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**NATION BUILDING/NATION DEVELOPMENT -  
THE EFFECTS OF THE INFRASTRUCTURE REBUILDING  
PROGRAM IN PANAMA**

BY

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NATION BUILDING/NATION DEVELOPMENT - THE EFFECTS OF  
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## ABSTRACT

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The United States commits many troops, and resources each year to the Humanitarian and Civic Assistance Program to the far reaches of the globe. In the SOUTHCOM area of operations alone, 10,785 reserve and national guard engineers devoted to a subset program, infrastructure rebuilding, deployed to 12 different countries in 1995. These soldiers performed 129 projects using over \$2.3 million in materials. The military seeks to enhance the training readiness of the individuals and units involved in these exercises while at the same time furthering the interests of the United States in the countries impacted. This paper explores the question: Are the efforts to rebuild and improve the infrastructure in target nations achieving the desired results within both those countries and the United States military? To bring focus and depth to these issues this paper examines the United States efforts in Panama since 1989.

## INTRODUCTION

The United States commits many troops each year to locations around the globe in support of the Humanitarian and Civic Assistance (HAC) Program. In the SOUTHCOM area of operations alone, during Fiscal Year 1995, in addition to the work of the active duty personnel stationed on site, approximately 10,785 reserve and National Guard engineers deployed to Latin America. These engineers performed 129 separate nation building or nation development projects using over \$2.3 million in materials and impacting 12 different countries in the region.<sup>1</sup>

The orientation of these efforts are two fold. First, the military seeks to enhance the training readiness of the individuals and units involved in the exercises. Second, the military supports the interests of the United States in each country where operations are conducted.

In 1991 the author participated in one such exercise, deploying into the interior of Panama with 50 Air National Guard engineers to repair schools, roads, and children's dormitories. The experience was very satisfying professionally, but the unit did encounter problems that indicated the existence of an underlying friction with some of the local populace. Enough tension was evident to lend credence to the idea that military forces may reach a point of diminishing returns with regards to the productiveness of its civilian interactions.<sup>2</sup>

The purpose of this paper is to explore the question: Are the efforts to rebuild and improve the infrastructure in target countries achieving the desired results within both those

countries and the United States military? To bring focus and depth to these issues, this paper will develop United States directed efforts in Panama since the "Just Cause" operation in December of 1989.

The task set before this paper is to correctly interpret or measure intangible, at times seemingly unconnected results, against a yardstick that consists to a large degree of political, not well defined objectives. The process of implementing United States policy has been quite bumpy, and fraught with errors. However there is ample evidence to validate the theme proposition that the nation building, or nation developing efforts of the United States have made positive strides towards supporting the United States interests in Panama. The general state of military training readiness of participating units has also been enhanced by these efforts.

To investigate the question proposed in the purpose statement, this paper will first develop the background, or country setting, for nation building activities in Panama to include United States interests. Next the various objectives for the expenditure of resources will be examined along with the scope of the efforts used to achieve them. Then the dilemma of trying to objectively measure the impact of United States actions will be addressed, using available tools. These instruments include economic and social indicators, polls, and after action reports. Lastly the argument of diminishing returns in military to civilian relationships will be explored in the context of the

unfolding events in Panama.

### **BACKGROUND**

The United States has a long and intimate relationship with Panama. In 1903 President Roosevelt orchestrated a revolt against Colombia to help establish an independent country, Panama. The United States then used this opportunity to negotiate favorable terms for the construction of an inter-ocean canal. A strip of land on either side of the canal was granted to the United States in perpetuity. This strip of land not only divided Panama in half, but also became an idyllic community. Here the Panamanians were clearly able to see the wealth of the United States, but quickly found that they could never fully partake of perceived riches.

Although the Panamanians did not receive direct payment from the ship tolls collected after the Canal was completed, indirectly the economy benefited greatly through the service support jobs generated by the new waterway. There were also several spin off economic opportunities generated from being a funneling point for world commerce. It is not surprising that as Panama's sense of identity grew through the years, the Canal and the United States territorial land surrounding it became a friction point.

In 1977 President Carter negotiated with the Panamanian dictator Omar Torrijos to turn the Canal operation over to the Panamanians, and abandon all military bases by the year 2000. At times the United States had over 10,000 troops from all services

stationed in Panama.<sup>3</sup> Headquarters Southern Command was in Panama, as well as the Jungle Training School. The ease of access and central location of the country has made it very useful as a staging and jumping off center for any operations in Latin America.

