

The 1980s: A Halting Transition Toward Democracy

I have established the republic. But today it is not clear whether the form of government is a republic, a dictatorship or personal rule.

Mustafa Kemal Atatürk

FUNERAL OF GENERAL OMAR TORRIJOS

The huge funeral procession for Omar Torrijos, with perhaps a quarter of a million mourners, wound its way down Avenue of the Martyrs (formerly Fourth of July Avenue), along a border that previously separated Panama City from the Canal Zone. Days earlier, on July 31, 1981, Torrijos had perished when his light plane crashed into a mountainside jungle during a storm. The cortege route traced a line of repeated confrontations between Panama and the United States over the former's rights. It recalled an earlier definition of the Panama Canal as "a body of water entirely surrounded by controversy."¹

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Torrijos's death left a mixed legacy. On one hand, he had ruled the country as dictator for thirteen years, having overthrown duly elected President Arnulfo Arias in 1968. Many elite families had lost influence during the dictatorship, as the general appealed to poor and rural people to support his regime. Elections were held only for the Assembly of County Representatives, a weak body the regime easily

¹ "Torrijos: su Último Patrullaje," *El Istmo, suplemento La Estrella*, Aug. 9, 1981. For an exhaustive study of relations across this contested frontier, see Donoghue, *Borderland on the Isthmus*.

manipulated.² On the other hand, Torrijos had persevered in his quest to replace the hated 1903 treaty with the United States that gave the colossus the right to build, operate, and defend the Panama Canal, with little participation by Panama. He was credited with concluding negotiations for the 1977 Carter-Torrijos Treaties that eventually gave Panama the Canal free of encumbrances in 1999. And, in 1978, he began a transition to restore democracy under a civilian president. Politicians and military officers saw his death cast these plans into disarray. For all these reasons, the mourners felt genuine grief and loss the day of his burial.³

Credible evidence pointed to pilot error as the cause of Torrijos's plane crash, yet numerous conspiracy theories circulated for years. Torrijos's death left a void at the top of Panama's government and provoked a scramble for power.

PREMATURE TRANSITION TO DEMOCRACY

Attempting to sway US senators reluctant to approve the Panama Canal Treaties in 1978, President Jimmy Carter and other heads of state suggested to General Torrijos that the chances of success would be better if Panama proceeded toward democratic government, and Torrijos agreed. He acted partly because his coalition had failed to form a strong administration, and likely due to fatigue as well.⁴ He announced that the country would begin a return to democracy, starting with lifting restrictions on political activity and finding a civilian president. His subservient Assembly duly passed Law 81 to allow the return of political exiles, end censorship, and authorize the formation of parties dormant during most of the decade.⁵

² The best study of legislatures between 1984 and 2009 is Carlos Guevara Mann's *Political Careers, Corruption, and Impunity: Panama's Assembly, 1984–2009* (Notre Dame, IN: University of Notre Dame Press, 2011).

³ On Torrijos's personality, leadership style, and strengths and weaknesses, see the thoughtful writings in Nicolás Ardito Barletta, *Huellas: Contribuciones públicas nacionales e internacionales, memorias* (Bogotá: Panamericana, 2016), ch. 7, and Steve C. Ropp, *Panamanian Politics: From Guarded Nation to National Guard* (Stanford: Hoover Institution Press, 1982).

⁴ *Ibid.*, 79–81.

⁵ Nicolás Ardito Barletta, interviews, Apr. 10, 12, 14, 2015; *Huellas*, passim; and "The Political and Economic Transition of Panama, 1978–1991," in *Democratic Transitions in Central America*, eds. Jorge Domínguez and Marc Lindenberg (Gainesville: University of Florida Press, 1997), 32–66. Cf. Robert C. Harding II, *Military Foundations of Panamanian Politics* (New Brunswick: Transaction Publishers, 2001), ch. 5. Useful chronologies are available in John Weeks and Phil Gunson, *Panama:*

To guide administration officials and supporters, he had his staff create a new party, the Partido Revolucionario Democrático (PRD), inspired loosely on Mexico's Partido Revolucionario Institucional. Torrijos clearly dominated the PRD, whose program would consist of "torrijismo," or the policies and actions he had instituted in preceding years.

Prominent among the returned exiles stood Arnulfo Arias, former president from the 1940s and victim of the 1968 coup, still a formidable vote-getter at the head of his Panameñista Party.⁶ Meanwhile businessman Roberto "Bobby" Eisenmann founded the independent newspaper *La Prensa* to publish critical information about these unfolding events.⁷

Select Newspapers and Broadcast Media since the 1970s

La Estrella, in continuous print since its founding in 1853, began as a Spanish version of an English-language paper sold to foreigners crossing during the California Gold Rush. Generally mainstream ideologically, it has changed ownership many times in its long history.

El Panamá América, founded in 1928, was associated with the political interests of the Harmodio Arias family. Shortly after the 1968 coup, the military seized full control of Editora Panamá América (EPASA) and all its newspapers, including *Crítica*, the all-time bestselling local tabloid founded in 1958. After the return of civilian government, EPASA reverted to the Arias family and sought to compete with *La Prensa*. In 2010, EPASA was sold to a consortium whose major shareholder is said to be Ricardo Martinelli.*

La Prensa was founded in 1980 by businessman Roberto Eisenmann to oppose military government. It was shut down by the military from 1986 to 1990. When reopened, with technical support from Winston Robles, it pioneered a modern printing plant, a digital edition, and more in-depth, original reporting often critical of incumbent governments and elected officials.

Made in the USA (London: Latin American Bureau, 1991), xiii–xviii, and Thomas M. Leonard, *Historical Dictionary of Panama* (New York: Rowman and Littlefield, 2015), xxix–xxxvi.

⁶ For the character of parties and their histories, see Guevara Mann, *Political Careers*, ch. 2.

⁷ This chapter draws heavily on Orlando Pérez, *Political Culture in Panama: Democracy after Invasion* (New York: Palgrave Macmillan, 2011), ch. 4; William L. Furlong, "The Difficult Transition towards Democracy," *Journal of Interamerican Studies and World Affairs* 35, no. 3 (1993): 19–64; Salvador Sánchez González, "La transición a la democracia en Panamá," in *Historia general de Panamá*, ed. Alfredo Castellero Calvo (Panama: Consejo Nacional del Centenario, 2004), III:II, 283–301.

(cont.)

El Siglo, founded in 1985 by businessman Jaime Padilla Véliz, was acquired by business tycoon Abdul Waked in 2001, with strong editorial management by Ebrahim Asvat until 2011. The paper sought to add political content to a tabloid format, and its generally independent stance has intermittently made it a circulation leader. Waked, also the major shareholder of *La Estrella* since 2006, apparently released control of both in 2017.

Radio ownership and broadcasting has varied from highly partisan to non-political and has been the most diverse and locally focused medium in Panama. The Eleta brothers extended their radio empire to start television broadcasting in 1960, when RPC Channel 4 went on the air. Medcom and its increasing number of affiliates remained nominally independent. The Roberto F. Chiari family started TVN Channel 2 in 1962; during the dictatorship it was acquired by a group close to the military, headed by Carlos Duque. In 1990, it was sold to another group, and today the Motta family remains the major shareholder of this more independent network. Both broadcasters have offered original national programming since the 1990s. After the advent of cable television in the new century, viewers were offered many more viewing options.

* In 2012, then-President of Panama Ricardo Martinelli also acquired a large percentage of shares of the RCM Nextv television channel, in apparent violation of Law 24 of 1999, which prohibits radio and television concessionaires from controlling a daily newspaper. See Aminta Bustamante, "Martinelli, los medios y el poder," in *La Prensa*, May 8, 2013.

These and other measures, later called a "democratic transition" in the rest of the continent, promised that the implementation of the new treaty would be accompanied by a freer political climate. In evocative language, Torrijos spoke of the military "returning to the barracks." The process would culminate in the direct election of a new president in May 1984.⁸ Freedom of the press would be crucial for the transition to succeed.

⁸ Margaret E. Scranton, *The Noriega Years: U.S.-Panamanian Relations, 1981-1990* (Boulder, CO: Lynne Rienner, 1991), 55 ff; Harding II, *Military Foundations*, 78-92; Andrew S. Zimbalist and John Weeks, *Panama at the Crossroads: Economic Development*

Torrijos also told his close associate and minister of planning, Nicolás Ardito Barletta, that he intended to retire all current members of the Guardia high command and replace them with younger men loyal to himself. He did not wish to have some ambitious senior officers overthrow a civilian leader the way he himself had done in 1968. Clearly, Torrijos intended to lead a return to democracy yet sensed an inclination on the part of the military to retain autocratic rule.⁹

Torrijos chose to be president the talented, handsome, 38-year-old law professor and current minister of education Aristides Royo (1978–82). Born in the suburbs and educated at the hyper-political National Institute, Royo had gone to Salamanca to earn his law degree. Upon his return, he taught law at the University of Panama, joined the prestigious Morgan & Morgan law firm, and then plunged into the political turmoil of 1968. He helped write the Torrijos “revolutionary” constitution of 1972 and participated in treaty negotiations in the mid 1970s. He became minister of education in 1973 and helped create a more positive, reformist image for the regime.

Torrijos, who had come to rely on Royo’s judgment and political skills, nominated him for election by the Assembly of Representatives of Municipalities to a six-year presidential term to oversee the democratic transition. Businessman Ricardo de la Espriella became his vice president, in equally automatic fashion. Royo soon created an economic advisory council made up of prominent businessmen Torrijos had cultivated during the 1970s, called the Frente Empresarial del PRD. Torrijos had cleverly won over economic leaders by offering government subsidies, protection, and concessions, following the broader vision enunciated by Ardito Barletta. Now, Royo garnered their support as well, managing to set up Panama’s first Chamber of Commerce in 1979.¹⁰ Finally, he led the festivities at a massive celebration of the Panamanian takeover of the former Panama Canal Zone, held on October 1, 1979, which included

and Political Change in the Twentieth Century (Berkeley & Los Angeles: University of California Press, 1991), 121; Leonard, *Historical Dictionary*, 250–51.

⁹ Ardito Barletta, *Huellas*, 48; Ropp, *Panamanian Politics*, 82–83.

¹⁰ On Torrijos’s relations with the economic elite, see Ropp, *Panamanian Politics*, 62–66. See also the thoughtful and candid discussion of Torrijos and this period in “Interview with Ambler H. Moss Jr.,” Library of Congress Manuscripts Division, 1988. Moss served as ambassador to Panama from 1978 to 1982. Undoubtedly some narcotics traffickers and money launderers managed to slip into the inner circle as well.

the participation of Mexican President José López Portillo and US Vice President Walter Mondale.

When President Jimmy Carter sought a refuge for the deposed Shah of Iran, Torrijos quickly agreed, but he left it up to President Royo to quell the controversy, until the Shah abandoned his hideaway on Contadora Island for a more tranquil residence in Egypt.¹¹

Demilitarization of government lay at the core of the transition in Panama, and Royo gave it a civilian face. He implemented Law 81 that lifted rigid controls on speech and politics and set a timetable for return to full democracy in 1984. Pent-up demands and challenges arose, and vocal discontent that had built up to some of Torrijos's programs suddenly erupted. On October 9, 1979, the National Opposition Front organized what it claimed was the largest political demonstration in Panamanian history, attended by about 300,000 people. This was complemented by a sixty-eight-day, nearly nationwide teachers' strike in the fall of 1979. If transition occurred, many objected to its being led by military-installed newcomers.¹²

In 1980 the PRD civilianization process seemed a little more secure, and Torrijos routinely told favor-seekers to go see the president, that he was now retired. The PRD, meanwhile, gathered enough signatures to qualify as a legal party.¹³ Slightly relaxed electoral procedures in September 1980, the first open elections since 1968, chose nineteen members of a legislative council within the Assembly. Had the Panamanian transition succeeded, it would have been a first among the many Latin American military regimes to return to democracy during the 1980s.¹⁴ But it was not to be.

