

# Panama: five years of nation-building threatened by anti-industrial policies

by Carlos Wesley

After an absence of 12 years, I recently concluded a three-week visit to the Republic of Panama, whose stability is of such concern to every trading nation in the world. Panama has undergone a remarkable transformation, a transformation threatened now by the international economic collapse.

As visible as the material advancement achieved so far, is the population's newfound sense of self-assurance. In my conversations with the president of the country, ministers of state, academics, and industrialists, as well as the proverbial taxi driver, I met with tremendous pride in what was accomplished under the ongoing "Revolutionary Process" (*El Proceso Revolucionario*) initiated in 1968, following a military coup led by the late Gen. Omar Torrijos.

The world-wide economic downturn has caused large-scale unemployment and prompted many to ask new questions about how to secure the well-being of the population. Some say that only a "service economy" model, can create jobs. Others insist that the only way for the country to achieve full sovereignty is by continuing and increasing investments in real production and infrastructural development, as was undertaken in the earlier years of the revolution.

What I saw and heard as I spoke to people all over the country, was a mostly successful experiment in nation-building. Some things were allowed which should not have been allowed, while other things that could and should have been carried out were not. But a foundation was placed, and that story can be told to those who have forgotten what it is to build a country, and not least to those Americans who are told that Panama is a banana republic whose tinhorn leftist dictator was "given our canal."

## Developing a sense of nationhood

Following the 1968 takeover, the military established a government of national unity in which everyone who wanted to participate in developing Panama—the local oligarchy or local peasants, extreme conservatives or members of the Communist Party—was welcome. Thus, the Torrijista revolution was quite the opposite of "communistic." To hold this disparate mix together—and it is a credit to the regime that social peace was maintained with minimum use of the military's repressive apparatus, at a time when the rest of Central America was already convulsed—people had to be

imbued with a higher purpose, one that would raise them above petty squabbles.

In a country with Panama's history, this was not easy. Panama joined the ranks of independent nations in 1903, after a bloodless rebellion against Colombia, essentially as a protectorate of the United States, which wanted to build an interoceanic canal through the isthmus. For almost 30 years afterward, it was the American authorities who hand-picked the country's rulers, who kept the peace, who ran the water system in the principal cities, and who settled local disputes.

This state of affairs finally came to an end when U.S. President Franklin D. Roosevelt negotiated a new canal treaty with the Panamanians abolishing the clauses that made the country a protectorate. But, the United States still had the right to run the Canal Zone as if "they were the sovereign." Casting aside the question of good or bad intentions, consider the fact that the former Canal Zone divided the country in two: To get from the capital, Panama City, which was on the eastern half, to the "interior," as everything that is west of the Canal is called, a traveler had to go through the Canal Zone, where he or she—including senior Panamanian government officials—was subject to a different law, a different police force, and a different court system, which operated with a different official language. Since everyone agreed, Washington, D.C. included, that the Canal Zone was still "Panamanian territory," the situation was hardly conducive to national pride.

The new regime undertook a two-pronged strategy in 1968: to negotiate a new canal treaty with the United States, and to develop the country and raise the standard of living and culture of the population. The government was able to rally most of the people behind these two goals.

The first was partially achieved with the negotiation of the Torrijos-Carter treaties of 1977, by which the United States ended its claim to perpetual possession of the Panama Canal and the territories of the Canal Zone, and agreed to a process of gradual transfer of power to Panama, which will be completed at the end of this century.

More interesting, however, are the changes in the self-image of the Panamanians that occurred during the long years of negotiating the new treaty. In the process, because of the need to garner international support, Panama began to play a

role in world diplomacy, and it continues to do so, notably in trying to bring peace to Central America.

The country's increased international stature, as well as the new treaty, have given Panama more confidence in its abilities. Twenty years ago, there was hardly a Panamanian willing to admit that his country could efficiently operate the canal.

But during my recent visit, everyone I spoke to was sure that the country will manage the canal very well, thank you. Those who opposed the treaties, and almost one third of the population who voted against them, did so because they believed that the canal should have been turned over to Panama right away, and not in the year 2000.

