

## Modern Panama

Few have a complete understanding of the recent history of Panama, markedly since the signing of the Carter-Torrijos Treaty in 1977. Although the treaty set the stage for the country to finally control all of its territory, little is known about how Panama has fared, both as a manager of a major waterway and as a sovereign nation in a unique region. Authors Michael L. Conniff and Gene E. Bigler seek to fill this major gap in Latin American history with *Modern Panama*, a thorough account of the recent political and economic developments in Panama. Despite the country's continued struggle with political corruption, Conniff and Bigler argue that changes since the turnover of the Canal have been largely positive, and Panama has emerged into the twenty-first century as a stable, functioning democracy with a growing economy, improved Canal management, and a higher standard of living.

Michael L. Conniff is Professor Emeritus of History at San José State University. His recent publications include *A New History of Modern Latin America* (2017, with Lawrence Clayton and Susan Gauss), *Panama and the United States*, 3rd ed. (2012), *Populism in Latin America* (2012), and *Black Labor on a White Canal* (1985).

Gene E. Bigler is a retired US Foreign Service Officer who worked on the final transition of the Panama Canal from the US to Panamanian ownership. He has also taught political science and public policy analysis at The Johns Hopkins University, Nitze School of Advanced International Studies, the Instituto de Estudios Superiores de Administracion (IESA) in Caracas, Venezuela, and at other institutions in the USA and Latin America.

Cambridge University Press  
978-1-108-47666-9 — Modern Panama  
Michael L. Conniff, Gene E. Bigler  
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*From Occupation to Crossroads of the Americas*

MICHAEL L. CONNIFF

*San José State University, California*

GENE E. BIGLER

*Independent Scholar, Stockton, California*



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Frontmatter  
[More Information](#)

CAMBRIDGE  
UNIVERSITY PRESS

University Printing House, Cambridge CB2 8BS, United Kingdom  
One Liberty Plaza, 20th Floor, New York, NY 10006, USA  
477 Williamstown Road, Port Melbourne, VIC 3207, Australia  
314-321, 3rd Floor, Plot 3, Splendor Forum, Jasola District Centre,  
New Delhi – 110025, India  
79 Anson Road, #06-04/06, Singapore 079906

Cambridge University Press is part of the University of Cambridge.

It furthers the University's mission by disseminating knowledge in the pursuit of education, learning, and research at the highest international levels of excellence.

[www.cambridge.org](http://www.cambridge.org)

Information on this title: [www.cambridge.org/9781108476669](http://www.cambridge.org/9781108476669)

DOI: 10.1017/9781108612449

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First published 2019

Printed in the United Kingdom by TJ International Ltd. Padstow Cornwall

*A catalogue record for this publication is available from the British Library.*

ISBN 978-1-108-47666-9 Hardback

ISBN 978-1-108-70119-8 Paperback

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*Dedicated to Mike's wife Anne and son Miguel  
and to Gene's wife Karoline and son Kenneth*

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## Prologue

On the eve of the transfer of the Panama Canal from US to Panamanian ownership, political scientist Mark Falcoff published a pessimistic book, with the subtitle, *What Happens When the United State Gives a Small Country What It Wants?*<sup>1</sup> In it he argued that Panamanians would mismanage the Canal and fall to fighting among themselves over the spoils of the former Canal Zone. Democracy, the economy, social well-being, and even national harmony would be lost because of the misguided 1977 treaties. Many of his informants were prominent Panamanians worried over the historic events about to occur. Meanwhile, the United States would give up a valuable asset for naught, a lose-lose outcome.

Our book looks back over the period preceding Falcoff's to assess the quality of his evidence and then at the next twenty years of Panama's history, allowing us to judge whether his predictions came true. In brief, we find that his reading of the pre-turnover years overlooked positive developments in the political, economic, and social realms that should have forecast a more positive future, for the Canal and the nation itself. Then, our account of the post-turnover years shows consolidation of democratic government, a booming economy, technological prowess by elites in the public and private sectors, and, most surprising of all, improved Canal management that resulted in Panama becoming a hemispheric crossroads. The United States reaped applause for ending a colonialist enclave and shedding a strategic vulnerability. In other words, a win-win outcome.

<sup>1</sup> Mark Falcoff, *Panama's Canal: What Happens When the United States Gives a Small Country What It Wants*. Washington, DC: AEI Press, 1998.