As Panama began the new decade, Royo ran into still stronger crosswinds, fanned by the world recession and ambitions among National Guard colonels to extend the dictatorship. Panama's economy skidded into stagnation that felt more painful because of the high expectations people had for prosperity under the new treaties. A November 1981 article in *The New York Times* claimed that Royo seemed to be prevailing in a struggle for power with the new National Guard Commander, Colonel Florencio Flores Aguilar, but warned that economic conditions were deteriorating badly for the masses:

¹¹ "Interview with Ambler Moss."

¹² Miguel Antonio Bernal interviews, July 22–23, 1986. Bernal helped lead this and a repeat strike in 1981.

¹³ Guevara Mann, *Political Careers*, 41–42.

¹⁴ Ropp, *Panamanian Politics*, 82–83; Pérez, *Political Culture*, 51–52.

the economy seems to be booming with new luxury apartments and office blocks rising. Over the last decade, Panama has also been a leading “offshore” financial center for Latin America, its 114 foreign banks, including many from the United States, controlling \$38 billion in deposits. But such service functions produce little real economic growth. Unemployment, already high, has gone higher and frustrations, barely held in check by Torrijos, threaten to erupt.¹⁵

Without the gravitas of Torrijos and with the economy on the skids, Royo faced formidable obstacles to returning to an open political system. In some ways, his presidency was also doomed by the death of Torrijos, after which the colonels in the Guard began maneuvering to hold on to power. Royo, who never accepted the primacy of the military, stood in their way. Suddenly, at the end of July 1982, Royo announced his resignation, allegedly for reasons of health. In fact, Guard officers had decided to roll back civilianization with their own transition – to re-militarization. They were not going quietly back to the barracks.

On the first anniversary of Torrijos’s death, veteran journalist Alan Riding described the behavior of yet another new commander, Rubén Darío Paredes, at the swearing in of de la Espriella as President. Paredes seemed to be “trying to look constitutional but behaving as though he had just carried out a coup,” when he suspended the publication of all newspapers for seven days and demanded the resignation of all the officials of the outgoing government.¹⁶

Royo’s nearly four years in office stood in sharp contrast to the following period, dominated by military chiefs, especially Manuel Antonio Noriega. Civilian presidents de la Espriella and his successor Jorge Illueca openly acknowledged that their authority flowed from the *Comandancia* (headquarters) and served for short tenures. Others, like Nicolás Ardito Barletta and Eric Arturo Delvalle, who attempted to defy Noriega, ended up about as quickly and surely deposed.¹⁷

RESURGENCE OF THE GUARD

On the military side, several ranking officers who had resisted Torrijos’s democratization plans, to protect their positions, began jockeying to take

¹⁵ “Panama: Troubled Passage for a U.S. Ally,” *The New York Times*, Nov. 22, 1981. Cf. the analysis of Ardito Barletta, “The Political and Economic Transition,” 32–66.

¹⁶ “Panama Military Close to Direct Rule,” *The New York Times*, Aug. 4, 1982. For this episode, see Patricia Pizzurno Gelos and Celestino Andrés Araúz, *Estudios sobre el Panamá Republicano (1903–1989)* (Panama: Manfer, SA: 1996), 591–92.

¹⁷ Ardito Barletta’s synthesis appears as “The Political and Economic Transition of Panama, 1978–1991,” *passim*.

power after his death. The Guard had long provided muscle for the regime, and its leaders had become accustomed to the power, money, and stature they enjoyed. The Guard also played important roles in suppressing opposition activities, raising money for illicit purposes, and managing intelligence gathering at home and abroad.¹⁸

In 1981, ranking Guard officers included Col. Florencio Flores (Commander), Col. Rubén Paredes, Lt. Col. Manuel Antonio Noriega, and Col. Roberto Díaz Herrera, most of whom had experience in a variety of activities besides police work and national defense. In mid 1982, fellow officers dismissed Flores as commandant and replaced him with the more politically ambitious Paredes. The new leader had no intention of allowing civilians to exercise real power and planned to run for president himself in 1984. Still, he pushed an electoral reform package through the legislature. To assuage the ambitions of other Guard officers, he signed a secret agreement allowing them to rotate into the presidency after his term ended.¹⁹

Paredes also appointed a commission to transform the Assembly of Representatives of Municipalities (*corregimientos*) into the Legislative Assembly, one similar to the body that had existed for most of the twentieth century. It would enjoy more autonomy vis-à-vis the executive branch and participate in a broader range of law-making activities. It also inherited the patronage distribution role of its predecessor, allowing its members to win reelection, enrich themselves, and enjoy immunity from prosecution for wrongdoing. Carlos Guevara Mann, a historian who has studied corruption for decades, argues that the 1983 reforms, rather than encourage democratic government, actually extended a long tradition of careerism, corruption, and impunity in that body. The reform was approved in a referendum and took effect the following year.²⁰

Meanwhile Noriega, head of the Guard's intelligence branch (called G-2 after US military usage), became second in command under Paredes. When Paredes had to resign in August 1983 to run for president the following year, Noriega assumed command of the Guard and promoted

¹⁸ On general security of the Canal in the twentieth century, see Charles Morris Brooks, *Guarding the Crossroads: Security and Defense of the Panama Canal* (Panama: P & P Group, 2003). Chs. 19–22 cover the period since the 1977 treaties.

¹⁹ Pizzurno and Araúz, *Panamá republicano*, 594–96; Scranton, *Noriega Years*, 67–68.

²⁰ Guevara Mann, *Political Careers*, 79–81. On the reforms, see Miguel Antonio Bernal, “Evolución constitucional desde la separación de Panamá,” in *Historia General de Panama*, ed. Alfredo Castellero Calvo (Panama: Consejo Nacional del Centenario, 2004), III:I, 42–44.

himself to general. He had encouraged Paredes to step down and run but soon double-crossed him; instead he sought a civilian to head the military-backed PRD ticket.²¹ First, he offered the candidacy to Fernando Manfredo, a longtime Torrijos friend and collaborator who at the time served as deputy administrator of the Panama Canal Commission (PCC). Manfredo declined, so Noriega's representative invited Nicolás Ardito Barletta to run.²² He had served in numerous capacities with Torrijos during the 1970s, ending up as minister of planning and economic policy (MIPPE) from 1973 to 1978. From there he went on to be vice president for Latin America in the World Bank.

When Ardito Barletta asked Noriega if the Guard would defer to his presidential authority, in the event he was elected, Noriega assured him it would. Later events proved that Noriega really intended to maintain authority behind the scenes. He needed Ardito Barletta to give legitimacy to the regime and to solve the country's economic problems. Despite the appearance of a return to democracy, then, some suspected that the balance of power still resided in the Guard headquarters in Chorillo, rather than the *Las Garzas* presidential palace, in the Casco Viejo district.²³

Noriega carried out an even more audacious power grab shortly after becoming commander. With support from the joint committee for defense of the Canal, he pressured the legislature to pass Law 20 to reorganize, strengthen, and convert the Guard (created in 1953 by previous strongman José Antonio Remón) into the Panama Defense Forces (PDF). The Assembly dutifully complied. The new unit was a rapid response force along the lines of the Israeli Defense Force – well-armed, superbly informed, highly trained, and capable of lightning action to thwart potential threats. It also took over other police functions and enjoyed enhanced autonomy from civilian oversight. US authorities went along, since, until 1999, the US military's Southern Command (Southcom), with headquarters in the Canal Area, would backstop the force, and, in the long run, the

²¹ Fernando Berguido, *Una vida póstuma* (Panama: Círculo Editorial y de Lectura, 2013), 83.

²² Fernando Manfredo Jr., *La transición del Canal a Panamá, 1979–1990: Memorias* (Panama: by author, 2014), 173–75. On Ardito Barletta's role in economic planning under Torrijos, see *Huellas*, chs. 3–4. Cf. also Zimbalist and Weeks, *Panama at the Crossroads*, 32–33, 68–74, and *passim*.

²³ On Noriega's style, personality, relations with US agencies, and scope of power, see "Interview with Ambler Moss."

Treaty for Permanent Neutrality would help to shield the Canal from threats.²⁴

At the time, Noriega enjoyed good relations with the national defense establishment in Washington, which included the Pentagon, CIA, DEA, NSC, and other agencies. He had worked with Vice President George H. W. Bush, who “handled” him when he was CIA director. These agencies approved of the beefed-up force, on the grounds that, under the new treaties, Panama would have to shoulder increasing responsibility for defending the Canal. The move also benefitted the escalating US war against the Sandinistas in Nicaragua, where Noriega later served the Iran-Contra operation in multiple ways.²⁵ The reinforced PDF also fit nicely with the national security doctrines adopted by the US-backed military regimes in the Southern Cone, which stressed fighting domestic communism over external threats. Finally, Law 20 created a buffer between the Panamanian executive branch and the armed services and gave the PDF broad authority to intervene in many aspects of national life.²⁶

US support for Panama in 1984–85 was authorized at the highest levels. The 1983–84 Kissinger Commission on Central America recommended major increases in economic and military aid to the region, to block the spread of communism from Cuba there. It spoke of an extra \$800 million in the 1984 fiscal year as a down payment on a long-term commitment of \$24 billion in economic assistance by 1990.²⁷ Although Panama received little specific attention in the report, it was clear the State Department intended to help Ardito Barletta’s government succeed in returning the country to democracy and adopting austerity measures following the profligate Torrijos years. And the DOD foresaw an accelerated hand-off of Canal protection to the PDF. Economic aid

²⁴ Pizzurno and Araújo, *Panamá republicano*, 599–600; Scranton, *Noriega Years*, 52–53; Harding, *Military Foundations*, 161–62; Berguido, *Vida póstuma*, 84–85. The text of Law 20 and a constitutional critique appear in the pamphlet by Carlos Bolívar Pedreschi, *De la protección del Canal a la militarización del país* (San José, Costa Rica: Litografía LIL, 1987), 63–69, 91–111.

²⁵ “Interview with John A. Bushnell,” Library of Congress Manuscripts Division, 1997, 766. Having served in the State Department in 1981–82, he recalled trying to dissuade these agencies from giving inordinate power to Noriega. The CIA pushed for Noriega, however, to help advance the Contra War in Nicaragua.

²⁶ Carlos Guevara Mann, *Panamanian Militarism: A Historical Interpretation* (Athens: Ohio University Center for International Studies, 1996), 161–65. See also his “La Vida Política en el siglo XX,” in *Panamá: historia contemporánea*, ed. Alfredo Castillero Calvo (Madrid: Fundación Mafore, 2014), 163–248.

²⁷ Henry Kissinger, ed., *Report of the President’s National Bipartisan Commission on Central America* (New York: Macmillan, 1984), 57, 78, and 121.

mushroomed from an average \$9 million between 1980 and 1984 to \$74 million in 1985, and military aid from \$15 million to \$93 million in the same years. The following year, Congress left Panama out of the AID budget due to the Noriega crisis, but by then the damage had been done. The lopsided emphasis on defense gave credence to the later observation that Noriega was a strongman, nurtured by the United States, who could only be toppled by his creator.²⁸

1984 PRESIDENTIAL ELECTION AND ARDITO BARLETTA ADMINISTRATION

The 1984 election could have been a turning point in Panama's destiny, but it was not to be. Ricardo de la Espriella had succeeded to the presidency when the Guard jettisoned Royo in 1982. Later, when Manfredo turned down the PRD presidential nomination, de la Espriella offered it to Ardito Barletta, who, in late 1983, accepted to run based on Noriega's commitment to obey his administration. Ardito Barletta's close collaboration with Torrijos, plus his experience in international finance, made him an excellent choice to address the country's economic malaise. His approval by the PRD sealed his nomination.²⁹ He lined up backing from David Samudio, the unsuccessful candidate against Arnulfo Arias in 1968, as well as from parties like PALA, the Liberals, and the Republicanos. Haltingly, the country's parties began to evolve from personalistic vehicles toward broader organizations representing diverse elements and interests.

