

THE BUSINESS OF THE CANAL: THE ECONOMICS AND POLITICS OF THE CARTER ADMINISTRATION'S PANAMA CANAL ZONE INITIATIVE, 1978.

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ABSTRACT

The *Carter-Torrijos Treaty of 1978*, the initiative to relinquish control of the Panamá Canal Zone to the Republic of Panamá, allowed Panamá for the first time in its short history to become an autonomous nation and to take control of its destiny as a global trading crossroads. Conservatives rallied against President Carter and accused him of jeopardizing U. S. security and hegemony. Fears were that Panamá did not have the economic or technical resources to maintain Canal operations, lacked the administrative knowledge and resources to manage the business of the Canal, lacked the military presence to insure security of the Canal, and did not have the political and social will to maintain the environmental integrity of the region. In short, disastrous results were predicted. Carter prevailed. December 31, 1999 saw the surrender of the Canal Zone, and all its facilities, to Panamá. This paper discusses events that precipitated Carter's decision, economic and political arguments presented during the 1977-78 debate, implementation of the treaty, and an evaluation of the 'business of the Canal' today.

Carter's Decision

In 1978, President Jimmy Carter charted a new course in United States foreign policy in Latin America. Three reasons motivated this new course. First, in the post-Watergate, post-Vietnam era, the United States' world image was tenuous, at best. Second, relations with the Republic of Panamá threatened to disintegrate into military confrontation. Third, Americans were ready for a change; they needed to feel good about themselves again and about their country's ability to facilitate peace in its foreign policy. Carter was determined to facilitate a peaceful resolution to the Panamá problem, and prove that the United States could foster positive relations with developing countries.

Panamanian president General Omar Torrijos was "an old fashioned nationalist who wanted Panamá to have a bigger piece of the canal pie."¹ Torrijos was determined to abrogate the 1903 Treaty with the United States. Connecting black intellectuals from the University of Panamá and high ranking, mixed race, officers in the Guardia Nacional, Torrijos had popular support in his determination to confront the United States.² As self-declared Dictator of Panamá, from 1968 to 1981, he was known for his passion, sentimentality, callousness, and charisma. He actively pursued "socioeconomic policies associated with the United Nations Economic Commission on Latin American and the

Alliance for Progress: industrialization, a pro-union labor code, agrarian reform, redistribution of income, housing, public health, education, and rural development.”³ He “emulated both the Cuban Revolution and the Peruvian military regime of General Velasco Alvarado.”⁴ Torrijos brought populism to the Panamanian people. He successfully brought to bear the weight of world opinion on the United States. Torrijos changed history.⁵

Since the days of Manifest Destiny, the United States has used its unquestioned capacity to exert decisive influence in Latin America, economically, militarily, and politically. In the 20th century, Central America dominated lines of communication and trade routes between north and south in the hemisphere. In efforts to facilitate travel between the Atlantic and Pacific oceans and achieve hemispheric dominance, the United States designed a partnership with Panamá, in 1903, that was “unequal as well as forced.”⁶ While the United States built the Panamá Canal, Panamá “aspired to become an international crossroads for commerce, travel communication, and profit.” There was, however, one significant, long-term problem. The United States, having invested in building the Canal, then “used its enormous power and wealth to impose its will upon the weaker partner” and essentially kept Panamá economically and politically separate from the Canal. Panamá had “to give in, retreat, stall, compromise, and protest since it had no forceful means of resisting” United States pressure.⁷

The issue centered on the 1903 Treaty with the United States, the Canal, and the American colony that divided Panamá. In 1903, the arrangement with the United States seemed “sensible and stylish,” but, by the 1960’s, with the diminished importance of the canal, Panamanians wanted the United States out of their country and their canal.⁸ It was not that the American colony was “an evil place; but, it was offensive” and the treaty with the United States represented the “dark side of its heritage, racism, and bullyhood.”⁹

