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1

Introduction to Modern Panama

I return to my country convinced that the future of our relations rests in the hands of excellent statesmen.

Brig. General Omar Torrijos, upon signing the 1977 Treaties.

SIGNING CEREMONY FOR THE 1977 CARTER-TORRIJOS TREATIES

On September 7, 1977, Panamanian dictator Omar Torrijos and US president Jimmy Carter signed the historic Panama Canal treaties that bear their names, thereby setting up intense drives to win ratification in both countries.[1] The US Senate, which needed a two-thirds majority to ratify, clearly posed the biggest challenge, because many senators opposed giving the Canal to Panama in 1999. Opinion polls showed the public solidly against the action. Still, Carter emphasized that ending the 1903 treaty, that allowed the United States to build and operate the Canal in the first place, satisfied larger moral and strategic goals. He noted that his predecessors, from Kennedy to Ford, had contemplated abrogation of the 1903 treaty, and that it had taken fourteen years of mutually aggravating relations to negotiate a deal satisfactory to both nations.

The signing ceremony, broadcast on NBC television, took place in the Hall of the Americas, in the historic Pan American Union building in Washington, DC, down the street from the White House. OAS Secretary

[1] Graham Hovey, "Carter, Torrijos Sign Canal Pacts in the Presence of Latin Leaders," *New York Times*, Sept. 8, 1977.

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FIGURE 1.1 President Jimmy Carter and General Omar Torrijos signing the historic 1977 Panama Canal Treaties. US National Archives.

General Alejandro Orfila hosted the event, which was attended by representatives from twenty-six nations in the hemisphere. The setting, meant to convey the support Latin Americans gave to the deal, also hinted at the opprobrium that would greet its rejection. The ratification struggle became the most contentious since that for the 1919 Versailles Treaty that ended World War I – an effort that failed. Career diplomat Ambler Moss, who coordinated the US push, later remarked, "the Carter Administration realized it had a much worse Congressional problem in the Senate than it ever anticipated getting the treaties through." The campaign lasted seven months before succeeding.[2] These were truly dramatic developments.

* * * *

Although this book focuses on Panama's history since 1980, Chapter 1 provides background for the momentous events to come: Canal treaty implementation, the Noriega crisis, the Christmas invasion of 1989, the restoration of democracy, the turnover of the Canal, and Panama's

[2] Quote from "Interview with Ambler Moss," Library of Congress, 1988. See Michael L. Conniff, *Panama and the United States: The End of the Alliance*, 3rd ed. (Athens, GA: University of Georgia Press, 2012), ch. 7.

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amazing blossoming since that event, including construction of a new set of canal locks. Footnotes and references cannot begin to account for the huge historical literature about Panama, built up over more than a century. Thus, we keep such documentation to the essential, emphasizing key authors, unpublished sources, and personal observations. Because of the close relationship Panama had with the United States, what one of us called the "forced alliance," this introduction narrates US actions more than later chapters will. After the turnover of the Canal in 1999, portrayed in Chapter 5, US influence faded considerably. Likewise, as it progresses, the story increasingly reflects Panamanian voices, sources, viewpoints, and data. They deserve a clear and honest telling of their recent history.

EARLY TWENTIETH CENTURY

Panama's existence as an independent country began on November 3, 1903, when its leaders ended eighty-two years as a province of the Republic of Colombia to the east.[3] Their act of separation remains tangled in controversy, because of the role the United States played in fomenting it and then obliging the new nation to sign a highly disadvantageous treaty that gave away rights to build and operate a ship canal. Under it, the US government appropriated over 500 square miles of territory in the middle of the country, to build, operate, and defend the future canal. Panamanians had to sort out their political, economic, and social destinies under the watchful eye of its US big brother, whose main local concern was to avoid disruption of its business of moving ships from one ocean to the other. The United States increasingly expanded its strategic interest there with military bases to advance its growing power on the world stage. By law, Panamanians allowed and sometimes invited military intervention by US forces to impose order and monitor elections. They adopted the US dollar as their currency to facilitate commerce and financial cooperation. They agreed to eschew an army and instead created a police force and tolerated US supervision of its ranks. Panamanians in the early twentieth century found their independence very much circumscribed by US influences, public and private.[4]

[3] Panama became the first (and only) Colombian province to achieve both the status of independent republic (1840–41) and federal state (1855–86). Panama never returned to provincial status after 1886, when it became a regional authority with jurisdiction over what is today its sovereign territory.