Had Panama not remained a liberal democracy, these achievements may not have occurred and Falcoff's predictions might have materialized. But in fact, the nation continued constitutional traditions laid down in the previous century, interrupted only by the 1968–89 military dictatorship. A recent study of 178 governments around the world found Panama ranked forty-seventh on a range of measures of “liberal democracy.” Its strong showing owed much to the quality of its elections.<sup>2</sup> This book attempts to explain how Panama achieved these improvements over the last generation. Our concluding chapter takes up these matters again.

According to recent global surveys, respondents in Panama ranked quite high, 27th out of 156 nations, on five measures of perceived well-being, or the “happiness index.” Among Latin American countries, Panama came in behind only Costa Rica, Mexico, and Chile. Panama's rankings were especially high for purpose (satisfaction in employment) and physical well-being (good health). These outcomes seem to reflect the fact that Panama's job market has been robust due to economic growth rates of between 5 and 10 percent annually during the past decade and a half. People feel good about their work. Also, Panamanians enjoy a benign tropical climate and efficient public health care. Compared with results of a 1980 survey, revealing that 67 percent of rural and 43 percent of urban Panamanians did not earn enough to satisfy their nutritional needs, the recent findings show an extraordinary advance in people's standards of living.<sup>3</sup>

Panamanians express optimism over having gained control over their territory and destiny. It was not always so. For three centuries Panama formed part of the Spanish empire and was subject to close supervision because of the huge amount of Peruvian silver transported across the Isthmus, from the Pacific to the Atlantic, en route to Spain. Then, during most of the nineteenth century, Panama was a province of Colombia, governed by politicians in distant Bogota. On several occasions, they

<sup>2</sup> V-Dem Institute, “Democracy for All? V-Dem Annual Report,” (Gothenburg: University of Gothenburg, 2018).

<sup>3</sup> J. Helliwell, R. Layard, and J. Sachs, *World Happiness Report* (New York: Sustainable Development Solutions Network, 2018). For the 1980 study, see Andrew Zimbalist and John Weeks, *Panama at the Crossroads: Economic Development and Political Change in the Twentieth Century* (Berkeley & Los Angeles, 1991), 124–27. Cf. also the United Nations Development Program, *U.N. Human Development Report for 2015* (New York: United Nations, 2015).

Cambridge University Press  
978-1-108-47666-9 — Modern Panama  
Michael L. Conniff, Gene E. Bigler  
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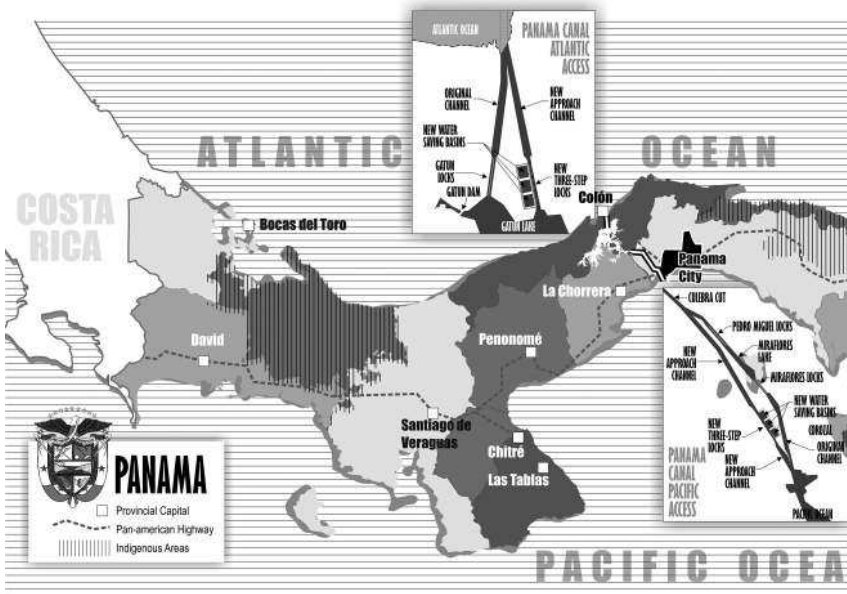


FIGURE 0.1 Map of Panama. Courtesy of Roberto Radri

attempted to break away but failed, the latest during the War of a Thousand Days (1899–1902).

Finally, the United States, which abetted Panama's separation from Colombia in 1903, took choice lands in the country's midsection to build and operate the Panama Canal. Ensnared in a 500+ square-mile zone entirely controlled by the United States, the Canal split Panama in half and made integrated development impossible.<sup>4</sup>

The 1977 Panama Canal Treaty began a process of turning the Canal over to Panama by 1999, setting the stage for the country to finally control all its territory and benefit fully from its geographical location. This book portrays just how Panamanians took advantage of this newfound independence.

