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STUDY PROJECT

UNITED STATES NATIONAL STRATEGY IN PANAMA

BY

LIEUTENANT COLONEL MICHAEL K. EVENSON

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REPORT DOCUMENTATION PAGE		READ INSTRUCTIONS BEFORE COMPLETING FORM
1. REPORT NUMBER	2. GOVT ACCESSION NO.	3. RECIPIENT'S CATALOG NUMBER
4. TITLE (and Subtitle) U.S. National Strategy in Panama		5. TYPE OF REPORT & PERIOD COVERED Study Project
		6. PERFORMING ORG. REPORT NUMBER
7. AUTHOR(s) LTC Michael K. Evenson		8. CONTRACT OR GRANT NUMBER(s)
9. PERFORMING ORGANIZATION NAME AND ADDRESS U.S. Army War College Carlisle Barracks, PA 17013		10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS
11. CONTROLLING OFFICE NAME AND ADDRESS Same		12. REPORT DATE 5 March 1990
		13. NUMBER OF PAGES 105
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office)		15. SECURITY CLASS. (of this report) Unclassified
		15a. DECLASSIFICATION/DOWNGRADING SCHEDULE
16. DISTRIBUTION STATEMENT (of this Report) Approved for public release; distribution is unlimited.		
17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report)		
18. SUPPLEMENTARY NOTES		
19. KEY WORDS (Continue on reverse side if necessary and identify by block number)		
20. ABSTRACT (Continue on reverse side if necessary and identify by block number) The spectacle of the United States being defied by someone who was little better than a street thug in the fall of 1989 was the beginning of this paper. How did we get to the position where General Manuel Antonio Noriega could laugh at our threats? This paper reviews the stated U.S. national interests and then looks at several informed observers opinions of national strategy in Latin America. Next a strategic appraisal of Panama is presented. This appraisal also looks		

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UNITED STATES NATIONAL STRATEGY IN PANAMA

AN INDIVIDUAL STUDY PROJECT

by

LTC Michael K. Evenson

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5 March 1990

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Justification	
By	
Distribution/	
Availability Codes	
Dist	Avail and/or Special
A-1	

ABSTRACT

AUTHOR: Michael K. Evenson, LTC, FA

TITLE: U.S. National Strategy In Panama

FORMAT: Individual Study Project

DATE: 5 March 1990 PAGES: 102 CLASSIFICATION: Unclassified

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This paper reviews the stated U.S. national interests and then looks at several informed observers opinions of national strategy in Latin America. Next a strategic appraisal of Panama is presented. This appraisal also looks at domestic politics which plays such a vital role in our strategy toward Panama. Following this is a chronology of the crisis between the U.S. and General Noriega, culminating in Operation Just Cause in December 1989. Additionally the effects of the U.S. economic sanctions was detailed and an analysis of why our policy failed. An analysis of whether Operation Just Cause met the tests of the Weinberger Doctrine is also included. Based on the strategic appraisal and the differing views of the U.S. policy a national strategy for Panama is developed. This includes specific national objectives, and concepts and resources linked to these objectives. (Doc)

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UNITED STATES NATIONAL STRATEGY IN PANAMA

CHAPTER I

INTRODUCTION

The purpose of this paper is to develop and present a national strategy for Panama that links objectives with concepts and resources. This paper began with the idea of looking beyond the rhetoric and emotion associated with Manuel Antonio Noriega to identify the real United States national interests and then to develop a coherent strategy to further those interests. The removal of General Noriega did not change those basic interests; it did make the prospects for success in achieving the objectives much better.

The stand-off between the United States and Noriega in the summer of 1989 was baffling to most Americans. Impotence in the face of someone little better than the leader of a street gang was shocking and embarrassing. How the United States got to that humiliating position is a fascinating story, but not the primary subject of this paper. This paper attempts to sort out the headlines from the real problems. The goal is a strategy that can pass the test of asking "Does the strategy link ends, ways and means?"

The approach is generally the one recommended the U.S. Army War College for strategy development. To begin, the officially stated national interests, goals and objectives are presented. Then, in order to give a context for analyzing the issues several authors' views of United States policy and interests in the region are examined. This gives a clearer focus on the issues involved and provides insight on ways and means the United States has employed in the past.

The customary five areas of geographic, economic, political, socio-psychological and military challenges are then evaluated. In addition, the area of domestic United States politics is examined because it has such a large impact on Panama. From this evaluation of challenges and national interests a set of national objectives specific to Panama are developed. Then a strategy which links objectives, concepts, and resources is put forth.

CHAPTER II
NATIONAL INTERESTS, GOALS AND OBJECTIVES
STATED POLICY

The announced U.S. national interests, goals and objectives are found in President Reagan's National Security Strategy of the United States, published in 1988.

1. The survival of the United States as a free and independent nation, with its fundamental values intact and its institutions and people secure.
2. A healthy and growing United States economy to provide opportunity for individual prosperity and a resource base for our national endeavors.
3. A stable and secure world, free of major threats to United States interests.
4. The growth of human freedom, democratic institutions, and free market economies throughout the world, linked by a fair and open international trading system.
5. Healthy and vigorous alliance relationships.¹

For the sake of brevity the interests have been labeled as Security, Economic, World Order, Ideological, and Alliances. President Reagan refined these broadly stated interests by stating the goals for each interest and the specific objectives; pertinent objectives have been extracted and listed

with the goal:

1. To maintain the security of our nation and our allies.
 - a. To assure unimpeded United States access to the oceans and space.
2. To respond to the challenges of the global economy.
 - a. To ensure access to foreign markets, energy and mineral resources by the United States and its allies and friends.
 - b. To promote a well-functioning international economic system with minimal distortions to trade and investments, with stable currencies, and broadly agreed and respected rules for managing and resolving differences.
3. To resolve peacefully disputes which affect United States interests in troubled regions of the world.
 - a. To address, when possible, the root causes of regional instability which create the risk of war.
 - b. To maintain stable regional military balance vis-a-vis the Soviet Union and states aligned with it.
 - c. To neutralize the efforts of the Soviet Union to increase its influence in the world, and to weaken the links between the Soviets and their client states in the Third World.
 - d. To aid in combatting threats to the stability of friendly governments, and institutions from insurgencies, subversion, state-sponsored terrorism and the international trafficking of illicit drugs.
4. To defend and advance the cause of democracy, freedom, and human rights throughout the world.
 - a. To promote national independence and the growth of free institutions worldwide.
 - b. To encourage and support aid, trade, and investment programs that promote economic development and the growth of free and humane social and political orders in the third world.

5. To build effective and friendly relationships with all nations with which there is a basis of shared concern.
 - a. To strengthen United States influence throughout the world.²

The interests and goals of the United States are generally agreed upon by experienced observers of Latin America. Abraham Lowenthal, in his recent book Partners in Conflict, states what he believes are the commonly accepted United States national interests in Latin America. His analysis agrees with the published interests and goals but puts more emphasis on achieving diplomatic support among Latin American countries for United States policy.³

Jose' Miguel Insulza, a Latin American scholar, has given a Latin American impression of what the United States sees as its national interests. First, he argues that the Caribbean and Central America are seen as part of United States territory, and thus there is no real argument between "isolationists" and "internationalists" in whether the area of Central America is important. Next, he says that since the region is viewed as "part" of the United States and the "traditional hegemony" of the United States there is a "self-assumed role of 'regulator' in the area."⁴ He then goes on to state the Latin American view of United States national interests:

1. ... securing the peace and stability of of the region.
2. keeping other powers out of the area.
3. securing the flow of energy resources and raw materials from and through the area.
4. preventing large migration flows.⁵

DIFFERING VIEWS

The amount of criticism about United States policies in Central America and the public arguments during the Reagan administration over the proper course of action indicate that there is a disagreement about United States national interests in Latin America in general and Central America in particular. Numerous United States congressmen and long-time observers of Latin America have expressed disagreement. These arguments, although wide-ranging, have centered on three issues. First is the misconception by the United States of its role in Latin America. Second is the misunderstanding that exists in the United States about Latin America. Finally, because of the first two issues, is the mistaken identification of objectives and the resulting failure to link correct ways and means to these objectives.

James R. Kurth, Professor of Political Science at Swarthmore College, argues that based on its experience in the 1940's the United States developed four assumptions about the world.

1. the strategic assumption of bipolarity; that the world was divided into two opposing systems - the United States and the Soviet Union.
2. the economic assumption of U.S. enterprise - the principal motor of economic growth in the world was U.S. investment and U.S. markets.
3. ideological assumption of bipolarity - there were only two significant worldviews in world politics; liberalism (capitalism) versus totalitarianism (communism).
4. political assumption of military regimes - that authoritarian, military governments were stable and loyal allies of the U.S.⁶

Kurth then goes on to say that although the world and Latin America have changed since the 1940's the United States has not changed its assumptions.

The misunderstandings about Latin America by the United States are a result of a lack of knowledge and appreciation for the changes that have taken place in the last thirty years. Howard J. Wiarda, Professor of Political Science at the University of Massachusetts, details what those changes are in what he terms "New Realities in Latin America and in U.S.-Latin American Relations."⁷

1. The United States is not dominant in Latin America anymore. Our aid of all types and thus our influence have declined. Our diplomatic and business presence has diminished. Our prestige has also diminished and investment of resources has declined.

2. The United States has not and probably will not make any major new investments in Latin America, such as the Alliance for Progress. Not only can we can afford it, but our interest has waned.

3. The inability of the United States to pursue a consistent policy in Latin America has diminished our influence. The extreme domestic arguments over Latin American policy and on-again-off-again policies like that of the Contra support cause grave doubts about our ability to influence events.

4. Latin American nations have become more aggressively independent of United States policies and influence.

5. The United States has become more dependent on Latin America for both raw materials and an export market.

6. Other nations have become influential in Latin America. Western European nations as well as Japan are now competing with the United States.

7. Latin American nations have assumed a bigger role in the international arena. Their sense of dependence on the United States has declined. Nationalism has increased. Change and modernization have also increased.

8. The economic crisis brought on by a world wide recession in the late 70's and early 80's have created extreme problems. They threaten the existing political systems and have raised tensions in the area.

9. Priority of issues have changed in Latin America. Economics is much more important to Latin Americans. This clashes with the United States overriding interest in security. In addition new issues between the United States and Latin America have surfaced such as: "... migration, unemployment, the drug traffic, basic human needs, undocumented workers, human rights."