Panama's economy has grown to be service based, rather than dependent on manufacturing, and agriculture. About 9,000 people are employed in support of the canal.<sup>4</sup> Another 16,000 people work in support of the United States military bases. Today this represents \$330 million, or about eight percent of the Gross National Product.<sup>5</sup> Other major service focused industries include a large banking center, the Colon Free Trade Zone, the Transisthmian Pipeline and Ships Registry.<sup>6</sup>

Panama also ranks with El Salvador in Central America for the most unequal disparity between the richest and the poorest. The poorest 20 percent of the population received a striking 23 times less average income than the richest 20 percent.<sup>7</sup> Currently unemployment is running around 13 percent, but with a shortage of skilled workers.<sup>8</sup>

Panama is slightly larger than South Carolina, with a population of about 2.7 million. Seventy percent of the population is mestizo of Indian and European ancestry. The overwhelming segment of the population is literate, about ninety percent.<sup>9</sup>

The importance of United States interests in Panama has diminished somewhat over the years. During World War II the

Canal was vital to the United States. Over 125,000 troops were able to be quickly transported through the Canal from the Atlantic to the Pacific Theater after the fall of Germany.<sup>10</sup> Now only 13.4 percent of United States shipping trade goes through the Canal. All together about four percent of the world's water borne trade transits this waterway.<sup>11</sup> The efficient and secure operation of the Canal, once vital, has now fallen to the level of an important strategic interest to the United States. In Panama the overriding interest of the United States is for the maintenance of a free and democratic government with a stable government and economy.<sup>12</sup>

The Panamanian security forces should be supportive of the elected government and uphold the standards of democracy. These standards include a healthy respect for human rights. As a stable democracy the government should assist where possible in the eradication of narcotic drug trafficking. The illicit drug trade tends to destabilize democracies through the spread of corruption, and the emergence of a false economy. The general promotion of democracy as a United States interest is in accordance with national policy for all of the Latin American countries.<sup>13</sup> But in the 1980's, despite having the greatest concentration of United States troops in all of South America Panama was characterized as a traditional dictatorship.<sup>14</sup>

Omar Torrijos's successor, Manuel Noreiga, came into power in the early 1980s. Though initially liked, and supported by the United States, he turned his position of power to his own

advantage. He engaged in narco-trafficking, built up his military forces, suppressed democracy and generally became an embarrassment as the leader of a country where there was such a significant United States presence.

The United States tried to unseat Noriega through encouraging a change of leadership, and initiating a tight set of economic sanctions. All to no avail. After the death of a United States service member and harassment of other citizens the United States mounted a full scale invasion of the country in a military operation coined, "Just Cause".

Immediately following the conflict, the formal government apparatus of Panama collapsed. Twenty four United States servicemen, and over 500 Panamanians were killed.<sup>15</sup> There were three main problems facing the Panamanians. 1) Massive looting had caused an estimated one to two billion dollars in losses to both the private and public sectors. 2) The new government was hollow, many of the public employees were looters themselves and trained in a very corrupt system. 3) The treasury was empty and the country's social structure was decaying.<sup>16</sup>

Many varied problems and tasks now confronted the United States. Among the most pressing was the need to foster public support for the new Panamanian leadership. One of the original brain storming ideas was to immediately start military engineers working throughout the country performing maintenance on the long neglected infrastructure. It was hoped that the ensuing activity would demonstrate to the Panamanian people that their government

was functioning and in control, while at the same time correcting lingering infrastructure problems.

In the near term, infrastructure repair would target health clinics, schools, and existing farm to market roads. The larger, long term picture envisioned the repair of railroads, ports, utilities, and the agricultural base.<sup>17</sup>

The author participated in one of the earlier exercises, deploying into the interior of Panama with Air National Guard engineers to repair schools, roads, and children's dormitories. Although the squadron received much affirmation from a portion of the populace, there were several work related challenges, and military to civilian oriented problems. This personal experience at a grass roots level, raised a question as to the overall effectiveness of the program at the strategic level.