The original treaty was the key to resentments long held by the people of Panamá.¹⁰ President Theodore Roosevelt’s Secretary of State, John Hay, and one Philippe Bunau-Varilla had signed it; Bunau-Varilla was not an authorized representative of Panamá. In the 1903 Treaty, the U. S. claimed a ten-mile wide strip of land across the Isthmus and “all rights, power and authority...as if it were sovereign in the territory”... “in perpetuity” to the exclusion of sovereign rights, authority, and power of the Republic of Panamá.¹¹ The perpetuity clause eased the way for the United States to establish a military presence in the Canal Zone, and to claim the right and capacity to defend it against all threats. Eventually, this military establishment of twelve bases came to serve the Pentagon’s “hemispheric strategic purposes.” A jungle warfare school, elaborate intelligence operations, and an informal inter-American defense network all became a part of the Canal Zone, with no separate treaty negotiations.¹² The United States subsidized commissary stores in the Canal Zone and undersold retail sales in Panamá. In the “Red, White and Blue Paradise” created by the United States, “Zonians,” as canal residents came to be known, had access to subsidized liquor sales and movie theaters, swimming pools and air conditioning.¹³

By the 1970’s, United States’ influence in Central America was collapsing, in part because of a long history of intervention and benign neglect. The UN Security Council met in Panamá in March 1973.¹⁴ Voting on a resolution introduced by the Republic of

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Panamá, it "called for an end to the Canal Zone, the transfer of responsibility for the operation of the canal to Panamá, and the termination of all American jurisdictional rights within Panama."¹⁵ UN Ambassador Aquilino Boyd had convinced UN delegates that Panamá was just in its cause against the United States. The United States refused to negotiate the resolution in support of turning the Canal over to Panamá, and used its veto power when the resolution was presented to the Security Council for a vote. The U. S. Commission on Latin America, in 1976, "called the Panamá Canal the most urgent issue in the Western Hemisphere."¹⁶

The Panamá Canal was a hot issue in the 1976 presidential campaign. Democratic Candidate Jimmy Carter proposed plans to improve relations in Latin America and remedy a long time problem: it was time for the U. S. to give control of the Canal and the Canal Zone to Panamá. Republican candidate Ronald Reagan made his feelings about any concessions to Panamá a primary focus when he said, repeatedly during the campaign, "We bought it, we paid for it, it's ours, and we're going to keep it."¹⁷ As one Reagan strategist said, "People sense in this issue some way, after Vietnam, and Watergate, and Angola, of reasserting the glory of the country."¹⁸

Carter had a more realistic understanding of the situation. As recently as 1976, "random bomb explosions in the Canal Zone had raised fears that Panamanians might resort to violence to pressure or punish the United States."¹⁹ President Elect Carter and Secretary of State designate Cyrus Vance studied the Canal issue during the interregnum.²⁰ They came to understand the problem as it had began, in 1903, when President Theodore Roosevelt claimed a "mandate from civilization" and presented the treaty to the Senate for ratification. Accusations in the press had called Roosevelt the "chief plotter of the one-man revolution in the "Panamá Plot."²¹ Roosevelt, after explaining his actions in Panamá to his cabinet, asked, "Have I defended myself?" Elihu Root informed him that, "You have shown that you were accused of seduction and you have conclusively proved that you were guilty of rape."²²

Over the years, other United States myths grew and further contributed to Panamanian resentment. Contrary to the popular belief, Panamá's independence, in 1903, had not appeared at Roosevelt's command and the United States never purchased, and did not own the canal. Carter understood Panamanian resentment of US dominion in the Canal Zone and felt it justified. Five administrations preceding his had attempted and failed to resolve the problem. Carter planned to address and improve relations between the United States, Panamá, and Latin America. He believed, "The future of foreign policy was a new emphasis on economic matters."²³ New treaties would better insure defense of the canal, and create a more hospitable climate for United States trade and investment in Latin America.²⁴ Ultimately, Carter wanted "the reconciliation of long-standing enmities, the resolution of old conflicts."²⁵ Carter chose the Canal issue as his first foreign policy initiative, knowing that historically, Panamá had been "sixteenth on any list of the fifteen top issues." He believed that the issue would serve as a "litmus test of America's willingness" to treat third world nations as "full fledged members of the international community."²⁶

Formulating a 'new approach' to foreign policy, Carter intended to "demonstrate the primacy of the moral dimension" in the Cold War atmosphere of stalemated power and excessive cynicism.²⁷ His intent was to replace the national obsession with the Soviet Union and communism, with a more clear view of the "distinctive problems of every nation and the effort to work for a more humane world order."²⁸ In a world where military action was the accepted solution to political problems between nations, he felt the United States had to find another way. To Americans, in 1977, it was important that there were no more Vietnams.²⁹ Carter felt that Americans were "anxious to feel good about things" again.³⁰ He knew negotiations with Panamá had to proceed peacefully, without bloodshed.