Although Wiarda doesn't mention it, there has also been an expanded Soviet and Cuban Role in Latin American affairs.

What Lowenthal, Kurth, Insulza, Wiarda and others are saying is that the changed role of the United States and the changed conditions in Latin America call for a new view of United States interests and a resulting changed set of national objectives and strategy to accomplish them.

Insulza identifies what he terms two constraints on United States policies. First, U.S. public opinion has consistently opposed intervention, particularly military intervention in Latin America. He says the numbers opposing U.S. intervention are usually small and thus U.S. administrations have had a relatively free hand as long as the actions are below the threshold of using military forces. The second constraint has been that regional and global allies have not consistently supported U.S. policy. This is because Europe has its own economic interests in the area and also it doesn't want the U.S. absorbed by Latin America. Regional allies do not see the issues in the same way either. First, they view the internal threat as a greater problem than the external one. Additionally economic self-interest and a lessening of U.S. hegemony have allowed these regional allies more independence.*

Insulza argues that if the United States is going to have a regional settlement then it must change some basic assumptions and compromise on some issues:

1. The United States must abandon the assumption that United States interests and Central-American nations' interests are identical and are security issues. The Central American interests are more economic and social development oriented, not security issues and not global issues.

2. The United States must understand that democracy has been associated with fraud, oppression and authoritarian rule in Central America and it can not be imposed from abroad. Instead the United States must emphasize social justice, participation and economic development.
3. Central American nations and their revolutionary movements would have to accommodate to United States security interests; except the prestige issue.¹⁰

Kurth asserts that a different set of assumptions would fit reality better:

1. strategic assumption of multipolarity - that the U.S. continue to contain Soviet military expansion, but do so as the leader of a "shifting" coalition of states.
2. economic assumption of multipolarity - that the U.S. continue extensive trade and investment ties with Latin America but as a 'first among equals', ... in a system of many industrialized and newly industrialized countries.
3. an ideological assumption of multipolarity - that the U.S. would follow the leads of contemporary social democracy and contemporary Catholicism ... in Latin America.
4. a political assumption - ... the best U.S. allies in Latin America will be centrist-party regimes (in the more industrialized countries) or national-populist regimes (in the less industrialized countries) rather than conservative military ones.¹¹

Lowenthal believes that the frustration in the United States about its policies are a result of the attempt to re-

impose United States dominance on a changed Latin America. "The period of U.S. hegemony is over both because Latin American nations are able and determined to forge their own policies and because the objective bases of U.S. predominance have eroded. This has not happened because the U.S. lacks political will."¹²

Essentially Lowenthal believes that because of changes in the world and Latin America that the threat of direct intervention by the Soviets or their clients against Latin American nations and our sea lines of communication has decreased. He also believes that the changed political situation in Latin America is less significant to the United States because Latin America has grown up and it is not aligned with the U.S. and not controlled by it anymore.¹³

According to Lowenthal, what is now most important to the United States is a "financially stable" Latin America. This is due to the threat that financial instability poses to democratic governments which in turn increases the problems of migration; nuclear and other arms proliferation; environmental problems; and illegal drug trafficking. It also is a reflection of our interest in protecting United States business interests in the form of bank loans and the increased export market which Latin America represents.¹⁴

In deriving a new set of assumptions and a recast statement of national interests Lowenthal believes that there are four trends in Latin America that the United States must recognize and incorporate into its thinking:

1. Latin America has a growing influence on the economy of the United States and the world economy. It is an important market for U.S. exports and a major locus of the international activity of U.S. banks. The major Latin American nations could help expand international flows of finance, trade, and technology - or they could contribute to deepening world recession.
2. ... massive migration from a few Western Hemisphere nations...will directly affect life in the United States.
3. ... the larger Latin American countries are well situated either to help resolve or to aggravate some of the most urgent international problems, including narcotics, terrorism, environmental degradation and nuclear proliferation.
4. ... circumstances in Latin America and the Caribbean will affect the prospects for preserving values fundamental to the society of the United States, especially respect for individual human rights.¹⁵

Lowenthal's thesis is that when one considers the changes in Latin America and these four trends that the correct United States interests in Latin America are:

1. Security--the "core interest" is "exclusion of Soviet military bases, strategic facilities, and combat forces."¹⁶ He

argues that this interest should be de-emphasized because there is no direct threat.

2. Continued free operation of the Panama Canal and unobstructed sea lines of communication.

3. Decrease the pressure for immigration from Latin America.

4. Promote economic development.

5. Promote long term political stability and the ideals of democracy and human rights.¹⁷

On the issue of Latin American support for U.S. policies, Lowenthal says:

"... although the United States would prefer that its neighbors share its perceptions of world problems, favor free enterprise and foreign investment, and disdain the Soviet Union and its policies, such regional conviviality is not crucial."¹⁸

These opinions about United States national interests and goals demonstrate several things. First, the terms interest, goal and objective have no well-recognized common definition. Overall, despite the mixing of terms, there is remarkable consistency about United States national interests in Central America between President Reagan's exposition and these "critics" of United States policy. Second, there is a great deal of difference of opinion on the specific objectives and correct ways and means needed to achieve these interests and

their relative priorities. Third, it is clear that the situation in Latin America has changed and that the United States must take cognizance of these changes in formulating its national strategy.

This review of differing views of U.S. national interests and particularly the criticisms of policy are a necessary background for studying specific issues in Panama. Although unique in many ways to the United States, Panama has been affected by the changed situation in Latin America. It also plays a large part in the United States conception of its role in Latin America. In particular, it occupies a central place in any re-formulation of United States objectives in Latin America.

ENDNOTES

1. National Security Strategy of the United States, p.3.
2. Ibid., pp. 3-5.
3. Abraham F. Lowenthal, Partners In Conflict, p. 49.
4. Jose Miguel Insulza, "The United States and Central America," in Latin American Views of U.S. Policy, ed. by Robert Wesson and Heraldo Munoz, p. 66.
5. Ibid., p. 67.

6. James R. Kurth, "The United States, Latin America, and the World: The Changing International Context of U.S. - Latin American Relations," in the United States and Latin America in the 1980's, ed. by Kevin J. Middlebrook and Carlos Rico, p. 67.

7. Howard J. Wiarda, "Conceptual and Political Dimensions of the Crisis in U.S. - Latin American Relations: Toward a New Policy Formulation," in The Crisis in Latin America, ed. by Howard J. Wiarda, pp. 24-27.

8. Ibid., p. 27.

9. Insulza, pp. 70-71.

10. Ibid., pp. 83-84.

11. Kurth, pp. 74-75.

12. Lowenthal, pp. 46-47.

13. Ibid., pp. 50-53.

14. Ibid., p. 54.

15. Ibid., p. 55.

16. Ibid., p. 156.

17. Ibid., pp. 152-153.

18. Ibid., p. 157.

CHAPTER III

STRATEGIC APPRAISAL

The analysis of Panama is broken down into the five traditional areas for the strategic appraisal: geographic, political, economic, socio-psychological and military. Domestic United States politics has been added as an area of analysis because it is so vital in formulating strategy.

GEOGRAPHIC

Panama's geographic location is part of the traditional southern security rim that includes the Caribbean and Central America. The traditional threat from this area has been one of invasion of the United States. As the United States became a world power this perception changed. The major threat in this area, especially since Castro's takeover in Cuba, has been one of unfriendly neighboring states. This threat has generally been cast as part of the United States-Soviet Union struggle.

As several observers have noted this security threat is what the United States has concentrated on. Lowenthal examined the U.S. initiatives in Latin America since Castro and concluded that, despite the announced goals and rhetoric, the

United States has concentrated on the security aspects of the relationships.¹ This has led to a basic disagreement with the Latin American nations over the relative importance of security over economic and social development concerns.

In spite of or because of United States concentration on security there has been a remarkable growth of governments with a democratic form in Latin America in the late 1980's. This development plus the astonishing collapse of communism in Eastern Europe and the warming relations with the Soviet Union have reduced the threat of direct as well as indirect Soviet intervention in this area. The remaining threat is that of insurgencies assisted by the Soviet Union or its client states, namely Cuba and Nicaragua. It seems unlikely that the Soviets would attempt to sponsor an insurgency in Panama, but Cuba and Nicaragua remain threats. The threat an insurgency would pose to United States interests is primarily directed at the Panama Canal.

The Panama Canal has declined in strategic importance. As Linda Robinson noted, in the Winter 1989-90 Foreign Affairs article, the use of the Canal has dropped for several reasons: use of the trans-isthmian oil pipeline; super-tankers and some bulk cargo carriers are too big for the canal; many vessels are avoiding the delays associated with using the Canal; many coal

and banana producers use alternative ports and routes; Latin American trade has stagnated; and competition from use of "land-bridges" in Mexico and the United States.² All of these trends point to a declining use and importance of the Canal. General Fred Woerner, former Commander in Chief of Southern Command, believes that the Canal will remain important for "maybe the next decade."³

There are, however, strong arguments for the continued importance of the Canal. Admiral Thomas Moorer, former Chairman of the Joint Chiefs of Staff, says "It's one of the vital maritime gateways of the world." Representative Roy Dyson (D-MD) has said: "If it were closed it would have a tremendous impact on Baltimore and other East Coast ports." Martha Hamilton in a Washington Post article said, "A prolonged disruption of traffic in the Canal could drive up the prices of manufactured goods in the United States, threaten the economies of several South American countries and limit United States military options in an emergency." Hamilton adds, "The Canal also is critical to the economies of Ecuador, Chile and Peru, which count on it for more than forty percent of their trade."⁴

Lowenthal also recognizes the importance of the Canal for NATO reinforcement and the dependence on the Canal for many Latin American economies. Linda Robinson in her article notes

that "Commercial trade is perhaps more significant," than military use. "In 1987, seventy percent of the commerce via the Canal was with the United States, most of it from Asia, amounting to ten percent of United States seaborne trade." She concludes her article by stating that, "For political and regional security reasons,...., the U.S. interest in the Canal will grow rather than diminish as 1999 approaches."⁵

An equally important interest is that the protection of the Canal is one of the treaty obligations in the Panama Canal Treaty. It is important that the United States be seen as fulfilling its treaty obligations. The Canal and its continued operation are linked to United States prestige world wide and specifically in Central America. There is also an important linkage here between international affairs and domestic politics - a concept that will be developed further.