To begin with, there was a general shortage of materials and funding for the assigned projects. In several instances the squadron had to make due with what was available or buy items out of personal funds to get the project moving. In remote areas, the squadron had to often settle for making the construction workable, rather than receiving a professional touch. For instance, the squadron plumber was able to coach all the old fixtures into working, but his report stated that all the piping should be replaced for any hope of a long term fix. Where doors were eaten away by termites, new doors were fashioned out of material at hand, since money was not available for new ones. They were rough looking, but useable.

The people were extremely glad to have the squadron there for the most part, but there were a couple of friction points. The community leaders felt that working on the schools was a good idea, but the priorities were not what would have been most beneficial for the area. At one site the squadron was installing new windows when the main concern of the people was the lack of a well for the children to draw water from during the school day.

One of the most influential local leaders made it plain to the leaders in the squadron that providing a good road network was the community's most important priority for the future. With a usable road system, the local populace would be able to cheaply transport their goods to market, or commute to where the better jobs are located. The people of the village would also be in a position to offer outside developers a chance to take advantage of their labor force and location.

A final area of concern during this deployment was the sense of underlying tension in the air. This was attributed to the presence of military troops causing friction with the machismo mind set of the males in the community. The squadron leadership took notice that some of the local women became very friendly with the men in the hopes of perhaps finding a relationship that would enable them to escape their circumstances.

At night, by way of harassment, some stones were thrown over the wall of the compound where the unit was lodged. Some of the soldiers were denied service at a local restaurant. Also some of the men of the village would meet together at night in gatherings

that were the cause of some concern for the local police force.

Now over four years later, the United States is still on track to leave Panama on the last day of 1999. The Panamanian Government has matured to the point that it has made an offer to become the Multilateral Center for the Fight Against Drug Trafficking, and other related crimes.<sup>18</sup> President Perez Balladares has also initiated overtures to the Organization of American States with a proposal to use the country as the regional headquarters.<sup>19</sup>

When approached by President Clinton in September 1995, the Panamanian President further agreed to take up discussions concerning a United States military presence in Panama after 1999.<sup>20</sup> While all of these activities are encouraging, do they reflect that the foreign policy objectives for the country are being met, or are they an aberration that can be attributed to other social factors?

#### **MAIN BODY**

"If the objective is clear and obtainable, then the first strategic battle has been won."<sup>21</sup> The United States Military Support Group, activated by SOUTHCOM after Just Cause had this objective as part of it's mandate. "Conduct nation building operations to ensure democracy, internationally recognized standards of justice and professional public services are established and institutionalized in Panama."<sup>22</sup> This task is a subset of the overall objective outlined by President Bush, which was to reestablish a stable democracy in Panama.<sup>23</sup>

From a strictly military viewpoint the United States hoped to improve the ability of the armed forces to plan for, and deploy personnel and equipment, train for skills within their mission essential task list, conduct civic assistance, and military operations other than war, and redeploy. The primary objective has been to improve the training skills and abilities of service men and women in austere overseas environments.<sup>24</sup>

Unfortunately there are definition problems with the meaning of democracy, and nation building.<sup>25</sup> A true end state for Panama has not been defined. This has paved the way for an open ended effort in terms of time and resources.<sup>26</sup> How can the personnel implementing policy recognize the terrain once they achieve a stable democracy?

"At no point during the 30 month crisis did Washington apply a coherent and attainable strategic vision...It became a strategy of unlimited objectives with limited means."<sup>27</sup> President Endara, the first President of Panama after Just Cause, said early in the program that he felt that the United States did not have a specific plan to help them in establishing a democracy.<sup>28</sup>

Contrary to this perception, the United States military had developed a loose, three phase strategy for nation building focused on security, political and economic development. In the first phase the plan was to consolidate democracy. This would be achieved through establishing a police force, providing community development with the involvement of the Peace Corps and granting small business loans. United States military exercises would be

conducted in coordination with the needs of local authorities. Aid packages would be organized to jump start the economy, and high priority infrastructure repairs completed. Phase two would consolidate earlier gains, concentrating on the professionalism of the Panamanian security force. In the third phase the plan discusses sustaining government institutions through establishing partnership relationships after the year 2000.<sup>29</sup>