Latin Americans joined with Panamá in pushing for a new treaty. Cyrus Vance reported to the President that the Canal problem "significantly affects the relationship between this country and the entire Third World." There was common cause against the United States.³¹ When Carter energized foreign relations efforts in preparation for opening negotiations with Panamá, Senator Barry Goldwater (R-Az.) wrote to Carter about what he termed 'the lost cause,' saying, "do not get too excited about this treaty. It is not something you originated."³² Other conservative Republicans, fearful the Carter administration would abandon long held cold war policies, argued that defeat in Vietnam was just "one skirmish in the war against the communist advance."³³ They demanded the continuation of aggressive confrontation with the Soviet Union. Further distrust of Carter's intent was reflected in the organization of the "Committee on the Present Danger" to "lobby for more hard-line policies in defense spending and in U. S. /Soviet relations."³⁴

During the Nixon and Ford administrations, Secretary of State Henry Kissinger made it clear to Panamá President Omar Torrijos that he understood the importance of successfully resolving the Canal problem and that it "was a prerequisite to establishing the vitally needed economic partnership with Latin America."³⁵ Kissinger and Panamanian Foreign Minister, Juan Antonio Tack, reached an agreement and, in February 1974, settled on the principles that would characterize future negotiations. Then, in 1975, Kissinger blundered when, answering a question posed by Governor George Wallace of Alabama, he stated that the United States should preserve its right militarily to defend the Canal.³⁶ In response, 600 Panamanian students attacked the U. S. embassy in Panamá, overturning cars and breaking windows.³⁷ The Kissinger/Tack agreement, the 'Eight Principles,' had established a framework, but there was hard bargaining yet to do.³⁸ Carter studied the 'Eight Principles' and, determined to continue a systematic approach, he assigned Cyrus Vance to direct negotiations.

Carter's foreign policy team identified three primary points to guide negotiations on the canal issue. First, the recognition that the canal had taken on symbolic importance in relations between the United States and all of Latin America. Second, the continued safe operation of the canal was best assured by pursuing a new treaty, Third, Carter wanted to emphasize his belief in the role of morality in international affairs, and the Panamá problem suited this purpose.³⁹ Realizing that the canal did not run just through

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Panamá, but through the center of the hemisphere, they understood the canal negotiations would significantly affect relations between the United States and all third world countries.⁴⁰ Seven Latin American presidents cautioned Carter of potential trouble.⁴¹ Secretary of Defense, Harold Brown, made it clear that “the Canal could best be kept in operation by a cooperative effort with a friendly Panamá, rather than by an American garrison amid hostile surroundings.”⁴² Brown and Carter realized that American military action against Panamá could unite Latin Americans against the United States.

The CIA reported that the *international decolonization norm* would work against the United States in the event it became necessary to defend the canal against Panamá.⁴³ There had been concern since the violent 1964 uprising that “sooner or later Panamá would resort to major violence, even to the point of destroying the Canal.” The Pentagon estimated it could take up to 100,000 troops to defend the Canal against a Panamanian attack.⁴⁴ Author Graham Greene disputed the idea of Panamá making war on the United States in the observation that, “Panamanians are not romantic.”⁴⁵

The alternative to negotiation was to “shed blood in defense of Hay-Bunau-Varilla.”⁴⁶ Carter, Vance, and National Security advisor, Zbigniew Brzezinski set their course. There was some early bipartisan support for the president’s plan. Senator Robert Byrd (D-WV) asked Brzezinski, “What would happen if Panamá should simply declare the canal closed for repairs?” Brzezinski answered, “We will move in and close down the Panamanian government for repairs.”⁴⁷ The Department of Defense insisted on a hard line stand in the right to defend the Canal. Brzezinski’s response was well received in the United States. Presidents Carter and Torrijos made a joint announcement, on October 14, 1977, explaining that a negotiated Neutrality Treaty would allow both countries to keep the Canal open against any threat. It was clarified that, “This does not mean, nor shall it be interpreted as a right of intervention of the United States in the internal affairs of Panamá.”⁴⁸

