces, in the precarious development of autonomy within the civil society, and in the relations between the military establishment and civilian political structures and government.

The 1984 general elections instead of resolving only added further to the prevailing political crisis. As Panama drew closer to the elections, party politics and instability in the ranks of the military and government reached its explosive limits, catapulting the enigmatic Manuel NOriega into the centre-stage of Panamanian political process. So much so, by the time the electoral process was completed, NOriega actually dictated not only the outcome of the elections and proclaimed Nicolas Barletta as the winner but subsequently held sway over the course of events in the country.

Under these critical circumstances, Panama's political regime, its leaders and its military lost increasingly their legitimacy. Denunciations of electoral fraud, growing military power and corruption at all levels of public life since then had become rampant and widespread. The intended reorganisation of the political system, the search for an alternative leader, and the military's intransigence under the influence General Noriega in seeking a principal role in political

developments contributed to an inexorable sense of crisis. At the same time, the absence of an alternative political strategy with enough credibility to effectively replace the *torrijista* *proyecto* only hastened the deterioration in the political process.

By mid-June 1987, following the forced retirement of Colonel Roberto Diaz Herrera as the second in command of the Defence Forces, the military establishment became irredeemably fractured. Herrera's irrefutable accusations of Noriega's mis-deeds opened a bitter feud inside and outside the armed forces. It then brought Noriega's allies and opponents both within the military and the civil society on a collision course. From then on the constitutional norms were so totally subverted that Panama for a brief period of time curiously enough had two heads of state--Eric Delvalle and Solis Palma, functioning parallel.

The national crisis resulting from these unprecedented political developments was further exacerbated by the deteriorating relationship between the United States and Panama, in particular between the Reagan

administration and General Noriega. Efforts made by the Reagan administration to flush out Noriega from the Panamanian political scene through a variety of pressure tactics which, among others, included desultory economic sanctions and even show of force, instead fuelled further the anti-American sentiments. Consequently, Reagan administration's postures ironically turned Noriega to acquire a stature and reputation of a nationalist, and even to become the saviour of his country. At the same time, events in Central America with the Contadora peace initiatives gathering significant momentum gave Noriega an opportunity to become even more assertive. However, with a view to seeking legitimacy to his plummeting political leadership, and under regional and international pressure, Noriega decided to hold elections before long. But the absence public support for the *de facto* rule of the General was made clear by popular pressure to hold the elections eventually in May 1989.

The election was a prelude to the final chapter of Noriega's control of Panama. Although the United States continued to insist Noriega relinquish power to the

legitimate winners of the May elections, there was no effort to move towards a peaceful resolution of the dispute between Noriega and the United States and the world community. An abortive coup in October 1989 against Noriega regime strengthened United States resolve that Noriega had to be removed. On 20 December, after months of efforts to negotiate the exit of Noriega, the US invaded Panama forcing Noriega and his Defence Force to surrender ignominiously.

Events subsequent to the US invasion however suggest that the Bush administration's motivation was not so much based on any profound democratic impulse but to ensure a pliant and acquiescent regime coming to power in Panama. It was a culmination of almost a decade of promoting *contra* "surrogate" wars and the forerunner of future military interventions dictated by its regional or hemispheric "presumptions". United States assertion about liquidating the dictatorship of Noriega and replacing it with a popularly elected government has been powerfully contradicted by the subsequent decision to maintain a large military-administrative presence in the country with

the primary objective of recreating the Panamanian state, regime and economy in the image of US permanent interests.

Be that as it may, the most delicate aspect of Panama's political situation has been the polarisation where political forces, in the ultimate analysis, coalesce and rally behind two identifiable contenders, each in turn seeking the exclusion of the other in terms of supporting or opposing the regime, the military, and the United States than in terms of offering economic, social, and political solutions to the crisis confronted by the country. Panama has, in the process, faced unconventional political development for the past two decades, characterized by military control. In the 1970s there was unprecedented improvement of economic, social, and political conditions. This phase has ended and is unlikely to be repeated. Yet, the civil society still lacks political maturity. In the face of periodic elections and political reorganisation, the political system is now seriously at risk.

No doubt, democracy needs a chance with or without conflict. It must extend beyond elections, but must occur through elections. The heightened economic, social institutional and political crisis in Panama during the past years has dealt a serious blow to the combined military and civilian regime inherited from Omar Torrijos. Despite these setbacks, there is evidence of a capacity in Panama to negotiate in the midst of an openly conspiratorial political system. These factors must be considered and reinforced from a democratic perspective. Otherwise, Panama's fragile democratic opening may be no more than a brief episode in yet another effort by external actors to dictate national political development. Such an ominous possibility cannot be discounted as Panama draws close to the year 2000, when the proverbial "big stick" wielded by the United States could become lethal to secure access to the "Big Ditch"--the Panal Canal!

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