In the above strategy the overall country objective, calling for reestablishing a stable democracy was very broad with a nation building plan that engaged several different players and contained several undefined pieces. Reconstruction of the infrastructure, although a major task, was just a part of the puzzle. The State Department United States Agency for International Development (USAID) was assigned the lead for infrastructure repair, even though the agency itself had only a barely visible presence in Panama in 1990 immediately following Just Cause.<sup>30</sup>

The USAID, when it did arrive in force, brought its own set of prioritized goals to support the President's overall objective of reestablishing a stable democracy. Their plan called for rehousing the homeless, stimulating and supporting economic reforms, and supporting the private sector recovery. They at the same time wanted to help rebuild the public infrastructure, assist with Panama's international banking, and establish civilian controlled public forces. The USAID, even further, saw the need to strengthen the Government of Panama's justice

administration, which was in shambles, and support the Coast Guard's effort to establish counter narcotics operations. A general theme in the USAID's plan was the promotion of professionalism coupled with respect for human rights throughout the public sector.<sup>31</sup>

When compared with the military plan, although there is some healthy overlap, the USAID plan goes much deeper into the heart of what enables a government to function effectively. Still the USAID plan does not adequately define an end state. Therefore the agency faces the same dilemma of having to achieve unlimited objectives, with limited resources.

For the past six years the United States military and USAID have worked together, although not always smoothly. The Government Accounting Office cited the military for not coordinating all of the country projects with the State Department in violation of Title 10. They also felt that some projects might not be in the best interest of the local population or in alignment with United States goals for the country.<sup>32</sup> This could easily be resolved by the SOUTHCOM Command Commander in Chief and the country team agreeing to consult on each project.<sup>33</sup>

The scope of the military efforts in Panama since 1990, just for infrastructure repair and construction has been enormous. Over a six year period approximately 25,500 National Guard and Reservist engineers have deployed on annual training to join about 2,000 active duty troops in providing nation building

support to Panama. Major pieces of infrastructure repaired or constructed include 310 schools, 94 clinics, 425 kilometers of road, 16 foot bridges, 35 road bridges, 116 wells, and 233 water pump installations.<sup>34</sup>

Some other specialty items were also accomplished. One airport had some repairs completed. One prison, a sea wall, a communications center, a landfill, and one complete water system were constructed. Also three streams were diverted, three sewer systems installed, three port docks repaired, and two landslides cleared.<sup>35</sup> All together the numbers are impressive. The 425 kilometers of road work represents five percent of all roads in Panama, but it is apparent that there is much left to accomplish. There remains over 8,000 kilometers of road, 238 kilometers of railroad, 112 airports or strips,<sup>36</sup> and 577 medical centers.<sup>37</sup> The magnitude of the infrastructure nation building task is staggering.

The United States armed forces did not keep records of the total costs involved in providing military assistance to Panama. The General Accounting Office cited the Commander of SOUTHCOM for this failure.<sup>38</sup> The military position is that the cost of military transportation, and salaries of the soldiers are a sunk training cost and therefore only the project consumables are relevant.<sup>39</sup> But to truly evaluate the impact of a nation building program, these items of expense must be taken into account. These resources represent an opportunity cost that the United States could choose to direct elsewhere.

To accurately and fairly evaluate alternatives, at the strategic level all costs need to be presented to the decision makers. Considering the transportation of the troops and their salaries, along with consumable materials, wear and tear on machinery, and support resources, the author estimates<sup>40</sup> that the nation building infrastructure expenses over the six year period from 1990 - 1995 would conservatively be in the neighborhood \$100 million.<sup>41</sup>

Concurrently with this effort, the USAID has proceeded to implement their own strategy. To accomplish their objectives Congress has given USAID the lion's share of the funding resources, \$1.08 billion in grants and credits. To date about 95 percent of the grant money, \$469 million, and 40 percent of the credit money, 251 million has been disbursed to small businesses. USAID, through contracts totalling \$23 million, repaired 611 apartments and constructed another 2113 homes and apartments damaged in the Just Cause fighting. Public services were reactivated using \$5.2 million and 5,300 jobs were created using \$7.5 million. In 1990 only Israel and Egypt received more aid.<sup>42</sup>

The rest of the money was spent in a wide variety of ways. One hundred and thirty public sector employees were trained in economics. USAID assisted in implementing the Free Competition Law, establishing far reaching changes to the legal code and modernized the legal code. Computers were purchased for the Panamanian Government, a \$25 million environmental trust fund was established and a Canal Watershed Area study finalized. A

government budget formulation model was also printed, and 9,000 officials trained in its use.<sup>43</sup>