POLITICAL

Prior to the military coup in 1968 Panamanian politics had been dominated by the traditional elite families, most of them located in Panama City. As Richard Millett, Professor of History at Southern Illinois University, describes it, "... Panamanian politics had been characterized by personalism; the tendency to give one's political loyalties to an individual,

rather than to a party or particular ideological platform." The elite families maintained their control by manipulating "nationalist sentiment", predominantly directed at the United States control of the Canal and domination of Panamanian affairs; but also directed against the National Guard and selected political parties.⁶

The 1968 coup that brought Omar Torrijos to power was a clear departure from previous coups and politics in Panama. First, it was not temporary. Torrijos stayed and dominated by using the military.⁷ Second, the National Guard which assumed power was a group that "tended to be provincial, racially mixed, and lower or middle-class in background."⁸ Their beliefs were much different than the elite families and they established a government that "... promoted a mixture of populist and nationalist policies..."⁹

Torrijos established a government where the military clearly was the dominant force. Through suspension of the constitution, and then through control of the Legislative Assembly and establishment of his own political party, the Democratic Revolutionary Party (PRD), Torrijos firmly established his control. The passage of a new constitution and the establishment of Torrijos as the Maximum Leader in 1972, concentrated power in the person and his military staff.

Torrijos "... fostered public works and agrarian reform and put the National Guard to work on programs to improve conditions in rural areas and to bring the poorer classes to power."¹⁰ The programs he initiated did much to improve the life of the humble. It also did a lot to enrich the military and its civilian supporters. In accomplishing this however he created several economic problems, such as high external debt and high labor costs, that remain unsolved.

Torrijos' major accomplishment was the negotiation of a new Panama Canal Treaty with the United States. Getting the United States to cede control and operation of the Canal was a signal achievement which should have given him the strong support of Panamanian nationalists of all political persuasions. However, the second treaty which was signed, termed the "Neutrality Treaty," was strongly resented by many Panamanians. The treaty provides for joint Panamanian and United States protection of the Canal. Conditions were attached by the United States Senate asserting that the United States can use military forces "... to reopen the Canal or restore the operations of the Canal."¹¹ This was widely perceived by Panamanians as justification for the United States to continue intervention in Panama. Torrijos came under strong criticism from nationalists. In the elections of 1980 the newly permitted political parties expressed strong opposition to the treaty.¹²

Torrijos' death in 1981 and the resulting scramble for power in the intervening four years did nothing to strengthen the opposition political parties. The National Guard, originally willing to let the appointed President share power, quickly turned against him and his "... strongly nationalistic, anti-United States rhetoric." The National Guard removed the President in 1982, and in the next two years Noriega consolidated control of the National Guard, forcing the Legislative Assembly to restructure and rename the National Guard to the Panama Defense Forces (PDF). The elections of 1984 were bitterly contested and turned violent; there was evidence of massive vote fraud, but Nicolas Ardito Barletta, the military supported candidate, was certified as the winner. Barletta was forced to resign in 1985 because he tried to investigate the decapitation of Hugo Spadafora, leaving Noriega in firm control of the government.¹³ The story of the crisis that developed between Noriega and the U.S. is the subject of the next chapter.

One of the results of the constitution and the restructuring of the National Guard was to leave the PDF in control of all effective organizations for the rule of the law.¹⁴ The PDF included the police, all intelligence functions, the National Guard, Navy, and Air Force. Part of the constitution that

resulted, termed "Law 20", was strongly criticized by opposition parties: "... it 'implies the militarization of national life, converts Panama into a police state, makes the members of the armed forces privileged citizens, and gives the commander of the National Guard authoritarian and totalitarian power.'"¹⁵ This military domination of the civilian government has been a central feature of the politics of Panama since 1968. This domination and the legacy of weak democratic institutions and political parties has been one of the major criticisms of Panama by both the political opposition and the United States.

One of the United States stated objectives in Panama since 1988 has been the restoration of democracy. Several observers have maintained that this objective is not possible. General Fred Woerner commented that there "... never was democracy, ... how do you restore it?" He added, that there is "... no basis- no cultural basis for democracy."¹⁶ Brian Atwood, an election observer in May 1989, observed that there is "... no experience with democracy, establishing a democracy will be hard." He added that Panama has "... weak democratic institutions, and weak political parties."¹⁷ Based on the political history of the country this is probably a correct observation and is going to be one of the major stumbling blocks for the Endara government. As

Richard Millett commented, "Creating public confidence in the rule of law established by the constitution presented the government with one of its major challenges in the late 1980's."¹⁸ That has not changed.

Several factors combined in Panama to inhibit the growth and influence of labor and professional organizations which could represent the growing numbers of workers and middle-class businessmen and professionals. Nevertheless mounting frustration over the failure of the political process to control the military energized several "sectoral" groups to emerge and develop a strong challenge during the turmoil in 1987. One of the most important groups was the National Free Enterprise Council (CONEP) which included the Chamber of Commerce, Industries, and Agriculture of Panama and the Panamanian Business Executives Association.¹⁹

The feeling had grown within CONEP that the problems in the private sector were directly related to the overall political system. The frustration over military domination of the government, the increased corruption and governmental inefficiency, and the charges against Noriega's involvement in assassination and drug-trafficking led to open opposition to the government in June 1987.²⁰ This group and others joined the

National Civic Crusade (CCN) in open opposition, organizing peaceful demonstrations, creating economic pressures and boycotts of government enterprises.²¹ The CCN, however, was viewed as "... upper-class, white and elite," and it "did not have widespread popular or labor support," until March of 1988.²² Although unsuccessful in causing Noriega to leave power or force a change in government the movement established the political influence of business and professional organizations.²³

The coalition that comprised the opposition ticket in 1989 and won three-fourths of the vote was an amalgam of political parties that had opposed Torrijos and Noriega. There were three major parties in the opposition: The Christian Democratic Party (PDC), the National Liberal Republican Movement (MOLIRENA) and the Authentic Liberal Party (PLA). The coalition was known as the Civic Democratic Opposition Alliance (ADOC), and had the support of the CCN. ADOC named Endara of the PLA as its presidential candidate and Ford of MOLIRENA and Arias-Calderon of the PDC as vice-presidential candidates. This opposition was still fragmented and without a popular leader and did not gain the support of labor or the masses. There remained a perceived class distinction between the elite upper and middle-class, businessmen led CCN and the masses who supported and benefited

from the PDF rule.²⁴ Noriega endeavored to aggravate this split by portraying it as "... a fight of the white middle and upper classes versus the black lower classes."²⁵ Arias-Calderon rejects this characterization and says that Noriega's propaganda created a backlash against him.

There are a number of observers who believe that the May 1989 election was more a reflection of "... overwhelming condemnation of Noriega," than support for the ADOC slate.²⁶ Labor remained unwilling to become deeply involved with the opposition because they distrusted the leaders.²⁷ That criticism may prove to be true, however, the opposition group led by Endara, Ford and Arias-Calderon has shown amazing staying power in the face of heavy oppression and abuse by Noriega. That staying power is encouraging to those who advocate democratic government in Panama.²⁸

The challenge to United States interests which the political situation in Panama presents is that of the viability of a democratic government and establishment of democratic values and processes.

ECONOMY

Panama's economy is primarily a service based economy; over seventy-three percent of its Gross Domestic Product (GDP)

came from the services sector in 1985. This internationally oriented service sector consists of revenue from the Panama Canal, the Colon Free Zone (CFZ) transshipment operations, the cross isthmian oil pipeline and the International Finance Center, based in Panama City.²⁹ Industry is a small part of Panama's economy and because of the small domestic market has already reached its potential. Any further expansion of industry will depend on development of an international market. Agriculture is also a small part of Panama's economy. Bananas, shrimp and sugar are the major exports, and any further growth depends on product diversification.³⁰ Prior to 1988, sixty percent of exports and forty percent of imports were with the United States.³¹

There are several structural problems in Panama's economy. The high dependence on the services sector, described above, and in turn that sector's dependence on world economic conditions makes the Panamanian economy cyclical. The limitations of growth of the industrial and agricultural sectors reinforces the importance of the services sector. This dilemma was the challenge for Panamanian leaders before Noriega and the challenge of "... using the services sector as a spring board for growth, primarily in industry but also in agriculture," remains.³²

Another structural problem is the rapid growth of the public sector which was built on fiscal deficits and external debt. This "false employment" which the economy can not support had already been recognized by Torrijos and Barletta. However, "In 1982, the public sector still accounted for twenty-five percent of total employment."³³

The economic policies of Torrijos had been aimed at continued high growth of the urban economy and use of the resulting resources to help the poorer parts of society. The results were a more equitable society but the cost was a lack of efficiency and overall growth. The growth of the public sector was accompanied by the decline of private investment. Panama made structural adjustments in 1983 and 1984 to reduce the public sector. In 1986, under pressure from the World Bank the government made several structural adjustments which addressed these problems, such as its labor code which had kept labor prices high and prevented businesses from being competitive; its agriculture price structure which had limited its competitiveness; and other measures which encouraged foreign investment.³⁴

Another structural problem is income distribution. Panama has one of the highest levels of per capita income in the developing world, in 1985 it was US \$2100 per capita, but it is highly skewed. In 1985 Panama's Archbishop MacGrath estimated

that thirty-eight percent of families lived in poverty and twenty-two percent failed to earn US\$200 a month, the minimum necessary to survive. This is consistent with a World Bank study in 1985 which stated that "... in spite of a relatively well-educated work force, unemployment was Panama's 'greatest economic and social problem.'"³⁵

An unusual aspect of Panama has been its relative freedom from rampant inflation which affected other developing countries. Because its currency is tied to the US dollar the government could neither print money nor devalue the currency.³⁶ This has served as a moderating influence on Panama's economic problems.

External debt is also a severe problem for Panama as it is for most Latin American countries. In 1985 external debt stood at seventy-three percent of Panama's GDP, most of it of long-term maturity. The annual interest payments had been reduced to 6.6 percent of the GDP, but remained a severe drain on the economy.³⁷

U.S. trade is vital for Panama but is relatively unimportant to the United States. There are no strategic raw materials or other products that the United States gets from Panama.