### Developing the economy

*El Proceso* also achieved success in accomplishing its second goal it set for itself: improving the material standard of living of the population. Massive investments were made in the development of the country's infrastructure, in improving educational and health services, and in developing the nation's agriculture. To the extent that it was able to mobilize the population to create new wealth, it punctured the myth that "Panama's only resource is its geographical position." This myth has historically been employed to prevent the undertaking of real development projects.

Where once the machete was the peasant's only available tool, the government introduced tractors, combines, irrigation, and fertilizers. To make these new methods practicable, the government encouraged the scattered peasant population to move to new settlements—*asantamientos*—which are provided with schools, medical centers, and agricultural extension agents who can give technical assistance.

As a result of these and other measures, such as the

establishment of an agricultural development bank to extend loans to farmers, the country became—until recently—largely self-sufficient in the production of basic foodstuffs.

Modern highways now go to areas where only a horse or a *cayuco*—a dugout canoe—could reach before. In the city, slums have been razed, and replaced by high-rises; mud huts in the countryside have given way to solid, concrete, single-family dwellings.

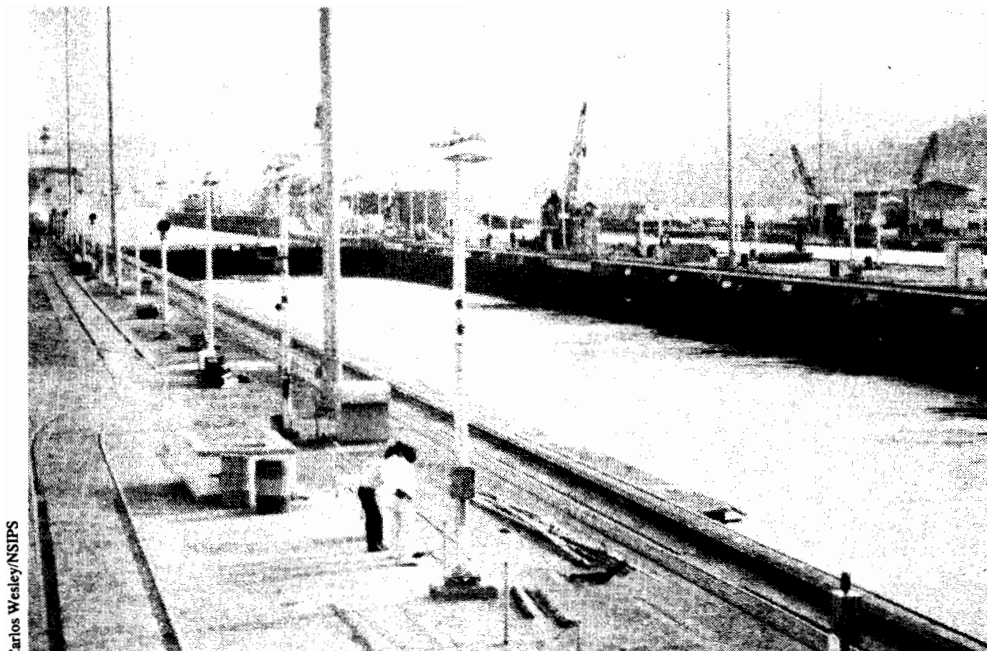
A dozen years ago most villages could count themselves blessed if they had a single, central well with a hand-pump from which to draw their water. Today one must travel far into the hinterlands to find a village that does not have an aqueduct providing running water to each household. Kerosene lamps have largely become museum pieces, since electricity is available virtually everywhere, as are modern telephones. During a visit to a hamlet that I used to frequent on horseback 20 years ago, I was able to place a call to New York City in less than 30 seconds.

Between 1960 and 1980, the illiteracy rate was halved, and the number of university graduates increased almost sevenfold; most of that increase occurred in the last 10 years.

Belief in progress is striking. When I asked an acquaintance who was railing against the regime, why he was so dead-set against the government when it has brought about so much material well-being, his reply was: "There is always progress. Of course things have to change for the better. The country would have developed whether there had been a revolution or not." Not likely, but his response expressed an attitude at odds with the fatalism that pervaded large portions of the population two decades ago.