[4] The best place to begin is Alfredo Castillero Calvo's edited *Historia general de Panamá*, 5 vols. (Panama: Consejo Nacional del Centenario, 2004). The last two volumes cover the twentieth century. An update by the same historian is *Panamá: Historia contemporanea*

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Panamanians wrote a constitution and elected leaders, passed laws and codes, and set up government agencies to accomplish the people's business. On paper the government looked a lot like that of the United States: a four-year presidential term, a national legislature, an independent judiciary headed by a supreme court, and elected provincial and municipal administrations. In fact, a sui generis regime evolved in which wealthy families prevailed in politics and used their influence to secure economic and status benefits at all levels of government. Foreigners, having settled in Panama since the sixteenth century, often enjoyed special privileges and standing, usually in the private sector. A few big companies, foremost among them United Fruit, also figured prominently in public affairs. And the Interoceanic Canal Commission, which oversaw the waterway, exercised the ultimate authority on the Isthmus, that of the US government.[5] As the British minister wrote to the Foreign Office about the pre-WWI era, "It is really farcical to talk of Panama as an independent state. It is really simply an annex of the Canal Zone."[6]

At the time of the 1911 census, Panama had just 432,000 inhabitants, mostly rural, with few high schools and no universities. The new nation lacked public health facilities, and most of its infrastructure of roads, bridges, electricity, sewage, and communications dated back to the previous century. The capital had 55,000 inhabitants, more than 10 percent of the national total, recently swelled by migration and immigration to work on Canal construction. Jamaicans and Barbadians made up the great majority of newcomers, eventually numbering tens of thousands. Panama appeared a nation struggling to establish itself.[7] The only overland route across the Isthmus besides the railroad and the Canal until the 1930s was the mule trail built to connect Spain to its colonies in the Pacific. An east-west Pan-American Highway remained a distant dream.

(Madrid: Fundación MAPFRE, 2014). Political coverage dominates in Patricia Pizzurno Gelos and Celestino Andrés Araúz, *Panamá republicano (1903–1989)* (Panama: Manfer, 1996). Foreign relations feature in Conniff, *Panama*.

5 A glossy 411-page publication in 1917 provided a snapshot of political, social, economic, and cultural leaders: *El Libro Azul de Panamá/The Blue Book of Panama*, compiler and editor William T. Scoullar (Panamá: Imprenta Nacional, 1916–1917).

6 Michael L. Conniff, "Panama Since 1903," *The Cambridge History of Latin America*, ed. Leslie Bethell (Cambridge: Cambridge University Press, 1990), vol. 7, 610.

7 Omar Jaén Suárez, *La población del Istmo de Panamá*, 4th ed. (Panama: Editorial Universitaria, 2013), 50–53, 678–80; Marco A. Gandásegui, hijo, "Población y sociedad en el siglo xx," Castillero Calvo, *Panamá*, 505–62, passim.

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An especially energetic president between 1912 and 1924, Belisario Porras, put a positive stamp on national affairs. He stabilized relations with the United States and celebrated the opening of the Panama Canal in 1916 (it opened in 1914 but to international traffic only in 1920, due to the war and construction difficulties). Porras built schools, hospitals, asylums, highways and bridges, a national archive, and other critical infrastructure. He also gave scholarships to scores of promising young men to study abroad and bring home their new professional talents. His influence proved so pervasive, one biographer called him a king without a crown and another the father of his country. To be sure, Porras and every president after him pressed the United States to amend the exploitative terms of the 1903 treaty, and they achieved small improvements over the years. But gradually the contradictions between the promise of being a global maritime center and the reality of virtual exclusion from Canal operations hardened into anger and anti-American sentiment as the century wore on.[8]