The economic sanctions imposed on Panama by the United States have done considerable damage to the economy. The

specific impacts are discussed in the next chapter, but the overall result was to deepen Panama's unemployment problem and cause a major decline in the GDP. The Inter-American Development Bank's 1989 report cited Panama's structural problems as that of "... low savings capacity, slow growth in exports, low capital and labor productivity, serious urban unemployment and high interest indebtedness."³⁸ Panama had ceased paying all debts before Noriega's ouster and despite the barter economy Noriega attempted to establish, the economy had all but collapsed.³⁹

The challenge to United States interests which the Panamanian economy presents is that of stability of the new government. The severe economic structural problems that existed in Panama prior to Noriega; the damage done to the economy by the United States economic sanctions; and the damage done during the "liberation" of Panama during Operation Just Cause all combine to make the economic problems faced by the Endara government its most severe challenge. It is clear that stringent economic measures as well as new structural reforms will have to be taken by the Endara government. Those types of measures have met strong resistance and protest in the past. A government that does not have a large popular base and a mandate for those changes may face overwhelming opposition.

SOCIO-PSYCHOLOGICAL

There are several trends in Panamanian society which have historically made agreement on issues almost impossible. First is the race issue. The elite white families who controlled Panama for years have always prided themselves on preserving their racial purity and have considered the mestizos and blacks as inferiors. Economic success and wealth have blurred these distinctions somewhat in the case of businessmen, but the racial discrimination issue is still present in Panamanian society.⁴⁰

Race as an issue has coincided with economic class interests. The same elite who have controlled Panama have controlled the economic assets and become wealthy. The build-up of the economy in Panama has allowed many businessmen and professionals to achieve wealth also.⁴¹ These interests have traditionally been allied against organized labor and the poor. Torrijos' reforms strengthened the labor movement and made life better for the poor, in many cases at the expense of the elite and business classes.

These two trends have made the formation of any national consensus extremely difficult. This clash of interests was observed in the CCN's efforts to oust Noriega. Labor continued to be suspicious of the leaders of the white, elite, business oriented Crusade and never did fully support the opposition.

The masses of poor also remained unconvinced of the Crusade's motives. There remains a large question as to whether any political party can represent more than a one-class interest. In light of the stringent measures any government is going to have to take to restructure the economy of Panama it will be extremely difficult to get labor and mass support.

Another trend in Panamanian society has been corruption. Most commentators and news articles talk about the massive corruption in the PDF under Noriega. The graft and corruption by the PDF did not begin with Noriega. He may have brought corruption to a higher form, but it has been present in Panamanian society for a long time.⁴² More importantly it has been widely known by the elite and businessmen and participated in by both groups.⁴³ This breakdown in respect for the law is not a recent occurrence and is part of the social fabric of the country. This trend remains a threat to a democratic society, especially if the leading members of society, the elite and businessmen, continue to practice it and condone it.

Tied to this endemic corruption is the large participation of the banking industry in "laundering" money. There has been great notoriety for the money-laundering of drug money which Noriega participated in and profited from. Panama, however, had been a "center for flight capital from Latin America and tax evasion dollars from the United States" long before Noriega.⁴⁴

The attraction for international banks and the resulting money-laundering business has been the stringent banking secrecy laws in Panama.⁴⁵ This sector flourished under Torrijos and was well-established by the time Noriega took power. The Department of the Treasury estimated that as of 1983 US \$600 million each year was "laundered" by the international banking community in Panama.⁴⁶ The size of the international banking community has drastically decreased under the political instability created by Noriega and the United States economic sanctions. Banking secrecy laws were abolished in February 1990, but it remains to be seen how the new laws will be enforced.

Nationalism in the form of strong resentment towards the United States has been a trend in Panama for years. The very strong resentment and protests against the "Neutrality Treaty" in the 1980 elections make it clear that this resentment has not changed. The "liberation" of Panama in December 1989 has met with strong approval from most Panamanians. Whether this approval will remain after United States troop presence decreases is problematic. The United States continued presence in Panama until 1999 under the treaty, coupled with the traditional resentment may produce a backlash against the United States.

The challenge to United States interests which these trends in Panamanian society present are twofold; first are those of the

viability of a democratic society and government and second, are those of participation in drug trafficking and money laundering.

MILITARY

There is no significant military threat to the United States in Panama. Despite the growing presence of the Soviet Union in Latin America they do not pose a threat in the form of a direct attack against the United States facilities or the Canal except in the advent of a general war with the Soviet Union. As war games and simulations have shown, the Canal is not defensible against modern weapons.⁴⁷ The Soviet Union would not have to mount a conventional attack to close the Panama Canal.

The most probable military threat to the United States is that of some form of low intensity conflict; either an insurgency or sabotage operation directed against the Canal or U.S. forces and installations as long as they remain in Panama. In the past the overwhelming presence of the United States in Panama and the strong ties between the United States and Panamanian military have precluded a realistic opportunity for an insurgency. The potential for an insurgency or terrorism campaign through sabotage has now increased however. Noriega's introduction of Cuban-trained and armed Panamanians who continued to fight after his removal are representative of this potential threat.⁴⁸

There was concern expressed by U.S. forces about the ability of the new Public Force to handle the number of heavily armed former PDF and Dignity Battalion soldiers who escaped capture.⁴⁹ In January, 1990 a Panamanian publication revealed a plot by the former mayor of San Miguelito to organize guerrillas to carry out terrorist attacks.⁵⁰ Also, a La Prensa editorial published in January warned that Panama does not have a force that can "... neutralize the paramilitary forces of the former Defense Forces and the Dignity Battalions, who are waiting for the right moment to attack the new government..."⁵¹ Additionally, there have recently been killings during crimes committed by "paramilitary men carrying a variety of weapons including AK-47's."⁵² Vice President Arias-Calderon does not believe that these are acts of anti-government guerrillas and he is probably correct. Also the recent grenading of a disco in Panama City which killed one U.S. serviceman and wounded many others indicates that there remains a potential for organized terrorist acts designed to weaken the democratic government, whether supported by outside agents or not.

The Panamanian people are unlikely to support an insurgency movement. As one recent article said "... Panamanians, long soaked in U.S. culture, have a weak sense of nationalism, a long history of intimate - if not always friendly - U.S. relations ..."⁵³

There is more of a tradition to wait for help from someone else, as seen in Noriega's overthrow, than there is for direct action like an insurgency. Additionally, it is hard to conceive of the Endara government doing something so stupid as to generate an insurgency movement.

There remains a low level threat of an outside "insurgency" sponsored by Cuba or Nicaragua. This is not a viable threat in the short-run, while United States forces are still in Panama, however after 1999 this threat may increase.

DOMESTIC POLITICS

Domestic United States politics plays a unique role in United States interests in Panama. Panama occupies a special place in the consciousness of the American public. This uniqueness is manifested in the broad political spectrum that has criticized the administration for its "weak-willed" policy towards Panama during the last two and one-half years. Unusual allies such as Senator Helms of North Carolina and Senator Kerry of Massachusetts have joined to criticize the Reagan and Bush administrations for their perceived weakness in dealing with Noriega.⁵⁴

Another factor which surfaced during the Panama Canal Treaty debate is what George D. Moffett says was a "... deep, visceral

response to something more basic to the politics of ratification, namely, the decline of American power."⁵⁵ He adds that "After Viet Nam, after OPEC's oil embargo, after the rise of Soviet military power, after unmistakable signs of what Patrick Buchanan called a 'headlong retreat' around the globe, the decision to give up the Canal was certain to provoke a supercharged reaction."⁵⁶ This frustration over the United States' loss of power and influence in the world is still alive today, and Panama occupies a special place in it.

As Sol Linowitz, Chief U.S. negotiator for the Canal Treaty, said in explaining the positive reaction about the U.S. invasion in December 1989, 'I can show you the lash marks', "from this deeply emotional attachment to the Canal."⁵⁷ Linda Robinson adds, "Panama is an unusual case. It is one of the few Third World countries whose problems arouse domestic opinion; mainly because Americans still care about the Canal ..."⁵⁸

This especially strong feeling about loss of United States' power and prestige and Panama in particular manifested itself in extreme criticism of the Bush administration's handling of the October 3, 1989 coup attempt in Panama. There has been considerable speculation that this criticism is what forced the Bush administration to invade on December 20, 1989.⁵⁹ Whether this is true or not will probably never be known. What is clear however is that Panama has a unique place in domestic politics

and these, in turn, have a large bearing on how the U.S. manages its affairs with Panama.

This strong domestic influence is not based on a widespread knowledge about Latin America in general and Panama in particular. The furor over the Panama Canal Treaty is but one example of this emotion without knowledge. Most statesmen and observers of Latin America, to include all of the Joint Chiefs of Staff of the United States, supported the new arrangement with Panama embodied in the treaty.⁶⁰ The public reaction and impassioned political debate over the treaty, which came within one vote of being defeated in the Senate, demonstrated the influence over United States actions that this powerful feeling about Panama has. The recent investment of American lives and prestige in the "liberation" of Panama will only heighten the value of the Canal in the emotions of Americans.

SUMMARY

The major challenges to United States interests that exist in Panama are those that threaten the world order and ideological interests. These interests are linked because world order interest, i.e. stability, depend to a great degree on democratic governments. While the United States has not always agreed that stability was necessarily associated with democratic governments, it appears to have shifted more toward this view in the later

years of the Reagan administration. As General Woerner said "... democratic countries make good neighbors," an idea that United States policy seems to have accepted.⁶¹

The threats to our ideological and world order interests in Panama are twofold. The most important one is the economic situation in Panama. These economic problems are the most severe threat to democratic government. Without structural reforms and stringent measures the Panamanian economy can not endure. However, these structural reforms and measures will most affect those parts of Panamanian society that are least able to cope and most suspicious of the new government, the poor and the labor groups. The next most important challenge to democracy is the weak democratic institutions and tradition in Panama, as well as the racism; class interests; and corruption that are part of Panama's society.

Threats to our economic and security interests are the next most serious challenge in Panama in the form of threats to the Canal. The Canal is important both militarily and economically to the United States. Additionally, it is important to the economies of many Latin American countries, and thus is important to our ideological and world order interests. The potential for insurgency and sabotage operations by Cuba or Nicaragua is present, but not likely in the short-term. After withdrawal of United States forces under provisions of the Panama Canal Treaty,

this threat may increase and become more important.