Ardito Barletta's decision to run for president ended the pleasant job he held at the World Bank, but it reflected his earlier work with Torrijos and promised professional rewards. In 1968–70, as director of planning under Torrijos, he had overseen the creation of an ambitious plan for national development, *Estrategia para el desarrollo nacional*, which had guided the Torrijos administration.³⁰ Later, as minister of planning and economic policy, he had the opportunity to put many of his ideas to work. Ardito Barletta now hoped that as president he could resurrect that plan while also solving short-term difficulties.

²⁸ Interview with AID desk officer Gary Adams, June 27, 1986, and agency fact sheet.

²⁹ The rising PRD star, Ernesto Pérez Balladares, resisted, in the belief that his service to the regime and business experience should have led to his nomination. This tended to distance him from Noriega, who made the final decision. Rubén Paredes, also denied the PRD nomination, ran nonetheless on the ticket of an obscure party and came in third.

³⁰ Ardito Barletta, *Estrategia para el desarrollo nacional* (Panama: Editorial Exedra, 2012), ch. 3.

Ardito Barletta had never run a political campaign before, but he returned home in January 1984 and threw himself into the race with gusto and considerable backing from the government. The coalition he assembled, called the Unión Democrática Nacional, augmented his core PRD support. His platform called for democracy, strong and honest government, economic and national development, and foreign policies favorable to Panama. President Carter's former chief of staff, Hamilton Jordan, provided strategic advice for his campaign.³¹ Ardito Barletta focused on winning votes from civil servants and teachers, from whom he expected warm support, and played to large crowds in all regions of the country, including indigenous and ethnic communities. In his wife's province of Los Santos, he wore guayaberas and posed as a man with rural roots. His final rally in the capital mobilized 180,000 supporters, whom he addressed with confidence and vigor.

Ardito Barletta's program drew on the planning he had done since the late 1960s and emphasized utilization of the Canal properties and assets becoming available under the 1977 treaty. It contained fulsome promises



FIGURE 2.1 Nicolás Ardito Barletta with wife and son during 1984 presidential campaign. Courtesy of Nicolás Ardito Barletta.

³¹ This account is based largely on Ardito Barletta's interviews of Apr. 10, 12, and 14, 2015; *Huellas*, ch. 6; and his book, *Estrategia para el desarrollo*. The use of either foreign or domestic political experts and advisers for political campaigns would not become common until the mid 1990s.

to working and middle-class citizens. He also addressed the need for governability, that is, stronger public institutions and enhanced government effectiveness. As for eventual ownership of the Canal, he spoke of Panama finally benefitting fully from its superb geographical location and expanding beyond the simple business of ship transits.³²

Arnulfo Arias, showing his 82 years, threw his hat in the ring as well. Ardito Barletta had met with him the preceding November to argue that he desist from running and choose his own designee as Ardito Barletta's vice president. Arnulfo declined and instead ran a low-key, traditional campaign as the "patriarch of democracy." He declined invitations to debate Ardito Barletta, trying to appear above the fray. Meanwhile, President de la Espriella, hoping to undermine Ardito Barletta and end up extending his own tenure, consulted with Arias, the military's arch-enemy. After failing to convince Arias, de la Espriella was himself deposed for disloyalty. Second vice president Jorge Illueca assumed the presidency in January 1984, three months before the election.

The outcome of the 1984 contest remains controversial, due in part to Arnulfo's vociferous complaints of fraud and reporting by foreign reporters. Ardito Barletta's campaign no doubt received abundant government support, and open favoritism toward him by the US government raised suspicions of meddling. Finally, the fact that Noriega's PDF stood firmly behind Ardito Barletta convinced most that it had rigged the election. After the electoral tribunal annulled some 23,000 of his votes (along with 19,000 of Arnulfo's), Ardito Barletta emerged as the winner, with a margin of less than two thousand votes.³³ He was inaugurated on October 11, 1984, along with a PRD majority in the legislature. Former president Jimmy Carter and US Secretary of State George Schultz flew to Panama to congratulate him, and numerous Latin American heads of state attended. Potential investors began visiting too.

The revamped Legislative Assembly, elected in 1984 and expected to work with the new president, contained a mixed bag of former members and newcomers, totaling sixty-seven. The PRD and its allies won a quarter of the overall votes and just over half the seats. The Panameñistas won a fifth of the votes and a fifth of the seats. Several smaller parties divided up the remaining twenty seats. The PRD majority suggested a continuation of subservient relations with the executive branch, much stronger than the

³² See his platform statement in *Estrategia para el desarrollo*, ch. 7.

³³ Scranton, *Noriega Years*, 75–7; Berguido, *Vida póstuma*, 85–6; Berta Thayer interviews, Apr. 16, 1993 and Aug. 16, 2014.

Assembly.³⁴ Subservience did not mean honesty and transparency, however, because corruption continued unabated. Guevara Mann concluded:

By encouraging bribery, embezzlement, and related corrupt activities, exempting certain individuals from justice (impunity); and manipulating voters through the particularistic assignment of public goods (clientelism), all three traits contradict the notions of political equality and universalism that are central to the idea of democracy.³⁵

Clearly, under these circumstances, the Assembly accomplished little of the people's business.

Corruption looms large in Panama's politics, if not always explicitly. Guevara Mann specified three of the dimensions (economic, impunity/prosecution, and political culture) that surface most commonly. A fourth is its institutional impact, as we will observe. Systematic analysis of corruption such as Guevara Mann developed for the Assembly lies beyond the scope of this study. Instead, we will cover episodes as they arise and register contemporaries' judgments about them.

Ardito Barletta first toured friendly nations to show off Panama's newly restored democracy, while at home he enjoyed high approval ratings and support from the two major TV stations. He appointed more technocrats than politicians to his cabinet, intending to run an effective administration. The economy proved most challenging, so he invited prominent US planner Marc Lindenberg to consult with his team. They built on earlier visions of Panama as a hub for global services and trade, comparing it to Singapore, which had enjoyed success as a small nation using its position for strategic advantage. They propagated the concept of Panama as a "Centerport," a place for container marshalling, bonded manufacturing like in the Colon Free Zone, air transport, maritime services, and offshore banking. The president invited Asian investors to support these developments.³⁶

In a short time Ardito Barletta posted impressive accomplishments. He overhauled the national budget agency, the Contraloría, and its watchdog twin, the Tribunal de Cuentas, and he won Assembly approval for a new judicial code. He inaugurated the Parque Metropolitano, which incorporated a large part of the forested lands transferred from the former Canal Zone. He had several investment incentives approved. He arranged for the Smithsonian Tropical Research Institute (STRI), long housed in the Zone,

³⁴ Guevara Mann, *Political Careers*, 50–63, 86–89.

³⁵ *Ibid.*, 113–14.

³⁶ Ardito Barletta, *Huellas*, ch. 4; Pizzurno and Araúz, *Panamá republicano*, 608–14.

to become a US-Panamanian entity, and he designated new coastal lands for it to expand its marine research facilities.³⁷ He empaneled the Tripartite Canal Alternatives Study group, by which Panamanian, Japanese, and US specialists weighed the possibilities of a sea-level Canal, a land bridge, or expansion of the existing facility. Other initiatives also won approval by the legislature.³⁸

Ardito Barletta focused most of his presidential powers, however, on achieving economic development. His goal of unleashing the productive energy of the nation faced severe shortages of financing and investment, due to the general depression that overlay the region. The first order of business, then, had to be raising capital from the international banks, which he was fully acquainted with from his World Bank days. To accomplish this, he had to carry out austerity measures to encourage domestic growth and also to qualify for new international credits. The public debt, run up during the preceding fifteen years, stood at an unhealthy 85 percent of the GNP, and spending still ran 7 percent over revenues. His remedy was to trim government payrolls, cut subsidies for public services, assess new taxes, promulgate a less protective labor code, and support industry so it could expand the economy. The opposition, meanwhile, denounced these measures as harmful to the poor and working class, but Ardito Barletta remained steadfast; Noriega and most union leaders, aligned with the PRD, agreed with him.

At first, Noriega seemed to embrace the bitter medicine prescribed by the president. His chief of staff, Col. Díaz Herrera, did not like it, however, calling it imperialist punishment.³⁹ The reforms, in fact, had the effect of laying off government employees and increasing taxes. Opponents focused their ire on proposed Law 46, submitted to the legislature in November 1984. In hindsight, the president admitted that he may have failed to promote enough public discussion and gather cosponsors to win support. Within a month, huge demonstrations organized by the opposition erupted in the capital, and Ardito Barletta had to retreat on raising taxes.⁴⁰

³⁷ After conducting a biological inventory of the Canal Zone, the Smithsonian Institution reached an agreement with Panama to make the recently formed Barro Colorado island in Lake Gatun into a biological preserve. The field research station gradually evolved into STRI in 1966, one of the world's foremost tropical research facilities hosting hundreds of visiting researchers from all over the world. The bilateral cooperation established during the 1977 treaty negotiations was later extended by a 1985 agreement.

³⁸ Ardito Barletta, *Huellas*, ch. 5. See also the discussion on Canal planning below.

³⁹ Scranton, *Noriega Years*, 78–9.

⁴⁰ Miguel Antonio Bernal interviews, July 22–23, 1986.

The following February, Ardito Barletta submitted to the Assembly a milder version of the law, to assuage critics and regain the initiative. This time it passed, and he complemented its rollout with well-targeted pork-barrel projects. Yet by spring 1985, military commanders, especially Díaz Herrera, began to doubt Ardito Barletta's ability to lead the country, and some spoke of "shared governance," i.e. more PDF participation in decision-making. They imposed some cabinet changes in May to enforce their opinions and perhaps pave the way for a military coup. Some US observers also viewed the president as ineffectual. Meanwhile, Ardito Barletta paid a friendly visit to Mexican President Miguel de la Madrid, himself a veteran of economic hard times, and hired a new political consultant to help explain his reforms to the public.

In mid 1985 Ardito Barletta readied his proposal for a World Bank credit to refinance the foreign debt, based on the structural changes he had instituted, such as competitiveness, financial probity, and opening the economy to trade and investment. He shared the draft letter with businessmen, politicians, and labor leaders in hopes of gaining support. Sensing the fragility of the moment, the State Department requested that General John Vessey, Chairman of the US Joint Chiefs of Staff, pay a visit to the president and to General Noriega to urge them to continue on the democratic path.⁴¹

In late August, the president invited Noriega and other commanders to meet and discuss the World Bank proposal, which Díaz Herrera opposed. As a result, Ardito Barletta agreed to phase in the reforms to dampen their negative impact. They would be implemented over seven months: agricultural to revive farming; labor to raise worker productivity; industrial for factory expansion. Schools would be on vacation during those months, cushioning the potential for public protest. The president informed the legislature that his policies had already produced GDP growth of 5 percent and reduced the fiscal deficit. His assurances would prove to be insufficient.