Strictly on infrastructure projects, USAID spent a total of \$38.3 million, out of its billion plus allotment. They also provided the United States military \$15 million for support to the total range of humanitarian missions, including infrastructure project consumables.<sup>44</sup>

Although the military services brought no visible dollar resources to the infrastructure, nation building effort, they actually expended more than twice the USAID amount. Remember also that the USAID had to spend \$23 million of their reported budget just to make restitution for the Just Cause battle damage to private property. There are two dilemmas that now face any analysis of the effectiveness of the nation building effort.

First, how to measure the impact, and second, how are the affects of infrastructure rebuilding separated from the myriad of other aid that is being given to the country? Also some of these projects are time sensitive. Opening a road to market is just the beginning of the process. It will take years before the full economic impact of such a project like this will be fully realized. The process of securing a democracy is a long term proposition. It may take 40 to 50 years of focused effort.<sup>45</sup> It is apparent that before something can be measured the scale must be determined.

Therefore the objectives must be reworked to contain wording that allows for measurement and closure. Instead of the open

ended objective of reestablishing a stable democracy, the standard could be redefined to read, reestablish "democratic legitimacy"<sup>46</sup> in Panama. This will be evaluated by the degree of popular support for the elected government, and the perception that corruption within the government has been reduced to an acceptable level. The general acknowledgement of the government's ability to govern could be gauged through attitudes in the international community. Also there should be tangible evidence that viable alternatives to political violence are being made available.<sup>47</sup>

The tools for measuring the United States progress in nation building can then be found in three areas. These areas are generally accepted national economic indicators, quality of life standards and opinion polls. The chief economic indicator is the Gross Domestic Product. The recovery in Panama started in mid 1990, and has averaged a steady growth averaging 6.6 percent. Inflation has remained less than two percent throughout this period. Panama's banking center also showed an increase in deposits to 17 billion dollars. This exhibits an increased confidence in the banking center. Unemployment, while still unacceptable is down to around thirteen percent. The level of trade has also doubled from 1989 to a current \$2.8 billion.<sup>48</sup> All of these indicators point strongly to the fact that positive things are happening within the Panamanian economy. Since the 1990 start point was a totally collapsed government, it is safe to assume that a good portion of the positive activity now is a

result of United States nation building actions.

Several quality of life measurements are also showing an improvement.<sup>49</sup> Since 1989 the average life expectancy has increased over a 1,000 days to 75.2 years. The infant mortality rate has dropped over half a point to 1.58 percent and the literacy measurement is up a full point to 89 percent.<sup>50</sup> Fixing the infrastructure problem indirectly impacts all of these areas. When schools are made more livable, clinics are repaired, or sewage and water systems are upgraded to a healthy level the people are affected in a positive way. But these affects are hard to separate from those caused by a very active United States medical humanitarian assistance program also functioning during this time period. In 1995 alone, over 21,000 patients were treated by United States medical teams.<sup>51</sup>

As the last but not least measurement tool, public opinion polls can be a good way to determine the perceived affect of United States policies on a county's government. A survey was taken in May of 1995. The answers to the questions in that survey indicated that 75 percent of the Panamanians felt that some form of United States presence was desirable after the year 2000.<sup>52</sup> This is positive news, but there is a large potential for this message to be misinterpreted. The wording of the survey question does not really allow for gathering solid information concerning the achievement of United States objectives.

In six short years the Panamanians have come a long way in changing their attitude concerning toleration of the United

States military. This was a country that essentially was invaded, and its government neutralized, yet the population would appear to be ready to accept an ongoing United States military presence. Is this toleration a result of an active nation building program, or can it just be interpreted that passions have cooled sufficiently over time? This enables the average Panamanian to realize the enormous potential impact that the loss of upwards of 16,000 jobs and \$330 million generated by the United States bases will have on his economy.<sup>53</sup>

If the United States objective remains for the Panamanians to achieve a stable democracy, this particular poll question does not give us any specific insights. In fact a similar question was asked in December of 1995 with the added proviso that the United States would not have to pay to lease any facilities they were allowed to occupy after the year 2000. Significantly less people, approximately 50 percent of the Panamanians surveyed, would agree to a continued United States military presence under those conditions.<sup>54</sup>

Of greater interest is a secondary question asked in the May 1995 survey. This question asked if the Panamanians had any faith in the country having the capacity to absorb the lost jobs when the United States bases closed. Seventy percent of the Panamanians responded that they did not think that the jobs could be absorbed into the economy.<sup>55</sup> This perception is in effect a vote of no confidence in the Panamanian Government. The populace does not have the confidence that their government can

maintain a strong economy without a United States military presence. It is a further indication that the government of Panama has not yet developed past the stage where it can be considered other than very fragile.