The 1930s brought marked change to Panama, much of it caused by the Great Depression and US economic retrenchment. On the positive side, however, the accession of Franklin D. Roosevelt to the White House in early 1933 brought hope of better relations throughout the hemisphere, with the unveiling of his Good Neighbor Policy. Panama underwent a coup in January 1931, led by the nationalist and patriotic group Acción Comunal, that brought to power more forceful figures, especially the brothers Harmodio and Arnulfo Arias. Both had risen from small-town obscurity by studying abroad on Porras's scholarships, Harmodio in law at Cambridge and University of London and Arnulfo at University of Chicago and Harvard medical school. Harmodio won election to the 1932–36 presidential term and attempted to protect the economy from sharp layoffs and reduced demand in the Canal and elsewhere.[9]

After Roosevelt's inauguration, Arias traveled to Washington to present Canal grievances that Acción Comunal had formulated in the mid

[8] Peter Szok, "Rey sin corona: Belisario Porras y la formación del estado nacional, 1903–1931," in *Historia General*, ed. Castillero Calvo, III:I, ch. 4; Pizzurno and Araúz, *Panamá republicano*, ch. 3; Michael L. Conniff, "Promoting Global Trade: The Panama-Pacific Expositions," in *Panamá cosmopolita: la Exposición de 1916 y su legado*, ed. Adrienne Samos (Panama: Biblioteca 500/Municipio de Panamá, 2017), 18–77.

[9] William Francis Robinson, "The Arias Madrid Brothers: Nationalist Politics in Panama," PhD diss., Auburn University, 1999, ch. 1; Michael L. Conniff, "Turning Point: Anglo-American Assessments of Panama in 1929–1932," in *Historia y globalización: Ensayos en homenaje a Alfredo Castillero Calvo*, Comp. Ángeles Ramos Baquero. (Panama: Editora Novo Art, 2017), 199–212.

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FIGURE 1.2 Presidents Harmodio Arias and Franklin Delano Roosevelt during visit to Panama in 1934. Franklin Delano Roosevelt Library.

1920s: equal pay and benefits for Panamanian employees, repatriation of laid-off foreign workers, ending eminent domain land annexations, and barring commissary and restaurant sales to non-employees. These and other issues proved serious enough to require treaty negotiations, which Roosevelt assigned to the State Department.[10] The following year Roosevelt reciprocated with a visit to Panama.

Panama's crack diplomat Ricardo Alfaro traveled to Washington and worked with Secretary of State Cordell Hull on revisions to the 1903 Treaty, which, when signed in 1936, took its authors' names. Most important, it ended the protectorate status of Panama that had led to dozens of interventions. It also raised the annuity to $430,000 to compensate for the 1932 devaluation of the dollar, ended the US right of eminent domain, curbed commissary and PX sales to non-employees, lifted the ban on radio stations, allowed Panama to operate customs houses on Canal docks, and pledged to equalize employment terms for Panamanian workers. These meaty issues promised to improve life in Panama during the hard times.

[10] Conniff, *Panama*, 88–91.

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Unfortunately, the US Senate neglected to act on it until 1939, when it was forced to ratify it to pave the way for a crucial meeting in Panama of Latin American foreign ministers to plan for hemispheric defenses during the war in Europe.[11]

In 1940, Arnulfo Arias won the presidency and instituted a nationalist regime that, among other things, resisted US defense preparations for the Panama Canal. A new constitution took away citizenship from many immigrants and banned others, centralized government, and created a social security agency, among other provisions.[12] The regime proved short-lived, however, because Arias's justice minister overthrew him, with US encouragement. For the next several years the new president, Ricardo Adolfo de la Guardia, cooperated closely with US authorities. Once the United States entered the war, military spending in Panama skyrocketed. Congress had appropriated funds in 1939 for a third set of locks to accommodate the navy's capital ships, infusing more money and immigrants into Panama, but the work was cancelled in 1943. Still, World War II proved a major turning point for Panama.[13]

The economic boom of the war years, a proverbial dance of the millions, plus the overwhelming weight of US presence, brought demographic and economic change to Panama. The Canal Zone itself housed some 100,000 people, including workers, military personnel, and dependents, approximately 15 percent of the national population. Labor demand and urban opportunities (schools, a university, hospitals, service jobs, a decent standard of living, etc.) caused robust cityward migration.[14]

POSTWAR DEVELOPMENT

After the war, Panama's population expanded, and its society grew more complex, so that by mid century its nearly one million inhabitants sorted into upper, middle, and lower classes, with striking urban and rural differences remaining. People increasingly gravitated to Panama City,

[11] Pizzurno and Araúz, *Panamá republicano*, ch. 7.