Within days of launching his economic plan, the president learned of a brutal murder that shocked the nation. On September 13, the charismatic physician Hugo Spadafora, member of a prominent family, had been decapitated and dumped just across the Costa Rican border. Having fought in the civil wars in Central America, Spadafora enjoyed widespread public adulation. He had recently denounced Noriega for various crimes, including drug trafficking, and he announced his intention to enter politics

⁴¹ Ardito Barletta, *Huellas*, 287–301.

in Panama. Critics of the government immediately attributed his horrific murder to PDF agents, and Noriega, although out of the country when it occurred, seemed likely to be behind the act.⁴² Public outrage over the Spadafora murder engulfed the nation, and Ardito Barletta promised the family he would appoint a commission to determine responsibility for the crime, which he did.

Vice President Delvalle used the Spadafora crisis to urge Díaz Herrera to push Ardito Barletta out, rather than allow the investigation to proceed, so that he could succeed to the presidency. Díaz Herrera did not need much convincing. Shortly after the president's return from a speech at the United Nations, he was summoned to PDF headquarters. There top officers detained and badgered him for fourteen hours, until he agreed to take leave or step down as president, which the military portrayed to the public as his resignation. At the end of the ordeal, he looked Noriega in the eyes and said, "Remember my words, you are going to regret what you are doing here." And four years later the general went to jail in the United States, later suffered prison in France, and ended up in Panama's penitentiary, released to house arrest just two months before his death in March 2017.⁴³

During the coup against him, Ardito Barletta received encouragement from Assistant Secretary of State for Inter-American Affairs Elliot Abrams to "hang tough," despite no concrete support. He later learned that Pentagon operative Nestor Sanchez had apparently condoned the coup. Ardito Barletta believed that the situation had become hyper-polarized, and he mistakenly thought that the military would back down. He received condolences and job offers from colleagues in Washington but declined them. The *Washington Post* denounced the coup as the "beheading of Panama," alluding to the Spadafora murder. The new regime, meanwhile, condemned many of the president's allies as traitors of the

⁴² Among the many accounts available, the most vivid is Guillermo Sánchez Borbón, "Hugo Spadafora's Last Day," *Harper's*, June 1988, 56–62. A fuller version is Richard M. Koster and Guillermo Sánchez Borbón, *In the Time of the Tyrants: Panama 1968–1990* (New York: W. W. Norton & Co., 1990). Cf. also Scranton, *Noriega Years*, 85–87; Kevin Buckley, *Panama: The Whole Story* (New York: Simon & Schuster, 1991), 21–30; and the recent fictionalized biography, Amir Valle, *Hugo Spadafora, bajo la piel del hombre* (Panama: Aguilar, Prisa Ediciones, 2013).

⁴³ Ardito Barletta, *Huellas*, 304–10; interviews, Apr. 10, 12, 14, 2015; Scranton, *Noriega Years*, 87–91; Frederick Kempe, *Divorcing the Dictator: America's Bungled Affair with Noriega* (New York: G.P. Putnam's Sons, 1990), 143 ff. Cf. Omar Jaén Suárez, *Diez años de administración panameña del Canal de Panamá, 2000–2010* (Panama: Autoridad del Canal de Panamá, 2011), 31–32.

nation, including prominent figures like Gabriel Lewis, Fernando Eleta, Roberto Motta, and Mario Galindo.⁴⁴

THE NORIEGA CRISIS OF 1987–89 AND THE NATIONAL CIVIC CRUSADE

The reasons why American leaders seemed willing to accommodate strongman Noriega in the mid 1980s, with a civilian front man like Ardito Barletta, have been told many times and still echo in the memories of American news consumers from that era. Later, most of these same US leaders turned against the dictator and carried out a trenchant campaign to push him out or remove him.⁴⁵ The US press bombarded the American public with stories that demonized Noriega. *The New York Times*' Seymour Hersch had helped launch the campaign against Noriega with a blockbuster article on June 12, 1986.⁴⁶ Between then and the invasion and capture of Noriega in December 1989, thousands of stories appeared in the press around the world, prejudging him. Afterward, many "instant" trade books were published about the general and his demise, such as those by Kempe, Sánchez Borbón and Koster, Woodward, Dinges, Buckley, and Weeks and Gunson. His rise and fall in the court of public opinion could not have been more dramatic.

Some of the reasons Noriega had seemed appropriate for the role of strongman in 1983–84 evaporated in following years. For one, several other military regimes in South America, along with their national security doctrines, relinquished power. The Central American conflict moved toward resolution, no longer requiring a broker in Panama. The Cold War itself drifted toward conclusion, removing other justifications for supporting dictators. Finally, some US congressional opponents of giving the Canal to Panama played up the Noriega crisis as a strategy for annulling the 1977 treaties.⁴⁷ By 1989, Noriega had been thoroughly vilified by the US government, the press, and public opinion.

The "stability" that Noriega supposedly provided (as Torrijos had done before him) grew tenuous in the mid 1980s. Foremost among

⁴⁴ Ardito Barletta, *Huellas*, 310–12.

⁴⁵ Scranton, *Noriega Years*, 115–18.

⁴⁶ *Ibid.*, 92–95.

⁴⁷ *Ibid.*, ch. 6 passim. North Carolina Senator Jesse Helms played a prominent role in sabotaging the treaties. See the account by Ambassador Everett Ellis Briggs, posted in Panama during Noriega's rise, 1982–86: "Our Man in Panama," *New York Times*, Sept. 9, 2007.

troubling developments was an open break between Noriega and rival Díaz Herrera. The latter had served as chief of staff and expected to succeed to commander in 1987, as had been promised when Noriega became *comandante*. When Noriega dismissed him, he retaliated by publicly denouncing the dictator with graphic descriptions of wrongdoings.⁴⁸

Although much of the growing opposition to Noriega originated overseas, Panamanians also mounted a serious movement against his regime that ranged from academic denunciations to street protests. Its origins went back to the 1968 coup and mobilized well-to-do professionals and their families who found their well-being threatened by the military government. During the 1970s, opposition bubbled along mostly underground, in the form of clandestine publications, student activism, anti-government networks, and guarded newspaper columns.

La Prensa clearly served as the flagship newspaper for the opposition in the mid 1980s. It supported Arnulfo Arias in the 1984 election, denounced the death of Spadafora in 1985, calling for a full investigation, and reprinted the Seymour Hersh and other revelations from the US press in mid 1986.⁴⁹

Student protests and repression expanded in July 1986, with street clashes, police raids on schools and the University of Panama, and mobilization of riot police nicknamed the Dobermans for their vicious tactics and black uniforms. Students denounced mistreatment and jailing of Professor Miguel Antonio Bernal and Guillermo Sánchez Borbón, a popular columnist with *La Prensa*. Police clubbed protesters and fired tear gas to disperse them, only igniting more resistance.⁵⁰

The protest movement erupted again during the Díaz Herrera crisis of June 1987, as people opposed to the regime believed that its end was imminent. Tens of thousands demonstrated, and hundreds of civic organizations aggregated into a loose coalition, the National Civic Crusade.⁵¹

⁴⁸ John Dinges, *Our Man in Panama* (New York: Random House, 1990, 1991), 260–66; Scranton, *Noriega Years*, 106–08; Kempe, *Divorcing*, ch. 13; Zimbalist and Weeks, *Panama at the Crossroads*, 80–81. Roberto Díaz Herrera points to the turmoil over the Iran-Contra affair and the death of Spadafora as the key events of the era and adds other insights on militarism and Panama's relations with the US in a self-published 2009 memoir, *Estrellas Clandestinas*. Cf his *La Explosión de Panamá* (Panama: Impresos Modernos S.A., 2011); and our interview with Roberto Díaz Herrera, Nov. 23, 2014. Allan Metz reviewed this huge literature in "Manuel Noriega and the 'Panama Crisis': An Annotated Bibliography," *Reference Services Review*, Fall 1991, 7–44.

⁴⁹ "Noriega: Quién lo investiga," *La Prensa*, July 2, 1986.

⁵⁰ See front page coverage in *La Prensa*, *El Siglo*, and *Extra* on July 12, 1986.

⁵¹ The Crusade and its predecessors are described by Brittmarie Janson Pérez, "The Process of Political Protest in Panama, 1968–1989," PhD diss., University of Texas, 1993, esp. ch. 5. Cf. Pizzurno and Araúz, *Panamá republicano*, 617–19.

Anti-government protesters in mid 1987 organized marches with placards and chants, pot-banging, and white scarves. Their demonstrations quickly drew attacks and dispersal by the Dobermans. Such protests, drawing students from the universities and high schools, highlighted middle-class dissatisfaction with the regime. Even some lower-class protesters made their opposition to Noriega heard.⁵²

Other organizations joined in. Business associations called several general strikes in 1987, signaling their disapproval of their diminished civic freedoms and constrained economic possibilities. Civic clubs, like Rotary, Lions, Kiwanis, and the Chamber of Commerce, and others like Aurelio Barrios, also registered their opposition to the unconstitutional regime.⁵³ Much of this was covertly encouraged by the US State Department. Meanwhile, Noriega had *La Prensa* seized and shut down, not to reopen permanently until early 1990.

The 1989 election debacle clinched most observers' conclusion that Noriega had become a demon who should be removed from power. Noriega went on the defensive due to the US sanctions and diplomatic campaign against him, but to assuage opinion he called for a presidential election on May 7, 1989. He chose friend and business associate Carlos Duque to head the ticket. The opposition mobilized behind standard-bearer Guillermo Endara of the Panameñistas for president (Arnulfo had died the previous August). His allies Ricardo Arias Calderón of the Christian Democrats and Guillermo "Billy" Ford, of MOLIRENA and the business community, ran for first and second vice president. Few observers were sanguine about the opposition's chances to vote out Noriega, but everyone agreed that it would be a plebiscite on his regime.⁵⁴

⁵² Janson Pérez, "Process," ch. 7. During these years, Alfredo Castellero Calvo and his son Alfredo Castellero Hoyos participated in Civic Crusade protests and kept author Conniff informed in private correspondence.

⁵³ Richard L. Millett, "The Failure of Panama's Internal Opposition, 1987–1989," in *Conflict Resolution and Democratization in Panama: Implications for U.S. Policy*, ed. Eva Loser (Washington, DC: Center for Strategic and International Studies, 1992), 21–38. See the anti-government speech Carlos Bolívar Pedreschi delivered to these clubs on Nov. 28, 1987: pamphlet "Testimonio histórico," courtesy Janson Pérez. Noriega's intelligence blamed Deputy Chief of Mission John Maisto for inciting the Civic Crusade: see "Interview with Arthur H. Davis, Jr.," Library of Congress Manuscripts Division, 1991. Davis served as US ambassador to Panama from 1986 to 1990, although for most of that time he remained in Washington to signal US disapproval of Noriega.

⁵⁴ Among the many accounts of the episode, see Manfredo, *La transición*, 198–201; Kempe, *Divorcing*, 350–63; Zimbalist and Weeks, *Panama at the Crossroads*, 150–53.

Because of skepticism lingering after the 1984 election, many groups offered to monitor the elections in 1989, including the Carter Center, the European Parliament, the OAS, the US State Department, the Center for Strategic and International Studies, and various former heads of state.⁵⁵ Noriega acquiesced, certain that his influence on the Electoral Tribunal and police watchers would help his candidate prevail. After a massive turnout on election day, the vote-counting arm of the Tribunal went to work, while Noriega agents alternatively stole ballot boxes and attempted to alter the results tabulated by computers. Observers witnessed gross violations of the rules and denounced them to the international press. Independent exit polls showed the opposition winning by margins so large that no amount of fraud could overcome them.