The impact that the infrastructure nation building has had on the United States forces involved is much easier to gage. After action reports relate very positive stories about soldiers gaining valuable field experience. These experiences translate into lessons learned that will save lives in actual war situations. The lessons learned from realistic, nation building exercises may very well spell the difference between mission success or failure in a wartime situation.

In Fuertes Caminos 1995, 3,145 soldiers were trained. Junior leaders at all levels learned how to operate their assigned equipment and lead under austere conditions while in a totally unfamiliar environment. Helicopter pilots gained valuable, realistic experience flying while logging about 530 flight hours. Material developers also took advantage of the exercise to test the TROPOSCATTER communications system on a long term deployment. Contracts personnel also were able to hone their skills through procuring 1.4 million dollars in goods and services from the local economy. A total of 140 separate contracts were initiated.<sup>56</sup> These facts speak volumes.

In the Northern Central American Region during Fuertes Caminos 1995 another staff officer related lessons learned from setting up a cantonment area under primitive conditions. The

officer makes insightful comments on the utility of the various pieces of support equipment, the value of liaison officers, the handling of hazardous material in field conditions, and the relative value of specialized material handling equipment.<sup>57</sup> The value of this experiential learning probably should not be reduced to a price tag. These experiences are extremely hard to duplicate in a sterile domestic training environment.

A General Accounting Office report accused the military involved in infrastructure rebuilding of not training in all the mission essential task list, and of doing inferior work. The auditors who completed this report apparently missed the fact that they were auditing training exercises.<sup>58</sup> Combat construction engineers are not meant to be finished carpenters.

These are some of the questions that the auditors should have asked. Did the deploying soldiers overcome the environment, the faulty supply system, the lack of having enough of the proper skilled people on hand to get the job done? Was the product complete and usable? When faced with a tough problem did the organization function as a cohesive unit to solve it? If the job was not done properly, did the soldiers learn from their work? Was the project acceptable in the end for the targeted group? Are the soldiers who participated in the training better able to complete their wartime mission as a result of their experiences? The after action reports definitely answer this last question with a resounding yes!

Given that the training involved is of value to the United

States military, another question begs to be addressed. Is the military the right instrument of power to continue the infrastructure rebuilding for this particular country? The size of the job ahead is staggering. Six years and 100 million dollars worth of effort have seen the completion of less than five percent of the required work.<sup>59</sup>

Historically the military has been used best in a short term situation. Stabilizing a democracy is definitely a long term proposition. The kernels of some of the United States military's past mistakes in other parts of the world can be found in Panama. These mistakes as enumerated earlier include a shortage of resources to do the job properly, unclear objectives, and lack of a definable, end state strategy.<sup>60</sup>

Immediately following Just Cause, the military was the obvious "best" answer for helping to instill confidence in the Panamanian Government. The military forces were already on the spot and the immediate costs were apparently acceptable. The military also possessed the right organization to mobilize the required nation building skills quickly, plus logistically support the effort. Now six years later, are the military forces suitable for the long term strategic objective? Are the continued costs acceptable? Is the military the correct instrument to continue nation building in Panama at this stage in the development of their fragile democracy?<sup>61</sup>

These questions are pertinent for today's situation. According to the polls, the military has successfully turned

around the negative image of a conquering invader. This has occurred to such a degree that the majority of the Panamanian people are willing to have a United States presence in their country after 2000 as seen in the May 1995 survey.<sup>62</sup> But use of the military for humanitarian missions over extended periods sends a mixed message that could possibly have been picked up in a second survey conducted in December of 1995. In this survey only 50 percent wanted a military presence to continue if the United States would not pay leasing fees. On the one side of military aid there is the open hand that extends assistance, but there also exists subliminally the closed fist, ready to strike at any sign of trouble.<sup>63</sup>

In the United States military, units are restricted by laws which only allow them to do a very limited amount of construction within the local economy. The reason for this is that it really helps the community out in the long run to contract this work to local businessmen. This way the dollar has a larger multiplier effect for the community, the economic foundation is broadened, and new skills are learned or strengthened all the way from the grunt laborers to management. This principle should also work if applied in Panama.