[12] Article 61 of the 1941 Constitution denied women the status of citizens. An electoral law issued that same year allowed women to vote in municipal elections provided they had high school or vocational diplomas. Women obtained the full right to participate as candidates and voters under the 1946 Constitution. For a brief history of the suffragist movement in Panama, see Yolanda Marco and Ángela Alvarado, *Mujeres que cambiaron nuestra historia* (Panama: UNICEF/Universidad de Panamá/Fondo Canadá-Panamá, 1997).

[13] Pizzurno and Araúz, *Panamá republicano*, chs. 8–9.

[14] Gandásegui, "Población," 514–16.

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location of most government jobs and services, Canal operations, industry, educational and cultural institutions, and businesses. By 1980, the capital swelled to 874,000 inhabitants, a third of the national population. Still, by international comparison, Panama remained a small and sparsely settled nation.

The wealthy made money from agribusiness, industries, and banking services. Members of the middle class earned livings working in private business, government (including education), the media, and self-employment, especially in the professions. The lower classes subsisted on wages in myriad kinds of jobs, often outside the formal economy. People at the bottom of the pyramid suffered from underemployment, hunger, irregular housing, and poor health. In many ways Panama's society resembled those of many underdeveloped nations in the region. Remarkably, few Panamanians benefitted from employment at or transfers from the Panama Canal.[15]

Social mobility expanded with the spread of elementary schools, the opening of new high schools, and the founding of the University of Panama (1935). A professional class began to form, drawn by rapid growth in medical, dental, and legal services. Postwar years saw rising expectations for persons aspiring to middle-class status, and government employment also formed a path to achieve it. Well-to-do families sent their male children abroad for college, usually in the United States, an almost sure ticket to a better life. Still, Canal employment remained largely beyond their reach, due to endogamous hiring practices there.

Panama's economy would have been more prosperous were it not for US policies that limited benefits from the Canal flowing to it. National leaders dreamed of tapping into global trade and services attracted by the Canal, and, by the 1960s, they planned steps to realize that dream. By that time, Panama offered ship registry for a growing share of the world's merchant marines. Its admiralty courts and specialized law firms settled a significant portion of maritime disputes. Its Colon Free Zone, established in 1952 as a bonded warehouse, assembly, manufacturing, and re-export center, utilized Canal traffic for receiving and shipping goods. By the late 1960s, it was the second largest free zone in the world, after Hong Kong. In 1970, Panama created the International Banking Center to service offshore financial needs from around the world. Yet despite these initiatives, Panamanians believed that true prosperity would only come

[15] Ibid., 533–50. A classic from the period is John and Mavis Biesanz, *The People of Panama* (New York: Greenwood Press, 1955).

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with greater integration of Canal operations into its national economy, something the United States resisted.[16]

TROUBLES AND TREATIES

After 1945, Panama's treaty negotiators took up the so-called bases question: whether the United States could extend its occupation of scores of bases where it had set up air defense positions during the war. Arnulfo's successor, President de la Guardia, had traded use of these bases, supposed to expire at the end of hostilities, for twelve key concessions by the United States, most of which had been postponed until after the war. By various dilatory means, the Pentagon held off evacuating the bases until December 1947, and, instead, convinced the government to sign an agreement to lease bases for five more years and the major airfield at Rio Hato for ten years. Panama would receive some $25,000 annual rent plus a $137,000 subsidy for maintaining roads to the bases. Panamanian nationalists vehemently objected to the treaty terms, in huge street demonstrations led by students, and the Assembly unanimously rejected the deal less than two weeks after its signing. Termed the *rechazo* (rejection), this act surprised both governments and signaled a new nationalist fervor on the part of Panamanians.[17]

The 1950s saw more concerted efforts to channel business, employment, and income from the Canal to the nation, to raise standards of living. President José Antonio Remón (1952–55) campaigned to pressure his US counterpart, Dwight D. Eisenhower, to revise the terms of the 1903 treaty and to alter the way the Canal did business. He traveled to Washington with deep backing from opinion polls and giant rallies, and Eisenhower instructed the State Department to negotiate improvements, in what became the 1955 Treaty. Remón's personal triumph ended, however, when assassins killed him just a few months later.[18]

[16] Through much of this period, economists from US and international agencies urged Panama to expand into areas like agriculture, mining, and industry. See Conniff, *Panama*, 102–07; and Andrew S. Zimbalist and John Weeks, *Panama at the Crossroads: Economic Development and Political Change in the Twentieth Century* (Berkeley & Los Angeles: University of California Press, 1991), chs. 2–4.