Panamanians gained a deeper sense of their own nationhood and identity after the transfer of the Canal. For most of the twentieth century, they struggled to assert themselves as “a nation, not just a Canal.” While this was true, the outside world usually treated Panama as simply the place the US Canal crossed Central America. Since the year 2000, Panamanians have managed the Canal with great efficiency and turned it into an engine of economic growth and national integration.

Even before the Canal turnover, the government inaugurated a superb museum, the Museo del Canal Interoceánico de Panamá, to portray the evolution of the Isthmus as a transit route, first by mule trains, then by steam railroad, and finally by the Canal itself. This signaled that Panamanians embraced and took pride in their role as a vital link in global supply chains. The Canal had always been a key feature of Panama's self-identity, as expressed in its coat of arms: “Pro mundi beneficio.” They did not feel as warmly toward the surrounding military bases – indeed, on two occasions the legislature rejected base expansion.

This book recounts how in a brief period Panamanians have transformed their nation from a simple maritime path between two seas to a complex hub for the movement of people, goods, knowledge, and services in many directions via multiple means of exchange. Nobody today claims that Panama is just a canal.

Despite these positive assertions, this book does not claim that Panama is a totally happy place, a kind of Shangri-la or paradise on earth.<sup>5</sup> As a

<sup>4</sup> This story is told succinctly in Michael L. Conniff, *Panama and the United States*, 3rd ed. (Athens: University of Georgia Press, 2012).

<sup>5</sup> Despite this disclaimer, Panama ranked at or near the top of recent studies of happiness. See the Gallup-Healthways Global Well-Being Index, [www.healthways.com/blog/topic/global-report](http://www.healthways.com/blog/topic/global-report)



relatively young nation, with at least three moments of independence (from Spain in 1821, from Colombia in 1903, and from the United States in 1999), it has serious challenges of many sorts and must make its way through global affairs without the protection of a superpower. This book also examines those problems and the many risks Panamanians face in coming years. We remain optimistic that they will surmount them, but the means to do so are not always obvious nor are the results guaranteed. We return to these questions in the concluding chapter.

## Acknowledgments

Many colleagues in Panama, the United States, and elsewhere helped us research and write this book. We gratefully thank the following persons in Panama: Nicolás Ardito Barletta, Alberto Aleman Zubieta, Eloy Alfaro, Samuel Lewis Navarro, Juan David Morgan, Jorge Luis Quijano, Omar Jaén Suárez, Eduardo Vallarino, Alfredo Castillero Calvo, Berta Thayer, Ana Elena Porras, Rodolfo Sabonge, colleagues in the Club Rotario de Panamá, and the persons listed as interviewees in “sources.”

In the United States, we thank Frederick Becker, Ambler Moss, Richard Millett, David McCullough, Orlando Pérez, Peggy Scranton, Richard Wainio, Joseph Reeder, Linda Watt, Michael Donoghue, and two anonymous manuscript reviewers.

Special thanks to Paul Losch, Head Librarian for the Latin American and Caribbean Collection, for his help accessing rare materials in the Panama Canal Museum Collection, Department of Special and Area Studies Collections, George A. Smathers Libraries, University of Florida. We also thank Philip Williams, Director of the University of Florida Center for Latin American Studies, for invitations to the 2014 Panama Considered Conference, that began the process of writing this book. And our warm acknowledgement of Adrienne Samos, who managed the Spanish edition of our book in Panama, including its translation.

Besides those who contributed to this book, we thank the many friends, colleagues, and mentors who have educated us about Panama for more than a half century. Conniff studied at the University of Panama and began his professional career as an employee of USAID in 1965. He lived there for over three years as a Fulbright professor and visiting researcher, and is author of books, articles, and chapters on Panama. In

*Acknowledgments*

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1968, Bigler decided to top off his Fulbright studies in Ecuador by taking his bride on a honeymoon in Panama, plus to compare Velasco Ibarra and Arnulfo Arias. He returned briefly in the 1970s and 1980s as a visiting lecturer and researcher, served there three years as a diplomat at the turn of the century, and resumed visits in 2006 as a researcher and consultant. We are grateful for the generosity and insights that Panamanians shared with us, and we hope that we do justice to what we were taught about a country and its people who have become so close to us.

We accept full responsibility for errors and omissions in this book.

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