History tells us that military presence and activity reaches a point of diminishing returns. Consider Panama in 1989, controlled by a dictator despite the heaviest concentration of United States military forces in all of Latin America.<sup>64</sup> There is a message here. What is the best long term plan for the defense

of the Canal, a strong United States military nation building program, or a stable democratic country?<sup>65</sup> The answer simply goes back to what the United States determined was its most important interest for Panama, stabilization of democracy.<sup>66</sup>

The Panamanians are worried about two issues. They have a perceived physical threat to them by at least one of their Central American neighbors.<sup>67</sup> Panama has been without a national military force since operation Just Cause. Also in this regard, the flow of narcotics across the Panamanian borders has doubled since 1989.<sup>68</sup> Their second worry is that the United States will decide to militarily secure the Canal.<sup>69</sup> From their viewpoint this is invading their country. In the future, military led nation building projects will probably be most effective when oriented in such a manner as to combat these fears.

#### **CONCLUSIONS AND RECOMMENDATIONS**

The main objective for the nation building program, reestablishing a stable democracy whose umbrella includes the fixing of the infrastructure in Panama, is open ended. This leads to the phenomenon of trying to accomplish an unlimited objective with limited resources.<sup>70</sup> Once again the infrastructure rebuilding effort is just a subset program in support of a large overall program funded with over one billion dollars and administered by USAID.<sup>71</sup>

Including, transportation and salaries, the author estimates from deployment reports that the United States military has expended approximately 100 million dollars on infrastructure

rebuilding in Panama since 1989.<sup>72</sup> So far less than five percent of the infrastructure has been affected.<sup>73</sup>

The overall result of the nation building effort has been very positive. The United States military has regained a level of acceptance or tolerance with the Panamanians. The general quality of life indicators show a positive trend for the country. The gross domestic product has been experiencing a steady growth. Other economic indicators are also showing positive signs, such as inflation held to less than two percent and unemployment down to thirteen percent.<sup>74</sup>

Nation building, in particular activity that involves the fixing of country infrastructure, has been a valuable training tool for all the military units involved in the process. After action reports concerning deployment experiences are a written testimony to this fact.<sup>75</sup> But the reestablishment of a stable democracy is a long term proposition. Only 6 years into it the process, the Panamanian democracy is still very much in a fragile condition. Military intervention could be reaching an inevitable point of diminishing returns in the democratization process. The natural friction of United States military presence may be starting to negate the recent positive gains. Some evidence of this is reflected in the Panamanian opinion polls concerning the desirability of a United States military foot print in Panama after the year 2000. Despite the huge economic impact of United States bases through generation of Panamanian job opportunities and cash influx, opinion polls surveys continue to fluctuate

depending upon different base leasing conditions.<sup>76</sup>

The Panamanians still have a very real fear of another United States intervention to militarily secure the Canal. They also are anxious for the security of their borders from neighbors and narco-trafficking.<sup>77</sup> In order to be most effective the United States should first push to have a redefinition of its overall objectives in Panama. The new objectives should describe an end state that is measurable, and achievable.<sup>78</sup> The United States military should then reorient its infrastructure related projects to address the Panamanian fears directly. Such projects might include constructing training center classrooms, or government communications centers in support of drug enforcement.

The reorientation of priorities will most probably reduce the amount of military work projects in populated areas. The United States should at the same time continue to press forward with the general military HCA program in countries where military presence meets the feasibility, acceptability, and suitability criteria.<sup>79</sup> The military internal benefits in terms of realistic training are enormous.

The fostering and nurturing of democracies is a complex task, exacerbated by challenging problems. But in the long run, it is better for regional security to have a stable democratic country, then to have the constant resource drain of continuing military intervention.<sup>80</sup> And let us never forget the prospective of the country we are helping. As one of the leading papers in Panama, La Prensa, says, "We have to become adults some day."<sup>81</sup>



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