[17] Pizzurno and Araúz, *Panamá republicano,* 332–40. The Rio Hato airfield had been a key logistics center for US air operations in the entire Pacific Basin during WWII.

[18] Ibid., ch. 12; Conniff, *Panama*, 105–10. Cf. Larry LaRae Pippin, *The Remón Era: An Analysis of a Decade of Events in Panama, 1947–1957* (Stanford: Institute of Hispanic American and Luso-Brazilian Studies, 1964).

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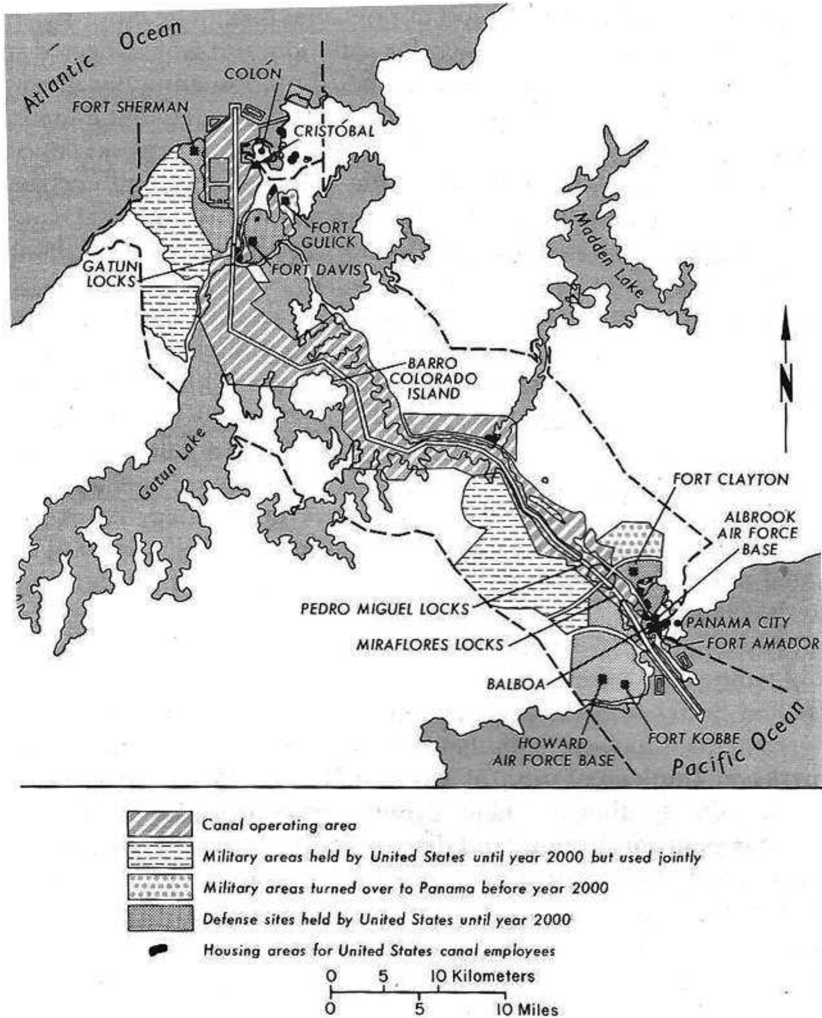

FIGURE 1.3 Panama Canal and US bases in 1980s. Sandra W. Meditz, and Dennis Michael Hanratty, eds. *Panama: A Country Study*. Washington, DC: Federal Research Division, Library of Congress, 1989, 54.

The concessions Remón won in 1955 paled when compared with the benefits Egypt gained by its seizure of the Suez Canal the following year, action acquiesced to by Eisenhower. Discontent mounted in the late 1950s, among Panamanian students, politicians, intellectuals, and workers. Violent protests broke out, and tensions rose further with the 1959

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