The other major challenge to United States interests is the one that drug-trafficking poses against world-order interests. The money-laundering operations that existed in Panama protected by banking secrecy laws are a direct challenge to the United States "War on Drugs."

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CHAPTER IV
THE CRISIS
A CHRONOLOGY

The crisis between the United States and Panama which culminated in Operation Just Cause in December 1989 began in the summer of 1987. At that time the former Chief of Staff of the Panama Defense Force, Colonel Diaz-Herrera, publicly charged that Noriega had personally ordered the execution of Hugo Spadafora and had participated in drug trafficking and money laundering for the drug cartels. Diaz-Herrera's revelations set off public protests against Noriega in Panama and the emergence of the National Civic Crusade (CCN) in opposition to Noriega. The United States suspended the economic and military assistance programs for Panama in response. Later in 1987, the United States sent Assistant Secretary of Defense Armitage to Panama to tell Noriega that he had to make changes in his dealings with the drug cartels and the human rights abuses. Whatever Noriega may have thought of this meeting, he made no changes.¹

In February 1988, General Noriega, nominally the head of the Panama Defense Force but in fact the actual leader of Panama was indicted by a U.S. grand jury for narcotics

trafficking and money laundering. This began a series of public statements and posturing both in the U.S. and Panama by President Reagan, U.S. Congressmen, and Noriega. On February 25th Panamanian President Delvalle announced that he was replacing Noriega as the leader of the Panama Defense Force (PDF) and naming his successor. Within hours of this announcement the Panama General Assembly met and deposed Delvalle and installed a Noriega crony, Solis-Palma, as President. The U.S. announced that it did not recognize Solis-Palma, and that it supported President Delvalle in his efforts to restore "... democratic government and civilian constitutional order."²

On March 1st President Delvalle issued a proclamation that directed all payments to the government of Panama be made directly to the Delvalle government. In implementing this the Panamanian Ambassador to the U.S., Juan Sosa, directed U.S. banks not to release Panamanian Government funds and to freeze those accounts. In addition President Delvalle requested that payments under the Panama Canal Treaty be paid into an escrow account in the U.S.³

On March 11th President Reagan announced suspension of trade preferences to Panama, the placing in escrow of those funds due to Panama that could be considered obligations to the

government of Panama, and that certain payments due from the Panama Canal Commission be placed in escrow. Additionally, the President directed increased effort against drug trafficking and money laundering in Panama by U.S. government agencies.⁴

The result of the actions by Presidents Delvalle and Reagan and the CCN's support of the strike was economic paralysis and a series of strikes and protests.⁵ In mid-March a coup led by middle level PDF officers was easily put down by Noriega. He responded with violence to the strikes and in reaction to the growing public and internal PDF opposition declared a state of emergency and began to take over all economic sectors and government functions.⁶ In April President Reagan declared a state of emergency and announced further restrictions of funds transfers to Panama and instructed U.S. businesses to pay all funds due the government of Panama into escrow accounts.⁷

The sanctions, which according to Elliott Abrams, Assistant Secretary of State for Inter-American Affairs, had Noriega "hanging on by his fingertips," were countered by Noriega.⁸ The Panamanian government used "creative financing," i.e. barter using checks, and Noriega used his own funds, presumably drug money, to pay the Panama Defense Force. Noriega and other officers in the PDF also took advantage of the situation by

buying out or buying controlling interests in legitimate businesses that were in financial straits.⁹ The U.S. economic sanctions prompted allies to help Noriega. Libya provided \$24 million to Noriega.¹⁰ Not only did twenty-two Latin American countries condemn the U.S. sanctions, but Mexico offered oil to Panama under very favorable credit terms.¹¹

The United States began secret negotiations with Noriega in April 1988, led by State Department representative Michael Kozak. The most important issue in these negotiations was the dropping of the indictments against Noriega. The Reagan administration apparently accepted the idea of dropping the indictments, but when the negotiations became public there was an outcry in the United States. The issue of dropping the indictments briefly became a part of the United States presidential campaign. The negotiations finally collapsed in May when Noriega refused to meet the United States' deadline.¹²

At this point the situation in Panama threatened to become a factor in the Presidential elections in the United States and according to Steve Ropp the Reagan administration moved to shut it down. "By July, the Reagan administration had succeeded in removing Noriega and Panama from the public agenda. Administration officials refused to grant interviews on the subject and the media quickly moved on to other issues."¹³

Also at this time the lack of a unified effort within the administration was becoming critical. The State Department prior to 1987 had supported Noriega, despite having knowledge of many of his illegal activities. This was primarily because of fear of the leftist leanings of his supposed successor, Diaz-Herrera.¹⁴ In 1987, under the leadership of Elliott Abrams, the State Department had moved to a hard line position against Noriega. The Defense Department did not believe that Abrams' approach was the correct one, nor that Noriega could be publicly pressured to make changes.¹⁵ The Central Intelligence Agency was still supporting Noriega because of his intelligence work for them as well as his support of the Contras.¹⁶ The Drug Enforcement Agency was supporting Noriega because of his anti-drug work for them.¹⁷ The indictment of Noriega by the Justice Department, uncoordinated with any of the other government agencies, and with only forty-eight hours notice, made these agencies positions untenable, but did nothing to achieve a coordinated position.

The disagreements between State and Defense were the sharpest. Proposals to involve United States military forces, in the form of the Southern Command (SOUTHCOM) in the covert political action brought sharp protest from Admiral Crowe, Chairman of the Joint Chiefs of Staff.¹⁸ In addition,

Secretary of Defense Carlucci publicly stated that the measures taken would only strengthen Noriega's determination to stay.¹⁹ Meanwhile the Commander in Chief of SOUTHCOM was denied permission to meet with Noriega, a meeting requested by Noriega.²⁰ A State Department representative explained that the opposition in the State Department to meetings by officials in Panama with Noriega was because Noriega was using these contacts with high level officials from other than the State Department as proof to his supporters that only the State Department was opposed to him.²¹

The net result of this disagreement over the objective of United States policy and the ways and means to achieve it, combined with the "non-issue" the crisis became during the presidential elections was to put the crisis on hold. The United States was left with only economic sanctions as the leverage to force Noriega out. Although the sanctions were doing severe damage to the Panamanian economy, Noriega had conquered most of the short range problems and assumed even more control under the emergency powers declaration. By this time Noriega had driven most of the opposition into exile and the repression by the PDF of the opposition was in full force.²²

The United States, after a delay caused by the change in administrations, determined that the May 1989 election in Panama was the best place to attack Noriega. They expected the

elections to be fraudulent and expected to be able to show this and remove Noriega's mantle of "nationalist" by showing this fraud. It was expected that by divorcing him from the Torrijos legacy in this way that he would lose support of the poor and labor who had been the mainstay of PDF support. As expected, observers proclaimed the elections had gone almost three to one against Noriega and he annulled the election and appointed one of his cronies to serve as President. The election process was also accompanied by violent attacks on the opposition, witnessed by the world on television. The administration immediately recalled the Ambassador to Panama and sent additional United States forces to Panama.²³

The United States then turned to the Organization of American States (OAS) to attempt to create international and, more particularly, regional pressure on Noriega to step down. These negotiations by the OAS were a failure. Noriega had no intention of stepping down and the OAS did not pursue the negotiations in a fully determined manner.²⁴

By the summer of 1989 the crisis was at a stalemate. Economic sanctions were in effect and OAS negotiations continued but very little was expected of either. The United States had continued to believe that internal opposition within the PDF was a viable way to remove Noriega. Announcements continued to

carefully distinguish between the opposition to Noriega and support of the PDF as an institution. In October 1989, the covert and public support of the PDF came to fruition in a coup led by a faction of PDF. The bungled attempt and the violent reaction by Noriega created extreme criticism of the President. The United States then moved to a more covert plan of support for the opposition and a coup by PDF officers. Unfortunately, this plan was immediately publicized. By November it appeared that there were no options to effect the removal of Noriega except use of military force.²⁵

On 20 December 1989 the United States; reacting to a declaration of war by Noriega; the killing of a United States serviceman and the beating and harassment of another United States serviceman and his wife; invaded Panama in Operation Just Cause. The operation was a military success which resulted in destruction of the PDF; establishment of the Endara government; eventual capture of Noriega; and overwhelming approval of the Panamanian and American people.

EFFECTS OF THE SANCTIONS

The effect of the economic sanctions was severe damage to the Panamanian economy and hardship among the Panamanian people.²⁶ Estimates vary as to the decline in the Gross

Domestic Product (GDP), but it was at least a seventeen percent drop in 1988 and probably twenty-two percent by 1989.²⁷ Unemployment estimates range from sixteen percent nationwide and twenty-one percent in Panama City by 1988 and up to twenty-five percent by 1989.²⁸ Estimates of the capital flight from the offshore banking industry vary and the best description is that most of the foreign capital fled Panama by the summer of 1989.²⁹

The hardest hit sectors of the economy were construction, down by seventy-eight percent and tourism where hotel occupancy fell to thirty-five percent by 1989. Imports declined by forty-four percent and exports by seventeen percent. By 1989 Panama was \$1.3 billion in arrears on service payments for \$4 billion in external debt and was suspended from further borrowing by the International Monetary Fund. Government revenue had dropped forty-five percent in 1988. The service sector represented the bulk of this drop as these were the suspended payments from Canal traffic and the trans-isthmian pipeline. By the summer of 1989 the amount held by the United States was \$300 million.³⁰

The Inter-American Development Bank's Economic and Social Progress in Latin American, 1989 Report estimated that the Panamanian budget deficit had grown to nine percent of GDP by

the end of 1988.³¹ In addition, government reserves fell to between \$500-700 million, down from \$1 billion in 1987 and 28,000 government jobs were eliminated as well as sharp salary cuts initiated for other workers.³²

The actions Noriega took, described earlier, of creative financing and raising of funds, as well as the assistance provided by Libya and Mexico prevented a total collapse of the economy. However, the State Department assessment in the fall of 1989 was that the economy had all but collapsed.

FAILURE OF OUR POLICY

In the hierarchy of elements of power the use of military force is the last resort. There are several reasons for the failure of United States policy to remove Noriega without the use of military force. The most important reason that United States policy failed in the crisis was its lack of coordination. Starting with the Justice Department's surprise indictment and continuing with the infighting over objectives, ways and means between the State Department, Department of Defense, Central Intelligence Agency and Drug Enforcement Agency a coordinated strategy was never formulated until the spring and summer of 1989. The impact of the crisis on the United States presidential campaign and the subsequent inaction from May 1988 through the

election followed by the very slow filling of appointments to State Department positions combined to make this lack of unified effort worse.