### The 'three millionth child'

In Panama—despite the massive campaigns to limit pop-



Carlos Wesley/NSIPS

*The current Panama Canal treaty gives the United States veto power over construction of a badly needed second canal.*

ulation that are being carried out under the auspices of the World Bank—people still equate population growth with material progress: “Have you seen all the new neighborhoods that have sprung up? We have tripled our population since you were here. Isn’t that great?” I was told by acquaintances.

Credit for this attitude cannot be given entirely to the *Proceso*, which has allowed free rein to the advocates of zero growth. Instead one must look back to an earlier period.

In 1959-60, when the country’s total population was still less than 1 million, the government initiated a massive campaign to increase the population on the explicit grounds that a country with less than 1 million people could not be taken seriously among the family of nations. Prizes were offered—a house, a lifetime supply of cereal, a scholarship—to the family that gave birth to *El nino millon*—the millionth child. The entire country held its breath on the day it was projected the child would arrive. Everyone took to the streets when it was finally announced that Candido Aizprua Guevarra, the son of peasant parents, had become Panama’s one millionth citizen.

A generation that lived through that might not be easily sold on the idea that population growth is a bad thing. Yet the government has sanctioned a population control program under which over 30 percent of the nation’s women have reportedly been sterilized.

Panama is three times larger than Belgium, but it has only one-fifth as many people. With a total population that is currently less than 2 million people, Panama is still absurdly underpopulated. I was told by local archeologists that 2,000 years before the arrival of the Spaniards, the province of Veraguas alone—one of nine into which the country is divided—appears to have had a population of more than 2 million Indians.

While the process begun in 1968 has succeeded in creating a stronger sense of nationhood, there is also an underlying sense of malaise that is beginning to creep into the body politic. In part, this is due to the deteriorating economic situation. After years in which annual gross domestic product growth rates of 8 percent or more were not uncommon, beginning in 1979 the country’s development slowed to a crawl.

Some of the country’s leaders have allowed themselves to be confused by the activities of monetarist agents such as Nicolas Ardito Barletta, who joined the ranks of the *Proceso*. While there is a recognition that the country’s current economic difficulties stem from outside factors, there has been a reluctance to inform the population of this fact, allowing the opposition to put the entire blame on governmental “corruption.” And although President Ricardo de la Espriella told me that the idea of a debtors’ cartel ought to be explored (see interview below) he has not taken an active role in organizing such a cartel among the Ibero-American nations.

The reason is that agents such as Barletta, who was one of the new regime’s first planning ministers, and who is now the World Bank’s vice-president for Latin America, have

sown confusion and led wholesale purges against the true nation-builders by retailing the line that what the country needs is not development, but jobs, and that these can only be created by becoming a post-industrial, service oriented society. Using that logic, Barletta managed to have the laws changed to permit the establishment of offshore banking in Panama. More than 120 international banks now function in Panama, vaunting the fact that, while they lend virtually not a cent for development projects, they provide jobs—to a great extent by laundering drug money from South America and funds from U.S. organized crime interests, and by providing a tax haven for American and other tax-evaders.

Barletta has also retailed the line that with “his connections” in the world of international banking, he will see to it that Panama somehow muddles through, provided, of course, that nobody does anything foolish, like promoting a debtors cartel. Barletta is also proposing to slash state-sector sugar refining, now that the United States has halved Panama’s export quota.

The extent to which Barletta and his ilk have succeeded in limiting the gains of the nation-builders can be gleaned from the fact that a fiercely nationalistic country such as Panama still does not issue its own currency. While the constitution adopted by the Torrijistas in 1972—like those that preceded it—cites the balboa as the unit of account, this is largely a fiction; what circulates is the U.S. greenback.

It can also be gleaned from the fact that most people are willing to accept the U.S. State Department line that, while a new sea-level canal through Panama is certainly desirable, it might not be appropriate to build it just at this time, because it will cost too much, destroy the ecology, and employ fewer people than the current one.

Yet international trade and strategic considerations dictate the need to build a new, sea-level, interoceanic canal now. The existing lock canal is vulnerable to sabotage; it will reach its point of saturation by the end of this century; and it is already incapable of handling a significant portion of the world’s ocean-going vessels, notably the supertankers, including those that transport Alaskan North Slope oil to the industrial Eastern seaboard of the United States.