A poll taken, in August 1977, showed 78% of Americans against “giving up” the canal. Senate Minority Leader, Howard Baker (R-Tenn.) was a key player in building Republican support for the canal treaties.⁴⁹ Conservatives, William F. Buckley, Jr., editor of the *National Review*, political commentator, George Will, and actor John Wayne, helped prevent treaty opponents, the Ronald Reagan led archconservatives, “from arguing that the only supporters of the canal treaties were those who accepted the retreat of America from its interests in promising freedom in the world.”⁵⁰ In a debate between Buckley and Reagan, Buckley stated his belief that the United States, by renegotiating the treaty with Panamá, “is better off militarily, is better off economically, and is better off spiritually.” Reagan, who earlier criticized President Carter for “paying Panama to accept America’s birthright, argued that the world would see it as a case where Uncle Sam put his tail between his legs and crept away, rather than face trouble.”⁵¹

The Debate

“The debate over the 1978 Canal treaties became, in part, a struggle for bureaucratic turf, which was exacerbated by differences of class and style between the diplomats

and the Canal workers.” These workers were characterized as “imperialists” with “the mentality of colons...like the French in Vietnam”...and lived “as a remnant of the day of the Raj” in a “colony complete with...gothic style churches.”⁵² Representatives of the group, *American Citizens in the Canal Zone*, insisted, in testimony before the Senate Foreign Relations Committee, on October 10, 1977, that “the pattern of communist subversion and influence is growing alarmingly.”⁵³

Congressman Philip Crane (R-IL), citing two Supreme Court Cases, *Wilson v Shaw* (1907) and *United States v Husband* (1972), insisted that the “Court had designated the Canal Zone as unincorporated territory of the United States over which Congress has complete and plenary authority.” Crane accused Carter of “bypassing the constitutional process.”⁵⁴ In essence, Crane argued, excluding the House of Representatives from treaty negotiations and debate, meant the treaties could not be valid. Crane compared his warnings to those of Winston Churchill prior to World War II. In 1978, in his book *Surrender in Panama*, Crane wrote, “another great free-world power lay supine while the forces of tyranny and subversion were on the march around the world.” Crane equated Panamá with Nazi Germany, stating that the treaties giving control of the canal to Panamá were a “crucial American step in a descent to ignominy” and the end of US “credibility as a world power.”⁵⁵ Jesse Helms (R-N.C.), Strom Thurmond (R-S.C.), and Orrin Hatch (R-Utah) endorsed Crane’s book. Ronald Reagan wrote the introduction. To other treaty opponents, “abandoning control and sovereignty in the Canal Zone somehow meant the end of national greatness” and was part of the “vast semisecret conspiracy to destroy the nation’s pride and dismantle its defenses.”⁵⁶ Ronald Reagan accused the president of “leaving the hemisphere defenseless.”⁵⁷

In January 1978, the Foreign Relations Committee completed hearings and passed the Carter/Torrijos treaties to the Senate for a vote. Debates began in February and were broadcast to the United States and, in Spanish, to Panamá. Debates were bogged down by procedural arguments. Panamanians repeatedly heard treaty opponents criticize them and their country. Accusations included statements that Panamanians were not competent or qualified to operate the Canal; that their country was not stable enough to trust with the responsibility of the Canal; that President Omar Torrijos had ties to Fidel Castro and Cuba; and that Torrijos was a dictator denying democracy in Panamá.

In the end, the Senate approved the treaties, in part, because party leaders, Robert Byrd and Howard Baker, insisted that the Neutrality Treaty detail U.S. rights after the year 2000. Having won on this point, they then went about rounding up the necessary votes needed to ratify the treaties.⁵⁸ Some, like California Republican Senator S. I. Hayakawa, famous for his comment in 1976, that “We stole it fair and square,” decided to vote for the treaty.⁵⁹ The Senate ratified the Carter/Torrijos Treaties, in March and April 1978, by a margin of 68-32 for both.⁶⁰

The people of Panamá approved the treaties by a vote of 470,000 to 230,000.⁶¹ The two presidents signed the treaties, on September 7, 1978. The first facilitated the dismantling the U. S. bureaucracy in the Canal Zone and transfer of ownership to Panamá, by December 31, 1999. The second treaty codified the Canal’s neutrality and provisions

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of joint defense. When the announcement reached Panamá, “fireworks went off, car horns tooted.”⁶² The future looked good.