The next most important reason for failure of our policy was the misuse of economic sanctions to accomplish the removal of Noriega. From April 1988 to December 1989 the sanctions remained in place and as previously described were, for long periods of time, the only element of power being used. An extensive study of the history of economic sanctions by Huffbauer and Schott demonstrates that economic sanctions are ineffective at forcing major political changes.³³ Trying to force Noriega to commit political suicide by stepping down from power must rank as a major political change, and consequently the use of economic sanctions without concurrently using other elements of power was a futile step.

Although there are other reasons the policy failed, the last major reason was a misunderstanding of Noriega and the Panamanian people. Noriega proved to be a cunning and ruthless individual who did anything to remain in power. As Jeanne Kirkpatrick notes, Noriega was not a "... garden variety right-wing Latin military leader who would deal with anyone or anything - including drugs, guns and guerrillas."³⁴ Noriega attempted, and for a time was successful, in playing off the

different agencies of the United States government against each other. In addition, he instituted some innovative finance measures and a ruthless suppression of all opposition within Panama.

In addition, the United States misjudged the reactions of the Panamanian people and the very strong control over them the PDF had. Panamanians were united in their dislike of Noriega, but they were not united in their support of the opposition. Labor remained suspicious of joining in with the CCN throughout the entire crisis. The Panamanians were more willing to undergo economic hardship than to risk the wrath of the PDF and Dignity Battalions. Perhaps there would have come a day when the repression became intolerable and the people would have toppled Noriega, but that point had not come yet. One of the reasons the Panamanians had not reached that point was the continued threatening rhetoric of the United States which gave them the expectation that the United States was going to remove him.

OBJECTIVES OF JUST CAUSE

President Bush in his address to the nation on 20 December 1989, laid out four objectives for Operation Just Cause: "Safeguard the lives of Americans, defend democracy in Panama, combat drug trafficking and protect the integrity of the Panama

Canal Treaty."³⁵ General Colin Powell, Chairman of the Joint Chiefs of Staff, later described these objectives as: "protect Americans, protect the integrity of our treaty, restore democracy in Panama and bring to justice the fugitive Mr. Noriega."³⁶ Later news reports carried the four objectives as: "capture Noriega and return him to the United States on drug charges, protect the lives of the thirty-five thousand Americans in Panama, secure the Panama Canal, and restore the democratically elected government there."³⁷ These three versions capture the essence of the reasons for mounting Operation Just Cause.

The first objective of protecting American lives was a reference to the attacks on United States servicemen over the weekend of 15-17 December when one serviceman was killed and another beaten and his wife sexually threatened by PDF soldiers. It also referred to the large number of United States citizens who lived in Panama either in retirement or conducting business, as well as employees of the Panama Canal. There had been an intelligence report over that weekend that Noriega had a plan to take large numbers of American citizens hostage. It was certain, as George Shultz, former Secretary of State, said in an interview on MacNeil-Lehrer News Hour that Panama was a "special situation - we have citizens there as part of our treaty

obligation - the President had to protect them."³⁸ The invasion and subsequent occupation of Panama by United States forces clearly served to protect all United States citizens from Noriega and PDF.

The second objective, that of defending or restoring democracy in Panama, was obviously a broader and longer-range goal. As discussed elsewhere in this paper democracy did not exist in Panama and democratic institutions were very weak. The reference to restoring or installing the democratically elected government of President Endara has more validity as an objective.

If this was what the President meant then it was a worthwhile effort because it was clear in December 1989 that there was no chance for democracy as long as Noriega and the PDF remained in power. The objective of installing the Endara government is a continuing success of Operation Just Cause. The United States continues to support the Endara government with its police operations and rebuilding efforts.

The third objective, combatting drug-trafficking was in reference to bringing Noriega to trial as a part of the United States War on Drugs efforts. In that context Operation Just Cause was successful also. In the context of combatting active drug-trafficking in Panama the operation was not successful.

Analysts of the drug trade believe that during the last two years Noriega "... was too hot and nobody wanted to do business with him," and thus there have been no large-scale drug shipments through Panama.³⁸ They point out that Panama was principally important in the drug trade because a head of state was providing a haven for drug-traffickers and it was a center for money laundering, not because of extensive drug-manufacturing or trade there.⁴⁰ Additionally, these analysts believe that United States economic sanctions had already significantly reduced the money laundering activities, principally by causing large flights of off-shore banks and their capital.⁴¹ As a recent article said: "Panama's importance as a money-laundering center waned as drug-traffickers shifted their accounts to other offshore accounts in such places as the Cayman Islands, the Bahamas, Uruguay and Europe."⁴² Nevertheless, the Operation Just Cause and the capture of Noriega was an important symbolic blow in the War on Drugs.

The last objective, protecting the integrity of the Panama Canal treaty, refers to the provision in the Treaty which gives the United States the right to have bases and military forces in Panama until 1999. It also refers to the control of the Canal until then. What is not said is the concern felt in the

United States about the future of the Panama Canal after 1999 if Noriega and the PDF remained in power.

Noriega scrupulously avoided any direct threats or actions against the Canal because of fear of the United States invoking the Neutrality Treaty. Nevertheless, there was legitimate apprehension about how the Canal would be operated after the full turn over of the Canal in 1999 and the complete withdrawal of United States forces. While there is no certainty that the situation will not change before 1999; Operation Just Cause gave great promise that the Canal will continue its unfettered operation after 1999.

WEINBERGER DOCTRINE

Does Operation Just Cause represent "the best evidence yet that, fifteen years after the Vietnam War ended, Americans really have come together in recognition of the circumstances in which military intervention makes sense," as David Broder says? As Broder explains the "Weinberger Doctrine" was proposed in answer to pressures from the military for assurance that "... they would not be sent on any more missions impossible, missions implausible or missions unsuitable."⁴³ Weinberger proposed six criteria that should be met before military force was employed.

The first criteria is: "the United States should not commit forces to combat overseas unless the engagement... is deemed vital to our national interests..."⁴⁴ In his discussion of gauging the intensity of national interests Donald Neuchterlein defines a vital interest as one "... where probable serious harm to the security and well-being of the nation will result if strong measures, including military ones are not taken by the government within a short period of time..." Neuchterlein goes on to explain that a vital interest is one where the threats are "potential rather than imminent dangers....," and "therefore provide policy-makers with time to consult allies, bargain with the adversary... and engage in a show of military force..." Additionally: "In the final analysis, a vital interests is at stake when an issue becomes so important to a nation's well-being that its leadership will refuse to compromise beyond the point that it considers to be tolerable."⁴⁵

One could argue that there were no interests in Panama that were vital in terms of providing a threat of serious harm to the security and well-being of the nation. More pertinent, however, is whether the United States leadership felt that the issue was so important to the nation's well-being that it refused to

compromise further. In this context, based on the President's explanation of the reasons for Operation Just Cause it meets the first criteria.

The second and third criteria are related: If we decide to commit military forces "... we should do so wholeheartedly and with the clear intention of winning," and "... we should have clearly defined political and military objectives and we should know precisely how our forces can accomplish those objectives."⁴⁶ Operation Just Cause clearly met both of those criteria. Sufficient force to quickly overwhelm the PDF was employed and the objectives were clearly laid out. There was criticism of the operation for not anticipating the looting problem and the need for more civil affairs units for administration of the country. This criticism is valid, but this oversight should not detract from the bulk of the operation where objectives and forces were well matched and the execution was outstanding. The fourth objective is also a related one "... the objectives and forces must be consonant in scale..."⁴⁷ This was well done.

The fifth objective is more intangible. "...before the United States commits forces, there must be some reasonable assurance we will have the support of the American people and the elected representatives in Congress."⁴⁸ It is clear from the

overwhelming approval by the American public and the approving comments from Congressmen that this objective was met.

The sixth and last objective is that even if all the other objectives are met, "the commitment of United States forces to combat should be a last resort."⁴⁹ The failure of our previous policies to oust Noriega make this a contentious issue. It remains to be seen whether President Bush's motivation for the invasion was to redeem U.S. credibility because of the failed policies or whether it was his genuine belief that there was a vital issue at stake; there could be no more compromise; and thus he had no choice. This was the sentiment expressed by numerous congressmen, Democrat and Republican, in the immediate aftermath of the invasion.

There remains the question, does Operation Just Cause indicate that the United States can now identify when military intervention makes sense. Broder argues that it does. He says that we as a nation have clarified the issue. Others are not so sure. There have been many comments by Congressmen and other observers that make the point that Panama was unique and no lesson for the future can be drawn from it. Senator Sam Nunn (D-GA) pointed out that this operation does not resolve a "decade-long debate" over the conditions that must be present before

using military force. He also said that Operation Just Cause was launched "... to clean up what I believe was a period of years of flawed policy in Panama."⁵⁰ Others have expressed similar analyses of Operation Just Cause. The uniqueness of Panama in the mind of the American public, discussed elsewhere in this paper, argues that Operation Just Cause can not be taken as a good indicator of when to employ military force and as a validation of the Weinberger Doctrine.

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CHAPTER V

SPECIFIC NATIONAL OBJECTIVES IN PANAMA

Given the national interests, goals and objectives previously outlined and the major challenges to these interests described in the preceding chapters, the next step is to derive specific national objectives for the United States in Panama.

The primary objective for the United States is to assist the new government of Panama to rebuild and restructure its economy to allow future growth. Accomplishment of this objective will best meet the challenges to both world order and ideological interests. Democratic government will not be viable in Panama unless it can address the unemployment, underemployment and income distribution issues that exist. Panama's economy is also threatened by the large external debt burden. Additionally, the structural problems of high labor costs, the large public sector, low private investment and large dependency on the service sector must be resolved. Thus the first United States objective must be to assist in establishing a viable economy in Panama.

The next most important objective is to help the Panamanians establish a democratic government. This is truly a problem which

the Panamanians have to solve for themselves. The United States can provide advice and training where necessary and encouragement, but the building of respect for democratic values, respect for law, and the constitution and the other basic building blocks of a democracy can only come from within. The United States objective thus becomes one of supporting the establishment and growth of democratic government in Panama.