Three days after the election, Endara, Arias Calderón, and Ford led a march to the presidential palace to protest these government actions. They were attacked by irregular militiamen named dignity battalions or “digbats,” who killed Ford’s bodyguard. The thugs attacked and bloodied the candidates, and images of the melee went out to a shocked world.⁵⁶

Noriega and the Tribunal cancelled the election results on the grounds that legal procedures had been violated. He installed another puppet, Francisco Rodríguez, as provisional president on September 1, 1989, the seventh to serve in eight years.⁵⁷ Less than four months later, US armed forces invaded Panama to arrest Noriega, restore constitutional government, and ensure implementation of the 1977 treaties.

ASSESSING BLAME

There was plenty of blame for the Noriega crisis to go around. Noriega himself misread US intentions until the last minute, believing that his skills at bluffing the gringos would stave off their overwhelming military superiority. He made the mistake of having his legislature declare that the United States had put Panama in a state of war, which some media quickly twisted around as “Noriega declared war on the United States.” His long association with prominent figures in the US government, including now-president Bush, led him to believe he could simply outmaneuver them. His

⁵⁵ “Interview with Arthur H. Davis Jr.”

⁵⁶ Scranton, *Noriega Years*, 158–64. US personnel in Panama came to call these irregulars “digbats.” Cf. Pizzurno and Araúz, *Panamá republicano*, 630–32. Billy Ford provided a personal perspective in Guillermo Ford Boyd, *Valió La Pena* (Imprenta Universal Books, 2004).

⁵⁷ See the appendix of heads of state in Leonard, *Historical Dictionary*, 307 ff.

wanton execution of officers who tried to overthrow him also warranted decisive sanctions.⁵⁸

President George H. W. Bush and his advisors also merited blame, for keeping Noriega on the payroll in the intelligence network for so long, even resurrecting him after Carter had let him go. Presidential candidate Bush killed a mid-1988 proposal that might have produced Noriega's departure, fearing that "dealing with a dictator" would harm his election chances, while ignoring the prolonged torment the Panamanian people were suffering under economic sanctions.⁵⁹ The defense establishment had encouraged Noriega's enhancement of PDF powers in 1983, arming him and giving him roles in international affairs that were inappropriate for a military chieftain. By 1985, however, the State Department and the DEA had already cranked up a campaign against Noriega.⁶⁰ Then, before Bush decided to invade, he could have taken the counsel of General Fred Woerner, head of Southcom in Panama, who did not favor an invasion. Instead the White House replaced Woerner with General Maxwell Thurman (nicknamed "Mad Max"), who colleagues described as anxious to get on with the job. Finally, the Zonians who remained in the PCC deserve some blame for making the treaty implementation as difficult as possible, in the hopes that it might be judged failed and be revoked.⁶¹

Most diplomats we have spoken with believe that the invasion was an unnecessary and mistaken act, a fallback to outmoded gunboat diplomacy, and a violation of international laws we were party to, including the

⁵⁸ Manfredo, *La transición*, 194, quoted Noriega as bragging: "U.S. generals will win on the battlefield, but when it's political against us, we will win because they don't have that 'Panamanian thuggery.'" Manfredo (251) reproduces the headline from *La Estrella de Panamá*, 16 Dec. 1989, regarding a state of war. Zimbalist and Weeks's "Conclusion" contains thoughtful analyses of the growing crisis shortly after the invasion. See Ambler Moss's discussion of Noriega's personality in "Interview," Library of Congress, 15-17; and former US ambassador Everett Ellis Briggs' article, "Our Man in Panama," *New York Times*, Sept. 9, 2007.

⁵⁹ Pizzurno and Araúz, *Panamá republicano*, 633-37; Michael Conniff, *Panama and the United States*, 3rd ed. (Athens, GA: University of Georgia Press, 2012), 159. Cf. Ambassador Ambler Moss's scathing analysis a year before the invasion, in "Interview," Library of Congress, and Ambassador Davis's comment on the Bush campaign of May 1988: "Interview with Arthur H. Davis Jr.," Library of Congress.

⁶⁰ "Interview with Arthur H. Davis Jr." He stated that at the time of his posting in mid 1986, former ambassador to Panama Everett Briggs and Assistant Secretary of State for Inter-American Affairs Elliot Abrams pushed the anti-Noriega policy.

⁶¹ Manfredo's *La transición* is one of the clearest accounts of Zonian intransigence and efforts to sabotage the treaty. Officers in Southcom who opposed the invasion renamed it Operation Just Because, to suggest that the White House ordered it on a whim.

charters of the UN and the OAS.⁶² Assigning blame and second-guessing, however, are not historical analysis, which requires a longer view of causes and outcomes.

Like the 1984 election, the Christmas invasion of 1989 (code named Just Cause) marked a major turning point in Panama's history, unfortunately, one over which its citizens had no control. Post-invasion President Guillermo Endara told a reporter it had been like a "kick in the head . . . We were not really consulted." A rich literature has accumulated about this episode, the United States' biggest military undertaking between the Vietnam War and Desert Storm.⁶³

Historian Greg Grandin looked back at the invasion on its 25th anniversary, trying to gauge its longer-term causes and effects. He noted that the top members of the Bush security team found themselves uninformed about Panama and unsure what to do with Noriega.⁶⁴ They opted for a rapid, surgical invasion with overwhelming force without defining its objectives and exit strategy. When it was over, they rejoiced at its tactical success, in sharp contrast to the flawed invasion of Grenada six years earlier. They also ignored or played down the extensive civilian casualties and collateral damage to Panama City, on the heels of years of economic sanctions. Bush declared that with Just Cause, the United States had kicked the "Vietnam syndrome," that is, its reluctance to engage in military operations overseas.⁶⁵

Grandin found longer-term implications of the invasion. The Berlin Wall had just fallen weeks before, so in hindsight Just Cause foreshadowed how the United States might deal with the world after the end of the Cold War, in its new role as sole superpower. In this context, Just

⁶² Zimbalist and Weeks, *Panama at the Crossroads*, ch. 7, came to much the same conclusion after years studying the deteriorating relations between Noriega and the United States. So too did Kempe, *Divorcing*, Epilogue.

⁶³ Conniff, *Panama*, 167. The most authoritative account is Lawrence A. Yates's two-volume *The U.S. Military Intervention in Panama: Operation Just Cause* (Washington, DC: US Army Center for Military History, 2008, 2014). Cf. "Interview with John A. Bushnell," Library of Congress Manuscripts Division, 1997. Bushnell took over as Deputy Chief of Mission (DCM, i.e., acting ambassador) when Maisto returned to Washington. In preparation for his new role, Bushnell met often with Pentagon officials planning the invasion, and in Panama he continued to liaise with them, especially the new Southcom commander, General Maxwell Thurman.

⁶⁴ See "Interview with Arthur H. Davis Jr.," Library of Congress, on attempts to formulate an approach to the Panama crisis in late 1989.

⁶⁵ Greg Grandin, "The War to Start All Wars," *Truth-Out*, www.truth-out.org/opinion/item/28138-the-war-to-start-all-wars-the-25th-anniversary-of-the-forgotten-invasion-of-panama.

Cause was a dress rehearsal for Desert Storm a year later. And it shaped the mentality of a generation of “neo-conservative” (neocon) strategists, who militarized US foreign policy and who rose to influence under Bush’s son, George W. Bush, a decade later.⁶⁶

Panamanians who lost loved ones, property, or their liberty in Just Cause may not take much consolation from Grandin’s analysis, but it shows how small nations can lose control of their destinies and be mistreated by large ones in the long sweep of history. Meanwhile, curious readers have available book-length accounts of the invasion from Panamanian viewpoints, which may be supplemented with the documentary “Invasión,” by Abner Benaim, aired in 2014.⁶⁷

CANAL TRANSITION

Implementation of the 1979 Panama Canal Act (also known as PL 9670 and the Murphy Law, after its sponsor Congressman John Murphy [D-NY]) proceeded according to a number of schedules or calendars, as established by the treaty and augmented by the law.⁶⁸ The Carter administration had drafted implementing legislation, which it passed on to President Royo in Panama for his approval. The latter, a lawyer, pointed out items where the draft diverged from the treaty and Panama’s expectations.⁶⁹ The White House did not address the Panamanian complaints, and as noted in this chapter, the House of Representatives developed its own bill. The drafters were led by Representatives Murphy, archconservative Robert Bauman (R-MD), and other avowed enemies of

⁶⁶ The works of Andrew J. Bacevich, like *The New American Militarism: How Americans Are Seduced by War* (New York: Oxford University Press, 2005), have been especially influential.

⁶⁷ See Daniel Delgado, *A 25 años de la invasión de Estados Unidos a Panamá: La resistencia armada y sus consecuencias* (Panama: University of Panama, 2014), esp. 82, and “25 años de la invasión a Panamá, 1989–2014,” *Suplemento especial de La Prensa*, Dec. 20, 2014.

⁶⁸ This section relies on Carol Stokes, “History of the Implementation of the Panama Canal Treaties,” unpublished typescript in the National Archives, RG185, A1-173, rec. 292563. After the author submitted it to the PCC in 1983, which had contracted for the study, top officials shelved it with a disclaimer to the effect that, “This material, therefore, does not in any way, reflect the official position of the Panama Canal Commission or the U.S. Government.” We find it to be a serious and reliable account of the events Stokes witnessed and researched, with occasional lapses. Deputy Administrator Manfredo interacted often with Stokes and cited her study in his memoirs.

⁶⁹ FBIS, Jan. 10, 1980, N1; Carlos A. López Guevara interview, July 23, 1986. Cf. Omar Jaén Suárez, *Diez años*, 29–30.

the treaties. Rather than create an independent public corporation, as the treaty and Carter draft had called for, their version kept much closer control, especially fiscally, over Canal management. Many Panamanians and their sympathizers believed these congressmen were coached by Zonians, who hated the treaty, and were aided by Murphy's chief of staff and former Canal legal counsel, W. Merryl Whitman.⁷⁰

The House bill made the PCC an agency of the executive branch funded by annual appropriations, subject to continuous congressional oversight, rather than a government corporation financed by its own revenues and expenses. It also made the PCC board supervisory rather than managerial, concentrating power more firmly in the hands of the administrator and his superiors in the Pentagon. Whitman then helped create a new position, that of chief engineer, who had to be a US citizen. He explained that this would make the deputy administrator, a Panamanian, redundant. Given these shifts in structure, the four Panamanian board members also became largely powerless. The Carter administration intention of binational and independent Canal management became impossible.⁷¹

President Carter appointed two men to lead the PCC. Dennis "Phil" McAuliffe became administrator, and his Panamanian counterpart, Fernando Manfredo, took the deputy administrator position.⁷² McAuliffe had served as commander of Southcom in the Canal Zone for the previous four years and was familiar with and supportive of the treaty and transition to binational management. He held the post until 1989, under the Reagan and Bush administrations. Manfredo had served on the Panamanian treaty negotiating team in 1975–77 and was accepted by the US side to serve as deputy administrator. Nominated by Torrijos and approved by Carter, Manfredo ended up in that role throughout the 1980s and became the first Panamanian administrator in 1990, according to the terms of the treaty, albeit briefly.⁷³

Michael Rhode, Jr., played a key role in drafting the Act and in Canal administration during the 1980s, a role even more critical after the 1989 invasion. Serving as secretary of the PCC's Washington, DC office, he took up duties that far exceeded his modest title: he managed liaison

⁷⁰ This section draws on Manfredo, *La transición*, 144–47. Cf. Michael Rhode Jr. interview, Feb. 2, 1994.

⁷¹ See Stokes, "Implementation," 29–32, on the transfer of authority from the former Canal Zone Government to the new board of directors and approval of its powers in August 1981.

⁷² See the organization charts in Manfredo, *La transición*, 248–49.