The Japanese are eager to finance the building of a new canal, but because of treaty obligations, cannot do so without U.S. acquiescence. The new canal treaty gives the United States veto rights over the construction of a new canal through Panama by anyone else. This is particularly ironic, because the principal reason Panama fought for the treaties was to achieve full sovereignty over its territory, and this clause effectively limits its sovereignty.

The undertaking of such an enterprise, involving the most massive earth-moving operation in this century, will provide Panama, and the entire surrounding region, with a “technology driver” to continue economic development. It is in the interest of the United States that this great project be initiated as soon as possible.

Interview: Ricardo de la Espriella

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## Panamanian president: unity of the debtors would make itself felt

*Ricardo de la Espriella, the President of Panama, gave an exclusive interview to EIR correspondent Carlos Wesley in Panama City March 2. President de la Espriella took office on Aug. 1, 1982.*

**Wesley:** Mr. President, was the delegation that left today for the Non-Aligned Summit in New Delhi given any instructions to join with the other countries on finding a solution to the debt problem?

**De la Espriella:** What can the Non-Aligned do about the debt?

**Wesley:** Well, for one thing, they could establish a debtors' cartel. . .

**De la Espriella:** (laughing) About 95 percent of the world qualifies for membership in a debtors' cartel, and the other 5 percent does not have enough resources to solve the problem.

**Wesley:** On previous occasions you have stated that you favor the establishment of such a debtors' cartel, and you have also stated that you think that it is not a bad idea to bring about global renegotiations of the debt. Are you still of the same opinion?

**De la Espriella:** Everything that is a cartel carries weight, can make itself felt politically. That does not mean that a debtors' cartel is the solution, but we have a saying: "In unity there is strength."

Interview: Juan José Amado

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## Panamanian foreign minister: we need a Central American solution

*In an interview with EIR correspondent Carlos Wesley, the foreign minister of Panama, Juan Jose Amado, expressed his opposition to reported plans to increase the number of American military advisers in El Salvador. During the interview in Panama City March 2, Foreign Minister Amado also stated his opposition to the formation of a debtors' cartel, and gave his views on the possibility of building a new sea-level canal through Panama.*

*Excerpts from the interview follow.*

**Wesley:** Several countries in Ibero-America are now voicing the opinion that the Third World ought to band together in a debtors' cartel to bring about joint debt renegotiations.

**Amado:** It is difficult for us to look at global debt renegotiations, be it in the framework of joint action on the part of the Non-Aligned countries, or the Group of 77, or the Latin American countries, as an effective way to achieve immediate solutions.

What we can and should do is to make the international credit and financial institutions conscious of our needs, so that they make the length and terms of payments more realistic, more in keeping with the internal conditions of each country.

**Wesley:** What you are proposing has been proposed many times before. It has been proposed at many meetings of UNCTAD. It was also proposed at the Non-Aligned summit of 1976, which called for the establishment of a new world economic order. So far, what has resulted is a dialogue among the deaf. American economist Lyndon LaRouche, EIR's founder, has stated that the only way to force the international financial institutions and advanced countries to listen is to form a debtors' cartel, to use the threat of a debt moratorium as a weapon to obtain better terms of payments, and obtain financing for productive investments. . . .

**Amado:** I must insist, in all honesty, that it would be difficult for you to achieve a common position among the countries to deal with their foreign debts when there are intrinsic variations in each of those countries that do not allow for a unification of the criteria for repayment.

I don't know the situation of neighboring countries, either about their revenues, or their obligations.

I do know Panama's situation; and what we have to do to meet our obligations. But we cannot draw any generalizations from that, nor force general conditions that are not in keeping with the real situation of each country.

Panama could not at any time adapt its own conditions to that of the countries of South America, or to the other coun-

tries of Central America, or to the African countries, or to the Asian countries. Their reality reflects conditions that are unique to each of those countries. . . .

**Wesley:** Recently, Panama joined or became a catalytic element in the formation of what we would call the Pact of Contadora, made up of Mexico, Venezuela, Colombia and Panama, which is working for a peaceful solution to the Central American crisis. What concrete steps are these nations proposing to solve the crisis, and where do your efforts stand at this moment?