The next priority for the United States is to address the challenges to our security and economic interests. Primarily these deal with the continued unfettered operation of the Panama Canal. This is obviously a world order interest also. The protection of the Canal has two parts to it. First, is the physical protection from sabotage of the Canal. Since United States forces will remain in Panama for the next ten years this is not a major, near term problem. The Canals continued protection after 1999, however, is a serious concern that the United States must help the Panamanians address.

The second part of Canal protection has to do with its continued, non-political operation. The threat is primarily that of insurgencies which could either conduct direct military actions against the Canal or seize control of the government. This is also not a serious short-term problem because of United

States presence, but is one that has long-term implications for the survival of a democratic government.

The Panamanians are again the ones who must solve this problem. It is clear that some type of armed force capable of preventing sabotage and countering insurgent military operations is required. It is equally clear that a Panamanian armed force poses a political threat to democratic government in Panama. The United States objective must be to assure protection of the Panama Canal and assist the Panamanians in dealing with an insurgency. In doing this we would also accomplish a world order objective of excluding the Soviets and their clients from control or influence in Panama.

The last challenge the United States needs to meet in Panama is that against world order interests in the form of the illegal drug trade. The United States must eliminate the lucrative money-laundering trade that has thrived among the international banking industry in Panama. Although this necessarily has to be done by the Panamanians, it will require United States assistance and insistence. Thus, the fourth objective for the United States in Panama is elimination of drug-trafficking.

In accomplishing these four objectives the United States will also be accomplishing another, more general objective, of

promoting alliances. If these four objectives can be accomplished the alliance with the United States will be seen by Panama and the rest of Latin American as beneficial.

CHAPTER VI

CONCEPTS

ASSIST IN ESTABLISHING THE ECONOMY

One of the first steps in establishing a viable economy in Panama is assistance in repairing the damage done during the United States invasion either through battle damage or the looting which followed. The United States has already begun this assistance in the form of U.S. Army engineers who have begun clearing the rubble. Additionally, Panama has announced plans to rebuild this area and provide housing for the former residents. The assistance needed for businesses that were looted is capital to replace inventory and make repairs.

The next step, longer range and longer lasting, is to assist in planning and financing the structural reforms needed in the economy. It is clear that the large growth of the public sector, in the form of government agencies and businesses, that was financed through deficits and external debt has got to be corrected. One of the results of the United States economic sanctions was to cause loss of 28,000 government jobs, in addition to numerous ones in the private sector. This will make some of that restructuring easier.

More has to be done, without sacrificing the many real improvements made in public health, services and education.

The restructuring of the labor market by rescinding laws that protected jobs and promoted inflated wage scales was begun by Panama in 1984. This reform has to be completed in order to make the businesses in Panama efficient and competitive and thus more attractive for private investment. For a government that must extend itself to garner support from labor this reform is going to be difficult. The result in 1984 and 1986 when these reforms were tried was strong protests and strikes by labor groups.¹ An indication that there will be great difficulty in this restructuring is the recent protests against the dismissal of several hundred government workers. The National Council of Organized Workers (CONATO) issued a communique on 12 January 1990 explaining the protests. In this communique they condemn the U.S. invasion and lay out their version of what the priorities should be. These are: withdrawal of U.S. troops, U.S. government indemnify all who had family members killed or wounded and property destroyed in the invasion, to include the looting; the Panamanian government reorganize and purge the justice and labor sectors; the government respect labor laws and contracts with labor unions and workers' rights; cancellation of the government workers

dismissals; draft and implement a national development plan after agreement between government, private sectors and organized workers. They disapprove of the "massive and illegal" dismissals of public employees, and demand reinstatement. They also want abolition of laws passed in 1981 and 1986 that were part of the structural reforms demanded by the IMF and the World Bank.² Although the communique reveals the ties with Noriega and the PRD of CONATO it does express the genuine concerns of labor over loss of jobs and the lowering of wages that restructuring is going to bring.

Ropp described this conflict between the Crusade and Labor. He says the Crusade has a "procedural" view of democracy. They want an reorganization of the government along democratic forms, and "subordination of Defense forces to civilian authority and restoration of civil liberties." Labor feels that "procedural democracy has no real meaning apart from its economic content." Its demands focus on repeal of laws enacted by pressure from the IMF and World Bank.³

A much harder and longer lasting problem is that of stimulating growth in the industrial and agricultural sectors. As previously discussed this is necessary to diminish reliance on the service sector and its cyclical nature. Expansion of these two sectors is dependent on the success of the structural

reforms. If industry and agriculture can become efficient and therefore internationally competitive then growth will occur. After the reforms of 1986 Panama's agricultural sector grew 7.7 percent in 1987, demonstrating that it is possible for these sectors to improve.⁴ What is required is a structure which encourages private investment and innovation.

Canal traffic was not affected by the crisis with Noriega. The decline in Canal revenues is a result of the varying world economy.⁵ Finding ways to increase the profitability of the Canal remains a problem. The United States has already begun to assist by returning \$375 million of funds that were held in escrow. The tripartite commission that is studying ways to make the Canal more profitable may also have a large impact on raising revenues. The remainder of the service sector was deeply affected by United States economic sanctions and the resultant political instability.

The Colon Free Zone (CFZ) suffered sharp decline in revenues during 1987-1989.⁶ With the lifting of United States sanctions and the prospect of political stability the CFZ will probably resume its brisk trade. However, the CFZ will no longer have the large business in providing United States embargoed goods to Cuba and Nicaragua it had built up.⁷ It also is dependent on Latin American economies and needs to

diversify if it is to grow.

The international banking industry that had built up in Panama has collapsed. Observers think that a "... huge portion of international banking deposits has fled," and will not return.⁸ In addition, if banking secrecy laws are repealed or modified, the attraction of Panama as an international banking haven will disappear.

Another major problem for Panama and one where the United States can be of major assistance is the external debt. Panama had already fallen behind in its payments and was suspended from additional financing in early 1989. Refinancing and restructuring of the debt is a must if Panama's economy is to recover.

SUPPORT DEMOCRATIC GOVERNMENT

The United States must support and assist in the establishment of democratic government in Panama. The United States should not, however, become tied to the Endara government. First, the Endara government was elected in protest against Noriega. It still does not have the full support of labor. Second, the Endara government is going to have to enact some very stringent economic measures and reforms as discussed above and it is going to be very unpopular, very soon.

While the United States must assist the Endara government in its economic program and must support democratic government, the Endara coalition is not the only democratic faction in Panama. The United States must avoid becoming so committed to the Endara government that it supports it against other democratic factions. This would be a repetition of our mistakes in the past where we reinforced stability over democracy.

For some equally good reasons the Endara government should not seek to be identified with the United States. This will be extremely difficult since it is seen as having been put in power through the United States invasion and it must work with the United States if it hopes to restore order and its economy. There is the risk that there will be a backlash against the United States. The historic resentment against United States interference and domination of Panamanian affairs as well as the suffering caused by the economic sanctions and the destruction of the invasion provide sufficient reasons for this backlash. Currently, there is little or no resentment expressed.⁹ In fact, Archbishop McGrath has said that at least 90 percent of the population "supports the Endara Government and would vote for it if a plebiscite were held immediately."¹⁰ There are others, however, who believe that after the invasion

forces leave there will be more freedom felt to express resentment.¹¹ Archbishop McGrath commented on this also: "It is there and it will grow if the government does not turn into a Panamanian society again as soon as possible."¹²

The first priority in restoring democracy is to get the economy and the administration of government going again. The challenge is for the Endara government to demonstrate that government works and it works for the Panamanians. This restoration of the economy and government services such as traffic control, police functions, garbage pick-up, etc. is already occurring in Panama. The United States has already reduced its forces in Panama to pre-invasion levels. However, because of a lack of government structure the remaining U.S. forces are still very visibly involved in these operations. Unfortunately, the longer it takes for the Endara government to fully take over government functions the less confidence the Panamanian people will have in Endara's government.

Another major task in restoring democracy is for the Endara government to increase its support among labor groups and strong "nationalists." This broadening of support will require including these groups in the government.¹³ As a State Department representative put it, there "... would need to be a sharing of power," if the Endara coalition was to become a

viable political force.¹⁴ This is still true. Many Panamanians and foreign analysts say it is doubtful that the new government can maintain consensus for very long. They point out that the PLA and PDC parties are already "sniping" at each other.¹⁵ The military rule begun by Torrijos in 1968 sharply defined the struggle between the elite manipulative control of government for its economic benefit and the populist, labor-oriented military rule which benefitted the masses. Nationalist sentiment has been used as an issue by both sides. As long as ADOC and the Endara government are perceived as part of the white, elite faction and the labor groups and masses are suspicious of them there will not be a democratic government in Panama.

The emergence of the middle-class in the form of businessmen and professionals as a political force is the best hope for a democratic government. Their participation in the opposition to Noriega and the fact that they were not part of the oligarchy prior to 1968 puts them in a position to appeal to both factions. If they will continue their political participation and have a strong representation in the Endara government, its base of popular support will increase.

Another major task in creating democratic government is the establishment of a high moral tone and promotion of the ideals of social justice and economic opportunity. Elimination of racial

and class discrimination in the administration of laws and promotion of economic opportunity are policies that the Endara government must publicly pursue. Included in this is the formation of a new, corruption-free criminal justice system; a civil service system that is a meritocracy; and a professional police force. The Endara government must also publicly establish a policy of non-tolerance for corruption. These policies are critical to establishing faith in a constitutional, democratic system which in turn is critical to the preservation of a democratic government.

ASSURE PROTECTION OF THE PANAMA CANAL

The United States must assure protection of the Panama Canal. Prior to the crisis with Noriega it was the U.S. policy to do this with the formation of several well-trained PDF battalions who would assure defense of the Canal against all but a major invasion after the U.S. forces left in 1999. In the short-run the presence of United States forces and their active assistance in the Panamanian government will accomplish this objective. In the long-term, however, if there is no re-negotiation of the treaty, as has been suggested, then a decision must be made by the Panamanian government with U.S. concurrence on how to accomplish this objective. To do this the Panamanians

must have a force that is capable of preventing sabotage and defeating an insurgency.

Many Panamanians are opposed to having any armed force established. Robert Eisenmann, publisher of La Prensa represents that opinion. He believes that there are no credible threats, either external or insurgent that warrant the re-establishment of an armed forces.¹⁶ This resistance is an expression of the concern many Panamanians have that a military force will dominate any civilian government. Eisenmann's solution is for the United States to deal with any such threats, under the provisions of the Panama Canal Treaty.