⁷³ Stokes, "Implementation," 20–26 ff; Manfredo, *La transición*, 127.

between the Canal and Congress and with numerous government agencies whose actions were critical for Canal operations. He helped to brief Ronald Reagan's 1981 nominee for president of the PCC board, William Gianelli. From Manfredo's point of view, Rhode became an eminence gris.⁷⁴

General McAuliffe, who was not a Zonian, worked well with his Panamanian counterpart and made every effort to implement the treaty, despite the difficulties Congress threw in his way.⁷⁵ Zonians, however, never reconciled to the treaty and followed it only grudgingly, in the spirit of Spanish colonial administrators who said "obedezco pero no cumpro," i.e. I obey but do not carry out. Even if Panama eventually took over the Canal, they reasoned, they would not facilitate the process. Manfredo once remarked that the Zonians' idea of "transition" was that Zonians would run the Canal until they turned off the lights on December 31, 1999; Panamanians could come in the next day and turn the lights back on, if they could find the switch.

During the 1980s, the Canal operated under the almost exclusive authority of the US government; Panama played little part in policy decisions, despite the binational façade of the PCC. President Ardito Barletta, in office 1984–85, said Canal matters occupied little of his time. Panamanians mostly stood on the sidelines, hoping for a bountiful future of cash transfers, new jobs, and business opportunities. Most were sorely disappointed. This was especially true before many Panamanians became conversant in Canal operations and during the period the two governments sparred over the tenure of General Noriega in power. During the 1990s, as more Panamanians rose into executive roles in the Canal and better relations prevailed between the countries, board members and managers, calling themselves "canaleros" (canal men), gradually exercised more influence.

Five US and four Panamanian members comprised the board of directors of the PCC, all nominated by their respective presidents and ratified by the US Senate. The board always approved the decisions of the administrator, because its US members, a majority, were obliged to vote as their president instructed, and he in turn reported to the Secretary of the Army and the Secretary of Defense in Washington. And if that weren't enough

⁷⁴ Michael Rhode Jr. interview, June 30, 1986; Manfredo, *La transición*, 169, 171.

⁷⁵ Foreign Service Officer Sherman Henson interview, June 27, 1986. Henson had served during the treaty negotiation years and was kept fully briefed on relations through the mid 1980s.

top-down control, Congress required that the PCC capital and operating budgets be submitted annually for its approval until 1987, when they adopted a more flexible rotating fund budget.⁷⁶

To coordinate the actions of the many US agencies with a stake in the Canal and ancillary military operations, the White House in the 1960s had established a Panama Review Committee, under the guidance of the US ambassador and the Canal Zone governor. The Southcom commander usually took an active part, also. During treaty implementation, the committee oversaw a large number of joint commissions and subcommittees to discuss and define policy across a range of matters, with special attention to environmental protection and defense. A former ambassador said that the military dominated its deliberations.⁷⁷

Panamanian board members, despite having no real decision-making power, gained valuable experience while watching issues presented and approved, and they became familiar with the complex structures and operations of the Canal. To improve their efficacy, Manfredo suggested to Torrijos that Panama create an advisory board to coordinate Panama's participation in Canal management, autonomous like a transit authority in the United States and as a counterpart to the US review committee.

In 1978, Torrijos established the first of several such bodies. One version was the Panama Canal Authority (ACP), under the direction of Torrijos associate Gabriel Lewis Galindo, designed to centralize decision-making under the executive branch.⁷⁸ Problems arose immediately, as agencies and strong-willed politicians fought for access to returned lands and facilities. Two notable examples were the National Guard and the Port Authority, which claimed military assets, the ports, and the railroad. The Authority succumbed to such competing pressures in 1982–83 and was eventually replaced by the Executive Directorate for Canal Matters (DIPAT), charged with educating, coordinating, and advising its board members. It was lodged in the presidency at first but later moved to the ministry of foreign relations.

From the outset, Panamanian board members found themselves largely ignored and expected to play subordinate roles. But they insisted on

⁷⁶ Manfredo, *La transición*, 181.

⁷⁷ Ambassador Jack Vaughn interview, Mar. 17, 1992. See Stokes, "Implementation," ch. 4, "Binational Working Group and Post Treaty Committees."

⁷⁸ Raymundo Gurdíán Guerra, "Los Tratados del Canal y su Transferencia, 1967–1999," in *Historia General de Panamá*, ed. Alfredo Castillero Calvo (Panama: Consejo Nacional del Centenario, 2003), III:II, 271–72; Jaén Suárez, *Diez años*, 30–31.

challenging the Act, especially the ways it violated the treaties. Such recriminations fell on deaf American ears, so the Panamanian board members had little influence in the early years. By its third year, however, the board settled down and became a more constructive forum for discussing Canal policies.

US ambassador Ambler Moss elucidated a major contradiction in the Board's mandate:

Any Panamanian Government official or businessman knows what a board of directors is in a corporation. But they quite rightly question the role of a board of directors in an appropriated fund agency. It doesn't make sense; it doesn't fit legally somehow.⁷⁹

The control Congress retained over the budget eviscerated the powers of the Board and frustrated the Panamanians' expectations of playing a part in Canal management.

The same contradiction hobbled the Coordinating Committee of division chiefs and their Panamanian counterparts. Deputy Administrator Manfredo observed that "a US representative, a bureau director in the Canal Agency, had more power than the Panamanian member who, as part of the Government of Panama's Executive Branch, was not in a position to affect the day-to-day operations of the Canal." Asymmetry undermined a sense of shared responsibility.⁸⁰

Panamanian board members' concerns in the early years ranged from widening the Culebra/Gaillard Cut (the longer excavated portion on the Pacific side of the Canal), continued waterway maintenance, imbalance between US and Panamanian administrative authority, personnel policies, a second bridge over the Canal, limited power to raise tolls, and costly bureaucratic duplication. Again, Panamanian board members' complaints were largely ignored – one critic called them an "echo chamber" that only heard its own voices.⁸¹

This awkward collaboration persisted until 1985, when General Noriega asserted more control over his board members and ratcheted up conflict by appointing an iron-handed official, Major Delgado, to keep them in line. Binational cooperation only reappeared after the invasion.⁸²

⁷⁹ Stokes, "Implementation," ch. 2, 38.

⁸⁰ Stokes, "Implementation," ch. 4, 84.

⁸¹ *Ibid.*, ch. 2, 37.

⁸² Manfredo, *La transición*, 130, and interview, July 29, 1986; D. P. McAuliffe interview, July 22, 1986; Joseph Wood and James Ferrara interview, July 24, 1986.

REVERSION

The immediate turnover of lands and assets in 1979 became the big story for Panama in this period, far overshadowing the small part the nation played in Canal affairs. The assets included the Panama Railroad, the ports of Balboa and Cristobal at either end of the Canal, and 58 percent of the lands formerly contained in the Canal Zone, which ceased to exist on October 1, 1979.⁸³

Administratively, the ports and railroad transferred to Panama's Port Authority, even though little business went on in these facilities.⁸⁴ The railroad and ports turned out to be white elephants, a drain on the treasury. The railroad had long been neglected and used largely for moving personnel and light cargo around the Zone. The ports handled scant trade and had not been modernized in years, especially given the containerization revolution underway. The two workforces had little to do but were protected by local unions. To spare the government of Panama from having to fire hundreds of redundant employees upon the transfer, the Canal personnel office pensioned off most of them.⁸⁵

The reverted lands included most non-US employee housing (4,300 units), schools, recreation areas, and community buildings. The ACP began to inventory these properties and attempted to provide maintenance until they could be sold to private owners. Considerable pressure arose to show favoritism for powerful people or to sell properties at below market rates, which made the work of the ACP more difficult. This process took many years to complete, during which time critics of the treaty pointed to un-mowed grass, sweetheart deals, run-down neighborhoods, and buildings deteriorating in the tropical climate.

One property scheduled for reverting to Panama proved especially troubling. The School of the Americas (SOA), an army training facility

⁸³ See Charlotte Elton's chapter "Environmental Aspects of Canal Transition," in *Post-Invasion Panama: The Challenges of Democratization in the New World Order*, ed. Orlando J. Pérez (Lanham, MD: Lexington Books, 2000), 57–68, and Stokes, "Implementation," ch. 5, 1–7 ff.

⁸⁴ Manfredo, *La transición*, 128ff; Nicolás Ardito Barletta, "Áreas revertidas," *Capital Financiero*, Sept. 4–10, 2000, and "La incorporación de las Áreas revertidas (Antigua Zona del Canal)," *La Prensa*, Dec. 8, 2014.

⁸⁵ Stokes, "Implementation," chs. 16–17; Manfredo, *La transición*, 158–9, 128; Michael Rhode Jr. interview, June 30, 1986; Zimbalist and Weeks, *Panama at the Crossroads*, 54–55. Roberto Emerick's testimony provides an insider view, in Ana Elena Porras, ed., *Historias Canaleras: Doce testimonios de la transición* (Panamá: Instituto de Estudios Nacionales, Universidad de Panamá, 2007), 108–24. Cf. Richard Wainio interview, Apr. 21, 2014.

operated at Fort Gulick for Latin American military officers since the end of World War II, was not covered in the Status of Forces Agreement (SOFA) negotiated for the other US bases in Panama. Therefore, it would transfer to Panama in 1984 unless a separate SOFA was signed. Noriega, who had taken several courses at the SOA, intended for the United States to continue using the facility but did not wish to give permission publicly, for fear of protests by nationalists. Noriega wanted the SOA but without a SOFA, according to a State Department official. The Pentagon was wary of any deal without a legal basis, however, and at the last minute decided to pull the school out and relocate it at Fort Benning, GA. The incident created doubts about Noriega's ultimate loyalty to the US military.⁸⁶

Manfredo had to deal with a particularly thorny problem with strong cultural overtones: properties built by non-profits, particularly churches, recreation centers, and clubhouses. The close-knit society of the old Zone had over 500 such organizations, which expected to purchase them at nominal prices. But the treaty only provided for a grace period of thirty months, beyond which they would have to regularize their ownership and operations under Panamanian law. In some cases, their fragile finances would not allow this, and they closed their doors. Manfredo made a concerted effort to help most make the transition, knowing that they promoted better morale in the Canal workforce and provided essential social services. He commented that half his time was devoted to handling such special cases.⁸⁷

Most of the transferred lands, largely secondary tropical forest, lay along both sides of the Canal and to the Northeast, including the Chagres River basin, Alahuella (formerly Madden) Lake, and the southern slopes of the central Cordillera mountains. Presidents Royo, Jorge Enrique Illueca, and Ardito Barletta acted quickly to designate forest lands along the Canal as national parks, to prevent their being despoiled by developers and

⁸⁶ Conniff, *Panama*, 150; Sherman Henson interview, June 27, 1986; "U.S. military school in Panama to be closed," *Albuquerque Journal*, Aug. 18, 1984. At Fort Benning, the name was later changed to the Western Hemisphere Institute for Security Cooperation, WHINSEC. After ARI was reestablished in the 1990s, the main facilities of the School of the Americas were privatized and developed as the luxury Spanish-owned Meliá Panama Canal Hotel, a few miles from Colon.

⁸⁷ *La transición*, 135–41; Stokes, "Implementation," ch. 9; Herbert Knapp and Mary Knapp, *Red, White, and Blue Paradise: The American Canal Zone in Panama* (San Diego: Harcourt, Brace, Jovanovich, 1984), 173–81. The status of many of these organizations was finally resolved with more difficulty under President Moscoso, as described in Chapter 5.

squatters. They created several large forest reserves: Parque Soberanía in 1980, Parque Metropolitano in 1985, and Parque Camino de Cruces in 1993. For many years, the government of Panama struggled to deal with farmers and ranchers – estimated as perhaps 100,000 – who quietly penetrated the former Zone lands, because their clearings jeopardized the Canal and contributed to siltation in Gatun Lake. The establishment of a national forestry agency in 1986, INRENARE, later a part of ANAM, did not fully remedy the problem.