**Amado:** First, let me state that the countries that met at Contadora [a Panamanian island-resort] did not constitute themselves as some sort of a pact, nor did we come up with any preconceived, and defined plan of action from the standpoint of a multilateral accord. It was simply an initiative which our countries undertook, as the result of our concerns about what is taking place in Central America, and in full awareness of our responsibilities as hemispheric nations, to promote a peaceful and permanent solution to those difficult conflicts that have cost so many lives. . . .

In the specific case of El Salvador, what we are trying to achieve is that the conditions are created so that the parties involved can sit down and discuss their differences and work out the best solutions for themselves. We are not looking for the mechanisms or solutions that Panama, Mexico, Venezuela, Colombia, the United States, Cuba or any other nation, could impose, but to give the Salvadoran people a chance to exercise their own self-determination.

As regards any difficulties between Honduras and Nicaragua, we also want the parties to have the environment, the appropriate atmosphere, to sit down at the table to negotiate their differences. . . .

**Wesley:** Where does the Contadora initiative stand now?

**Amado:** We agree that there are certain issues that are very important to create the environment of understanding that is necessary to bring about a dialogue. Those are: that the flow of arms into the area must be brought under control, and that there must be a reduction in the existing levels of armaments in the Central American area. . . .

There is a move to, sometime in the near future, convene a meeting in the Dominican Republic of the five Central American nations—Guatemala, Honduras, El Salvador, Nicaragua, and Costa Rica—to start the search for solutions. The thinking is that maybe the working sessions would be joined by, obviously, the Dominican Republic, as the host country, and by Mexico, Venezuela, Colombia, and Panama. So far, this is just an idea which has not been made concrete.

**Wesley:** According to press reports, the U.S. administration is thinking of sending more military advisers to El Salvador. What is Panama's stance regarding this issue?

**Amado:** The more military advisers are sent to any part of

the world, the more the fighting will increase.

**Wesley:** Will Panama make known this concern to the U.S. government?

**Amado:** Not necessarily, because we don't have at our disposal all the facts to make a judgment. . . .

There are those that claim that the United States has adopted this position in response to actions taken by other groupings, while there are others who claim that the other groupings are reacting to the unilateral U.S. arrogations. We have then a vicious cycle, and it is necessary that this vicious circle be broken one way or the other. . . .

**Wesley:** In an interview with *EIR* [to be published in a future issue], Fernando Manfredo, deputy administrator of the Panama Canal Commission, stated that usage of the current canal will reach its maximum capacity by no later than the year 2005. Clearly, if you are going to reach a level of saturation, you are going to need some other means of conveying traffic; and as he stated, a decision must be made long before you come face to face with the problem. What then, is Panama doing regarding the construction of a new canal?

**Amado:** I find that concern very, very interesting. Panama, in a responsible manner, together with the United States and Japan, has initiated a series of discussions to start working on the feasibility studies to see what would be the most viable, most profitable mechanisms to unite the two oceans, whether a sea-level canal, whether a third set of locks, whether a combination of the existing facilities, with some version of a sea-level canal. Which one of these is decided upon will be the result of the process of analysis that the three countries have initiated.

We estimate that the final studies on this question should be ready for the consideration of each of the nations involved before the end of the decade; and that we possibly might be able to make a decision then, so that we can start the implementation phase with enough lead time, so as to not be affected with the preoccupation that Fernando Manfredo rightly voiced.

**Wesley:** A few weeks ago, Colombia's president, Belisario Betancur, stated that there is a possibility that his country would build a canal through the River Atrato route. How does Panama view that possibility?

**Amado:** There have been many expressions of interest in building canals. Nicaragua has made similar statements, Mexico has built a "dry" canal, which is the container railroad [across Tehuantepec]. Colombia also has expressed interest. We believe that our conditions serve the best interests of the international community because of cost, distance, and other factors that are unique to Panama. However, all of this is within the framework of simplistic economic factors, of supply and demand, and we will try to make sure that the final decision provides the best results for the international community. . . .