Government control of the military is also part of the U.S. concern. As Gabriel Marcella, former International Affairs Advisor to CINC SOUTHCOM, put it: "Since 1968 when the military took power, civilian authority became subordinate to the military authority...." The new leaders must make "the military of Panama smaller, and controllable and accountable, by and to the civilians."¹⁷

The Endara government originally was moving towards designing a small force, well-trained and equipped that would be capable of preventing sabotage and defeating an insurgency. It is also designing the controls over that force to insure its subservience and loyalty to the civilian government.¹⁸ It has

now changed its ideas and intends to create a police force only. This will leave the United States to deal with any such threats, under the provisions of the Panama Canal Treaty, as Eisenmann suggests.

The argument against this idea is captured in a statement by Mark Ruhl, Professor of Political Science at Dickinson College: "We end up establishing a colonial relationship," "Over time there is increased anti-Americanism against Gringo troops enforcing law and order..."¹⁹ Although Professor Ruhl was speaking of what will happen while U.S. invasion forces remain in Panama, it applies if there is a re-negotiated treaty and the U.S. forces remain after 1999. The other alternative would be for the U.S. to withdraw its forces after 1999, but still keep the responsibility for defending the Canal. That is actually the situation we have now under the provisions of the Neutrality Treaty, but no one foresaw that Panama would have no forces to defend against any type of threat.

It is not in the United States interest to have to guarantee the Canal against all threats no matter what level. The international and domestic outcry against periodic United States military interventions in Panama would quickly reach a crescendo. The Bush administration and any further administration would not be willing to create the kind of political firestorm this would cause.

It may be that we will re-negotiate the treaty with Panama to have United States forces remain after 1999. What is most important is that the United States not impose a solution on Panama. If the Endara government does not rebuild an armed force then, given the importance of the Canal to the United States, it will be in our interests to remain in Panama. This flies in the face of the expected United States reduction of its military forces and will have an impact on the budget, so it will not be an easy decision to make. The United States needs to keep in mind, however, that one of the best ways to prevent an insurgency is to have a real democratic government in place in Panama. If Endara is forced by popular will to accept the idea of no armed forces then the United States ought to support that decision.

In accomplishing this objective of protecting the Canal the United States would also achieve a regional objective which is excluding the Soviets or their clients from control or influence in Panama.

ELIMINATE DRUG TRAFFICKING

The United States must eliminate drug-trafficking in Panama. Reports by DEA and other observers indicate that drug trafficking has left Panama. In fact, they believe that Panama

ceased to be used for major operations before Noriega's ouster because of the turmoil and instability. Whether true or not, the existence of the banking secrecy laws applicable to the international banks in Panama served for years to attract money for tax-haven and money-laundering purposes. The United States must insist that these secrecy laws be repealed or modified in ways that assure the banks are not being used for money laundering. This has been done, however enforcement of these laws will be the critical point.

In a limited way this has already happened. The Endara government has opened up bank records to the United States to help track Noriega's dealings and bank accounts.²⁰ The United States and Panama have also reached an agreement to cooperate against drug-trafficking.²¹

ALLIANCES

Although not a priority objective in Panama, the United States has an opportunity to further its alliance interest in Panama, by honoring the Panama Canal Treaty. One of the stated United States interests is to pursue alliances with other friendly nations. We have an alliance with Panama in the form of the Panama Canal Treaty. If we are to successfully pursue alliances with other friendly governments then we must be seen to be living up to our commitments. The proposal that the U.S. provide the defense of the Canal under the provisions of the

Neutrality Treaty by either remaining in Panama or sending forces each time there is a crisis is one guaranteed to prevent alliances with the rest of the Latin American nations.

The recent visit of Vice-President Quayle to Latin America reinforced this. The Latin American nations want U.S. invasion forces out of Panama before they will recognize the Endara government. They communicated this to the Vice-President who reluctantly said that some type of vote to 'further legitimize' the Endara government "might be needed."²²

If the U.S. and Panama re-negotiate the Panama Canal Treaty to provide for U.S. forces to remain after 1999 then in order to gain recognition for the Endara government and the new treaty there must be some type of vote.

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CHAPTER VII

RESOURCES

The United States has the resource potential to accomplish all of the concepts except those which the Panamanians must do for themselves, namely establish a democratic government. Overshadowing any discussion of the use of these resources however are three issues or trends.

First, the United States has historically paid attention to Latin America only during crises.¹ Panama will soon be "old news" and the fervor over the invasion and sympathy for the Panamanian people will soon fade. Whether the United States has the national will to continue assistance to Panama for the long haul is a serious question.

Second, the United States has historically been more involved and dedicated more resources to Europe than any other region. Europe has more impact on our national interests and therefore has priority over Latin America. Recent events in Eastern Europe have given the United States a large number of issues to be concerned about and devote resources to. Unless there is a major change in United States perceptions of its interests and its priorities then for the long-term Europe will retain priority.

Third, and more critical to any decision about resources, the United States is in a weak economic position. It does not have the resources to accomplish all of its international and domestic objectives. Given the first two issues, it is doubtful that the United States will be willing to make a long-term economic commitment of the size currently being discussed as necessary in Panama.²

MILITARY

The United States has already used its military forces to assist Panama. Removing Noriega and eliminating the PDF were pre-requisites for establishing a democratic government, economic recovery, protection of the Canal and elimination of drug-trafficking in Panama. United States forces are already involved in supporting and assisting the Endara government. Engineer units are in Panama clearing rubble and repairing damages. Military Police are performing the law enforcement functions in conjunction with a partially reconstructed police force. The United States forces continue to maintain law and order in the country side and care for the homeless.

The United States should train whatever armed force Panama decides on. This training should include inculcating the idea of subordination of the military to civilian rule as well as a

sense of stewardship to the nation. This is a treaty obligation as well as good sense.³ This training is already taking place in the form of training the Public Force as a police force.

The United States military should be very careful about other support it gives the Panamanian armed forces. The United States consistently, until it was too late, supported Noriega and the PDF because they represented stability. That was a major mistake and assisted the PDF to dominate the civilian government.

ECONOMIC

The United States must assist Panama in its economic recovery and growth. President Bush has already proposed a \$1 billion aid package for Panama. "The package includes grants and loans to promote economic development; new incentives for American investment in and trade with Panama; an emergency public works program; new housing to replace that damaged in the American invasion; funds to repair Panamanian businesses damaged in recent looting; funds to help Panama reduce its foreign debt, and a decree restoring the quota for American imports of Panamanian Sugar.⁴ This support is going to be expensive and long term.⁵ The United States has already assisted Panama in developing an economic recovery plan. This began with the visit of a team led by Deputy Secretary of State Lawrence Eagleburger

in January 1990. This team apparently arrived with a well developed plan which they have been working on for a long time.⁶ This assistance in planning is vital to Panama. Although Panama has numerous skilled people capable of developing a plan, United States cooperation implies economic assistance.

The structural reforms that Panama needs to make are well known. What is required however is a strategy for those reforms which includes United States and other nations assistance in implementing them so that they are politically palatable. The political upheaval that resulted in 1984 and 1986 when these reforms were tried indicates that acceptance of these reforms will not come easy.⁷ The United States can help in this issue with economic support in the form of direct loans, but primarily in the area of increased support for exports like the Caribbean Basin Initiatives, and relaxed sugar import quotas. The United States can also influence its own banks and the World Bank and International Monetary Fund on debt restructuring and refinancing. Part of the \$1 billion in aid was \$100 to \$150 million to help reduce the debt.

The United States can influence its allies particularly Japan, to make investments in Panama. The United States, Japan and Panama are already involved in a study to make the Panama

Canal more profitable. An extension of this initiative to involve Japan in the economic stability and viability of Panama would be of major assistance to Panama. The United States can try to encourage European assistance in Panama, but realistically Western Europe has its hands full with the economic concerns in Eastern Europe. The U.S. announced, as part of the aid proposal, that it will encourage Japan and west European countries to help Panama.

Alfredo Maduro, President of the Chamber of Commerce, Industry and Agriculture of Panama, has recently disclosed that talks are underway with representatives from the U.S., Asian countries, and soon with the EEC to request assistance. He also demanded that the U.S. assume responsibility for what happened in Panama because "... it has much to do with Noriega and his government and because it supported the 1984 elections fraud."

POLITICAL

There is little more the United States can do toward development of democratic government in Panama. Essentially we have taken the most important first step with the removal of Noriega. It is counter-productive for the United States to take any role in Panama's internal affairs. Probably the biggest

assistance we can render is to remember to be patient with the Endara government as they try to put some distance between themselves and the United States. The United States should continue to try to get the OAS to recognize the new government and get involved in supporting democracy in Panama.

SOCIO-PSYCHOLOGICAL

One of the most important things the United States must do is educate its citizens on the realities in Panama and Latin America. The domestic political influence over policy and the resulting impact on United States interests that was previously discussed make it clear that the public is not well informed about the region. The United States government needs to make an extraordinary effort to explain the changed situation in Latin America; the declining importance of the Panama Canal; and the realities of declining United States power and the need for allies in the region. If United States policy continues to be manipulated by jingoism instead of our real interests then both the U.S. and Panama will suffer.

ENDNOTES

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CHAPTER VIII

CONCLUSIONS

As this paper was being finalized news stories from Panama told of President Endara saying that there would be no re-negotiation of the Panama Canal Treaties during his administration; Vice President Ford saying that Panama's "national" economic plan would not be dictated by the IMF or the World Bank; the Papal Nuncio, Laboa, speaking out against the arrests of former PDF officials and PRD party members; stories of large numbers of crimes and President Endara refuting a New York Times article linking him to a bank with money-laundering ties. The point is this story is not over.

The objectives, concepts and resources presented in this paper are long-term in outlook. There will be much satisfaction and many disappointments in relations between the U.S. and Panama in the future. The important thing for the U.S. is to agree on a set of objectives and then gather bi-partisan support for them so that we can have a consistent long-term strategy in Panama. Eliminating the grand-standing which has accompanied domestic politics is also a worthwhile goal, but is not likely to happen.

Panamanians have a chance for democracy and economic growth for the first time in twenty years, the United States must help them without exploiting the situation.

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