The joint policy committee set up for watershed protection attempted to educate the public about the potential dangers of deforestation and to create awareness among the political elite of the urgency of protecting the watershed. They established the Watershed Management Plan to accomplish this, and intellectuals and other opinion leaders embraced it.⁸⁸ They laid the groundwork for later extensive cooperation between Panamanian institutions, the Panama Canal Authority, and USAID.

The protection of the regional watershed concerned more than simply Canal maintenance. These same waters generated electricity, irrigated farmlands, and supplied consumers in the terminal cities. And ultimately, the Canal which Panama would take over in 1999, a historic patrimony of the nation, would succeed or fail largely on whether they could sustain the hydrologic system of the Chagres River basin. Eventually, the successor Autoridad del Canal de Panamá (ACP), created in the mid 1990s, assumed responsibility for protecting these lands.

Under the treaty, the remaining 42 percent of lands and waterways necessary to operate and defend the Canal was allocated to the Panama Canal Area, under the jurisdiction of the PCC, and military zones containing US bases, under the Department of Defense (DOD), for the remainder of the treaty period.

In the transferred or “reverted” areas, Panama immediately assumed responsibility for ordinary public services, including mail, police, courts, jails, fire protection, utilities, and garbage collection. In 1984, these services were extended to the whole Canal Area, excepting military bases. Within two years, the Panamanian police, their Canal counterparts, and the national courts functioned very well, a bright spot in treaty implementation. Manfredo agreed to a special pay bonus to help US employees

⁸⁸ Ardito Barletta interviews, Apr. 10, 12, 14, 2015; Manfredo interview, July 29, 1986; Joseph Wood and James Ferrara interview, July 24, 1986.

adapt to Panamanian services and stores, even though it was not authorized in the treaty.⁸⁹

Several observers noted that the most successful phase of implementation consisted of new joint police patrols, made up of Panamanian and former Zone policemen, which began on October 1, 1979, and ended thirty months later. Their efficacy stemmed in part from the fact that for years the two forces had coordinated, cross-trained, shared intelligence, and enjoyed informal communication. This early success engendered confidence, especially among the US Canal employees, that their lives could carry on without immediate danger.⁹⁰

Other changes in services after 1979 involved schools, hospitals, retail sales, and US housing, many of which were taken over by the Army, Air Force, or Department of Defense Dependent Schools System for the duration of the treaty. Most of these took place among US agencies and had little effect on Panama, except for Panamanians employed by the PCC or DOD.⁹¹

Disagreements arose, however, as to the public services available to members of the US armed forces and their dependents. Military personnel, their spouses, and DOD employees continued to run their own operations, including APO mail, police, and the coveted commissaries and PX stores. They were also exempt from paying rent on residences, which would have brought in over two million dollars a year. Finally, the embassy's surreptitious use of the diplomatic pouch for Zonian mail also rankled, because it took away hundreds of thousands of dollars in revenue from the PCC. These constituted questions of equity between Panamanian and US employees, not just budget issues.⁹²

PANAMANIANIZING THE CANAL

During the early 1980s Canal managers faced multiple challenges. Foremost, they had to ramp up recruitment and training of Panamanians for positions at all levels of responsibility, with the goal of nearly 100 percent Panamanian staffing by the time the Canal was turned over in 1999. Millions of dollars were expended for this purpose, and by

⁸⁹ Manfredo interview July 29, 1986. On the Panamanian assumption of responsibility for postal service, courts, fire protection, garbage, street maintenance, etc., see Stokes, "Implementation," chs. 6–15.

⁹⁰ Stokes, "Implementation," ch. 12; "Interview with Ambler Moss," Library of Congress.

⁹¹ Stokes, "Implementation," chs. 19–24.

⁹² Manfredo, *La transición*, 179 and ch. 11 in general.

TABLE 2.1 *Panamanianization of the Canal Work Force, 1979–90*

		Panama	USA	Third Country	Total
Blue collar	1979	5,521	2,105	350	7,976
	1981	5,765	1,865	277	7,907
	1983	5,922	1,651	228	7,801
	1986	6,103	1,236	164	7,503
	1988	6,347	1,094	116	7,557
	1990	6,280	927	74	7,281
Managers	1979	8	105	0	116
	1986	42	93	2	143
	1989	47	91	5	145

Source: PCC Briefing Paper, October 1993.

1990 about 86 percent of the total workforce was Panamanian, up from 69 percent in 1979. Recruitment and training for executive, management, and senior maritime positions, especially pilots and captains, lagged, however, reaching less than a third by 1989.⁹³

The PCC rolled out a wide array of special programs to prepare Panamanians for successful employment and/or advancement: apprenticeships for craftsmen, towboat mate training, pilot understudies, pilots-in-training, towboat engineer training, clerical training, career internships, upward mobility, career internships, and cooperative education tracks for college students. The first Panamanian administrator later remarked that the PCC was a veritable university of education.⁹⁴

Canal pilots, the men who guided ships through the Canal itself, proved to be the most difficult work category to Panamanianize. Their jobs, requiring exacting skills and experience, were far and away the most demanding and paid the highest wages, comparable to senior airline pilots. It also had the strongest union. The administrator recalled that negotiations with their union in 1980, 1983, and 1985 proved very arduous. But once the other US employee unions accepted the treaty, the pilots finally acquiesced. By the late 1980s, twenty Panamanian pilots

⁹³ *Ibid.*, ch. 16.

⁹⁴ PCC briefing paper, Oct. 1993.

were qualified, with another fifteen in the pipeline.⁹⁵ Still, it took many years for pilots to earn masters' papers to assume full command of ships in the Canal.

To accommodate the increase in Panamanian employees, the PCC created the Panama Canal Employment System, which reinstated two tiers of compensation, one for US employees and a Panama Area Wage Base for new local hires. The plan, like the notorious Gold and Silver rolls that had existed through the 1940s, and the Local Rate/US Rate system through the 1970s, was intended to hold down wages so that by 1999 they would be comparable with pay scales in Panama's economy. This caused such an outcry that the PCC went back to a single pay schedule regardless of nationality. It went into effect between 1983 and 1985 and added some \$3 million to the payroll. In addition, by 1986, all Canal employees except senior management were also covered by collective bargaining agreements.⁹⁶

Panamanianizing the upper echelons of Canal management created more difficulties, as Zonians fought tenaciously to protect their high pay and benefits. Table 2.1 shows that less than a third of the managers were Panamanian after more than a decade of treaty implementation. A former Canal executive remembered that PCC board presidents William Gianelli and Robert Page supported the Zonians and attempted to block efforts by McAuliffe and Manfredo to add more Panamanians to management positions.⁹⁷

Those Panamanians who did win appointments constituted a small but important generation critical for eventually taking over the Canal. From Manfredo on down, they faced discrimination and exclusion on the part of the Zonians. Manfredo's memoir contains myriad cases of being snubbed and ostracized, beginning with denial of housing designated for the deputy administrator.⁹⁸ He and others had to bear up under this treatment in order to persevere. In 2003–04 Ana Elena Porras collected candid testimonies by a dozen Panamanian and US officials from the transition era that recorded the anger and frustration most experienced.⁹⁹

⁹⁵ McAuliffe interview, July 22, 1986; Porras, *Historias*, 120.

⁹⁶ Stokes, "Implementation," ch. 3; Manfredo, *La transición*, 166–67. On labor relations in general under the treaty, see interview with Ronald Seeley, July 28, 1986; and Michael L. Conniff, *Black Labor on a White Canal: Panama 1904–1981* (Pittsburgh: University of Pittsburgh Press, 1985), 147–56.

⁹⁷ Franklin Castrellón, "La panameñización del Canal," *La Prensa*, Sept. 7, 2011.

⁹⁸ *La transición*, 24–26. Cf. also ch. 16.

⁹⁹ Porras, *Historias Canaleras*.

Panamanians who earned good positions in the early transition included Luis Noli and Anel Belis, public information directors, and George Mercier, head of personnel. Assistant director positions were held by Numan Vásquez (engineering-construction), René Van Hoorde (general services), and Carlos Alvarado (marine division). They were joined by Ricardo Varela (human resource development) and Orlando Allard (pilot training). Several would become top executives after Panama took over the Canal, like Jorge Quijano, Onésimo Sánchez, Rodolfo Sabonge, and Manuel Benítez. Allard went on to represent Panama as ambassador to the International Maritime Organization and founded the Universidad Marítima Internacional de Panamá for training merchant marine officers and seamen and organized the periodic Panama Maritime conferences after the early 1990s. Executive Director Joseph Wood lauded Tilsia McTagger, Equal Opportunity Officer.¹⁰⁰

To help standardize pay scales throughout the Canal area, the DOD reluctantly agreed on similar wage systems for its local employees at military installations. In the early 1980s, the Canal employment office also instituted Reductions-in-Force (RIFs in federal parlance), so that US personnel whose jobs ended due to transfer of operations to Panama could displace (bump) others below them in seniority if they qualified for the new jobs. Meanwhile, the projected exodus of US employees did not materialize: only about 100–150 Zonians left each year in the 1980s.¹⁰¹ Nor did the large-scale departure of West Indian descendant employees occur as forecast: only 1,666 took advantage of 15,000 special US immigration visa slots provided by the treaty.¹⁰²

Assuring proper maintenance of the Canal up to the time of transfer constituted another challenge facing Canal managers. Some projects chosen for funding enhanced efficiency, like widening and deepening Culebra/Gaillard Cut to allow two-way transits of Panamax ships, while others simply kept equipment in working order, like lock locomotives, tugboats, lock gates, hydroelectric plants, and dredging barges.¹⁰³ Capital expenditures, like all

¹⁰⁰ Ibid., includes entries by Quijano, Sabonge, and Benítez, among others. Quijano remembered being referred to as the “damn Panamanian” when he started work in the 1970s: 75. Joseph Wood interview, July 24, 1986. To this day, however, Panamanian veterans of the transition rarely criticize their former US bosses because of the valuable mentorships that many developed.

¹⁰¹ Stokes, “Implementation,” ch. 1, 8.

¹⁰² Conniff, *Black Labor*, 175.

¹⁰³ D. P. McAuliffe, “An Overhaul for the Panama Canal,” *Journal of Commerce*, Apr. 9, 1986; Zimbalist and Weeks, *Panama at the Crossroads*, 59–61.

outlays, came from a new Revolving Fund set up by the US Treasury Department in 1987, and they usually detracted from the meager funds available to transfer to Panama beyond treaty requirements, especially during the Noriega crisis.¹⁰⁴

Panamanians had expected a windfall of income from the Canal under the treaty, and in fact treaty-designated payments to Panama rose from only three to around eighty million a year in the 1980s. In addition, the Canal injected more money into Panama's economy through a variety of means, not simply payment for use of the facility. An estimate for fiscal year 1987 appears in Table 2.2:

As employment of Panamanians rose in the 1980s, so did compensation, income tax, and social security contributions, the last two now paid

TABLE 2.2 *Gross Income to Panama 1987*

Wages and salaries paid to Panamanians	\$134,000,000
Retirement and disability to Panamanians	49,000,000
Direct procurement	
Goods	21,000,000
Services, incl. contractors	24,000,000
Personal expenditures by US employees	11,000,000
Treaty payments	
Public services	10,000,000
Fixed annuity	10,000,000
Tolls/tonnage share	58,000,000
Article XIII 4(c)*	2,000,000
Total	\$320,000,000

Source: PCC, Office of Executive Planning, document courtesy of Richard Wainio, prepared April 11, 1995. Some rounding and reformatting. Cf. table 3.2 in Zimbalist and Weeks, *Panama at the Crossroads*, 53.

* This article provided for giving Panama up to \$10 million per year from excess of revenues over expenditures, even though the PCC was not supposed to produce "profits." In subsequent years, few funds were transferred under this treaty provision. See Chapter 3 for more discussion of this issue.

¹⁰⁴ Zimbalist and Weeks, *Panama at the Crossroads*, 55–56, and following chapters regarding these transfers.

to the government of Panama. The Canal also increased procurement of goods and services in Panama, anticipating the Canal turnover in 1999.

Manfredo explained that while “profit sharing” in the 1980s was minimal, the PCC did invest some \$25–30 million a year in improvements, so that the Canal would be maintained and operating well in 1999. Widening the Culebra/Gaillard Cut, the biggest project slated for execution in the late 1980s, would permit two-way transits of the larger Panamax ships using the Canal during daylight hours.¹⁰⁵ Estimated to cost some \$400 million, it was postponed due to the political conflict between Washington and Noriega and to the economic sanctions the United States imposed. It was completed in the early 2000s, along with other maintenance and improvement projects to be discussed in Chapter 3.¹⁰⁶

The impact of Canal transfers and expenditures fell dramatically in 1988 and 1989, when the US government withheld all funds and business with Panama to pressure Noriega to step down from power. The GDP dropped 20 percent from previous years, and the country began to run out of cash because currency shipments (Panama has used the US dollar since 1905) were embargoed. Blocking social security payments and income tax withholding on behalf of Panamanian employees of the Canal created special hardships, from deputy administrator on down, because the Noriega regime began assessing fines on them and withholding services. They even issued an arrest warrant for Manfredo!¹⁰⁷

The Canal operated well during the 1980s, despite administrative friction between Panamanian and US authorities. Toll revenues increased slightly in the early 1980s due to increased traffic, especially oil tankers carrying Alaska North Slope crude to the East Coast. In 1983, 9.8 percent higher toll rates, authorized under the Act, went into effect. The following year, revenues remained about the same, as rate increases were offset by the shift of Alaskan North Slope oil to a pipeline that began operations between Panama’s Chiriqui and Bocas del Toro provinces, near the western border with Costa Rica.¹⁰⁸

¹⁰⁵ Beginning in the 1970s, shipping companies began ordering more vessels built to PCC lock dimensions, called Panamax.

¹⁰⁶ Manfredo interview, July 29, 1986, and *La transición*, 180. A great deal of testimony on Canal improvements in the 1980s appears in Porras, *Historias Canaleras*, and are discussed more fully in Chapters 3 and 4.

¹⁰⁷ Manfredo, *La transición*, 187–89.

¹⁰⁸ The pipeline proved profitable for six or seven years but was shut down in the late 1980s when Los Angeles refineries developed the capacity to refine the sulphur-heavy Alaska oil. D. P. McAuliffe interview, July 22, 1986; Richard Wainio interview, Apr. 21, 2014. Cf. Zimbalist and Weeks, *Panama at the Crossroads*, 61–63.

The rest of the decade the number of transits remained steady at around 12,000 a year, yet volume of cargo rose somewhat due to a growing number of larger Panamax vessels. Part of the later growth was also due to shipments of Japanese autos to the East Coast in specialized automobile carriers known as roll-on-roll-off or Ro-Ro vessels.¹⁰⁹

Since the 1960s, the United States had negotiated with Panama for rights to build a sea-level Canal to replace the existing lock Canal, and the 1977 treaty had left that option open. In 1986, the PCC began considering that possibility and others, forming the Tripartite Canal Alternatives Study Group, comprising the United States, Panama, and Japan. They resurrected the sea-level studies (favored by Japan) done in the 1960s and estimated costs, ending up recommending not to pursue that course. Instead, they endorsed either enlarging the existing Canal (along the lines of the Third Locks project of 1939–42) and/or developing what they called the “Centerport,” where the Canal and adjacent lands would become a marshalling center for containers, which carried an increasing share of world commerce, and other lines of commerce.¹¹⁰ The added cost of port improvements, railroad reconstruction, and highway connections to achieve the Centerport would be far less than a sea-level Canal, not to mention avoiding the environmental dangers of massive excavation. One incentive to upgrade container handling was the growing competitiveness of the US “landbridge” or intermodal routes, where containers were off-loaded on the US West coast and sent by rail to Midwest and even East coast destinations.¹¹¹

PANAMA’S ECONOMY IN THE 1980S

Zimbalist and Weeks’s study of the deterioration of Panama’s fortunes by 1990 devoted considerable attention to the economic story. They demonstrated that the country relied heavily on international services to earn its livelihood: the Canal, the banking center, an oil pipeline opened in 1983, ship chandlery, and the Colon Free Zone. Manufacturing and agriculture, by comparison, made up less than a quarter of the GDP.¹¹² Despite

¹⁰⁹ Ray Lavery interview, July 28, 1986.

¹¹⁰ On the 1939–42 project, see Conniff, *Panama*, 93–94. For the Tripartite Commission and Centerport, see Zimbalist and Weeks, *Panama at the Crossroads*, 59–61. Japan pushed for the sea-level option but did not prevail.

¹¹¹ Stokes, “Implementation,” ch. 25; Zimbalist and Weeks, *Panama at the Crossroads*, 57–58.

¹¹² Zimbalist and Weeks, *Panama at the Crossroads*, ch. 6.

urging by the US government, the IMF, and the World Bank, Panama found it difficult or impossible to wean itself from its role as service provider. And the economic sanctions applied by the United States from 1987 to 1989 severely hobbled the economy, which Zimbalist and Weeks described as a disaster waiting to happen.¹¹³

Panama had long been recognized as having one of the most unequal distributions of income in the hemisphere. This resulted from many very poor people, while wealth remained concentrated in the hands of a small elite. Urban migration only shifted poverty from the countryside to the city, rather than ameliorating it.¹¹⁴

The early 1980s had proved disastrous for Latin American economies in general, becoming what economic historians called the “lost decade,” when growth stagnated and unemployment ravaged populations. The 1981–82 recession caused extreme hardship, devaluations, and debt moratoria. Panama suffered these effects as well, especially difficult after the relatively expansive years that accompanied Canal treaty negotiations. Torrijos’s death and ensuing political instability exacerbated the economic distress. Fiscal deficits and heavy debt service pushed the country to the edge of bankruptcy. Thus, the 1983 presidential nomination of Ardito Barletta was partly designed to pull the economy out of its spiral. International credit would be essential.¹¹⁵

Difficulties aside, the economy rested on fairly solid foundations, because of, rather than despite, its dependence on the service sector. The banking center had grown and prospered in the previous decade, peaking at some \$49 billion in assets and nearly 9,000 employees in 120 banks by 1982. It provided liquidity for other activities through loans and deposits.¹¹⁶ One downside of the banking industry was its use for money laundering by a variety of clients, including General Noriega. Such activities generated profits, to be sure, but they contributed to Panama’s reputation as a crime-tolerant nation and underpinned some of the indictments used to arrest Noriega. The issue has continued to occupy diplomats and bank inspectors ever since.¹¹⁷

Panama’s agricultural sector remained small and stagnant during the 1980s, continuing a trend that began in the mid 1940s. It relied on a few

¹¹³ *Ibid.*, 27–29 and 158.

¹¹⁴ *Ibid.*, 122–27.

¹¹⁵ Ardito Barletta, “La Transición Política,” 82 ff.

¹¹⁶ Zimbalist and Weeks, *Panama at the Crossroads*, 71–83.

¹¹⁷ *Ibid.*, 74–78.

trade goods for profits – notably bananas, sugar cane, and cattle – and subsistence farming of most staple crops for domestic consumption.¹¹⁸ Concentration of land ownership became an impediment to higher productivity. During the 1970s, Torrijos carried out a land reform program, but it achieved only limited results. Basically, land cultivation grew through frontiers expanding into abundant unoccupied lands, favoring those with access to capital and technology to develop them. Low farming performance was exacerbated by steady migration of farming families to the capital and other cities.

Between 1982 and 1986 the IMF and World Bank stipulated that to receive new loans and to break out of stagnation, Panama had to adopt the austerity measures they demanded. Zimbalist and Weeks believe these agencies devised an economic straitjacket based on dogmatic adherence to neoliberal policies that later became known as the Washington Consensus. President Ardito Barletta, himself educated in such policies and a former vice president of the Bank, tried to institute them during his eleven-month administration.¹¹⁹ He succeeded in winning new financing and raising the nation's credit rating, but he also stirred up labor opposition and eroded popular support for the regime. Noriega and the PDF command withdrew their support for him; the president's announced investigation of the Spadafora murder triggered his overthrow.¹²⁰

The final chapter of the 1980s economic story includes the sanctions the United States imposed on Panama after 1987 to dislodge General Noriega.¹²¹ They consisted of escalating measures to hobble both Panama's economy and the government's ability to conduct business as usual. Zimbalist and Weeks summarize the steps taken and their justification by US officials, and they conclude that they failed to achieve their goal. In the meantime, they plunged the economy into recession and caused widespread suffering on the part of the population: "The U.S. campaign brought the economy to its knees and an indicted drug dealer to his feet." Noriega characterized his anti-US campaign as a defense of national sovereignty. Its failure led to the Christmas invasion of 1989.¹²²

¹¹⁸ Ibid., ch. 5.

¹¹⁹ Ibid., 129–35.

¹²⁰ Ibid., 159–63.

¹²¹ Ardito Barletta, "The Political and Economic," 101–13; Scranton, *Noriega Years*, 132–40.

¹²² Zimbalist and Weeks, *Panama at the Crossroads*, 146–50, quote from 149.

THE CHRISTMAS INVASION AND AFTERMATH

Early in the morning of December 20, 1989, some 27,000 US troops invaded Panama, landing mostly in the capital and some outlying sites garrisoned by the PDF. They fought for seven days, wreaking devastation and putting an end to the standoff between Noriega and Bush.¹²³ The general managed to evade capture for two weeks, spending a good part of that time holed up under the diplomatic protection of the Papal Nuncio, Monseñor José Sebastián Laboa. When Noriega finally surrendered, Laboa joked that the Nunciatura might be eligible for the million-dollar reward the US army had offered for Noriega's capture.¹²⁴

Operation Just Cause bore a resemblance to US troops landing there in November 1903, ostensibly to secure the railroad but actually to prevent Colombia from retaking its rebellious province. In both cases, the US president decided the outcome of an international stalemate and thereby the destiny of this small nation. In each case, brute force prevailed. In 1989, commanders kept the State Department out of the planning up to the very last minute. And they imposed martial law to secure the country afterward.¹²⁵ Thus military invasions neatly bracketed almost the entire century that the United States dominated the Isthmus of Panama.

Panamanians quickly stepped forward to rebuild their nation, led mostly by those who had opposed the Noriega dictatorship. Endara served as president and Arias Calderón and Ford as his vice presidents, in an uneasy triumvirate described in the next Chapter. Despite the horrors and deaths caused by the invasion, they managed to take positive steps to restore democratic government and breathe life into the ailing economy. Fernando Manfredo took over as administrator of the PCC for a short time, ensuring that the 1977 treaty would be honored. Newspapers began exercising their rights to publish information freely. The PDF disintegrated and was replaced by a police force answering to civilian authorities. Banks opened, money began to circulate, businesses opened, and people returned to work. 1990 offered a new beginning to Panamanians after a long, brutal night.

¹²³ Scranton, *Noriega Years*, 201–07, provides a succinct account.

¹²⁴ Berguido, *Vida póstuma*, 97–110.

¹²⁵ "Interview with Arthur H. Davis," Library of Congress.