The House of Representatives, though denied an active role in treaty negotiations, found an opportunity to assert itself. As the agency of treaty implementation, they delayed any action until after the 1978 elections. Treaty opponents wrote their own legislation “designed to hamstring treaty implementation or punish the White House.”⁶³ Archconservatives and treaty opponents dragged their feet on facilitating the administration’s plans. The Panama Canal Act, HR III, or Murphy Law (after New York Democrat John Murphy) reversed the treaty framers’ intentions of a semi-autonomous Canal Commission, and made it a dependency of the Department of Defense. Their ultimate goal was to assure that “not one cent of money or an inch of territory could be turned over to Panamá without explicit approval from the House.”⁶⁴ This was intended to punish both Carter and the Panamanians.

The Carter Administration realized too late that the House, Murphy and his supporters, had no interest in any cooperation with the White House. Some members questioned whether they could simply scuttle the Panama Canal Treaty. The Canal Commission was made into an appropriated fund agency of the U. S. government, a move deliberately designed to make the process cumbersome. Property transfer became a vitriolic argument. House members “argued ad nauseam” that the Treaties violated the Constitution. Crane proposed that no property be transferred to Panamá until 1999.⁶⁵ While economists argued that the United States had recouped many times the \$350 million cost of building the Canal, the House was determined that Panamá should be made to pay the amount again before it realized any profit from the Canal.⁶⁶

United States Ambassador to Panamá, William Jordan, observed that the House of Representatives seemed determined to prove it did not pay to be an American ally, the exact opposite of President Carter’s intentions.⁶⁷ There were only two viable options open to the House if they succeeded in destroying Carter’s Panamá Treaties. On October 1, 1979, the Treaties would become fact – with or without House legislation – and the United States would have to “violate international law, and (its) solemn word, and use military force to hold the waterway” or simply leave.⁶⁸ Ultimately, level heads on the Foreign Affairs Committee “learned to intervene regularly when a (House Amendment threatened to) violate the treaty’s words or spirit.”⁶⁹ Jim Wright (D-TX) and Thomas “Tip” O’Neill (D-MA) became the final voices of reason in the House. O’Neill, recounting the U.S. acquisition of the Canal Zone in Panamá, in 1903, and the economic power and potential of the Caribbean and Latin America in the modern world, stated that, “We will keep our commitments, and I think we are going to witness a friendlier Western Hemisphere.” Some, it seemed, were cognizant of the consequences of the disgraced White House in Watergate, and the lost war in Vietnam.⁷⁰

Treaty Implementation

Carter signed the House legislation, on September 27, 1979, which officially ended U.S. imperialism in Panamá. He gave a “carefully crafted statement, giving his view that

nothing in the bill would compel him or any later president to take any action that was inconsistent with the terms and intent of the treaties."⁷¹ History would prove him wrong. "The easy task of replacing an outmoded treaty with a modern one turned into a historic process, for each country was working out its own new identity at the same time that it tried to deal with the other's."⁷²

Torrijos expressed his country's dissatisfaction with the final treaties at the signing ceremony. While recognizing that the new accord replaced one not signed by Panamanians, he acknowledged that many in Panamá disapproved of the 23-year transition period. This was, he said, "8375 days" with U.S. military bases still in country, making it a "strategic reprisal target" and still under the "protective umbrella of the Pentagon. This pact could, if it is not administered judiciously by future generations, become an instrument of permanent intervention."⁷³ Torrijos's fears were not unfounded. He, perhaps more than Carter, better understood the resolve of American conservatives to maintain United States control of the Panamá Canal.

Lieutenant General Denis McAuliffe, appointed by Carter, directed the treaty implementation. He took control of the Panamá Canal Commission, on October 1, 1980, and "established scrupulous respect for the treaty and the Panama Canal Act, (which) made them the law of the land."⁷⁴ Torrijos appointed Fernando Manfredo as deputy administrator.⁷⁵ Credit must be given to these men for the successful implementation of the treaties. Their strengths complimented each other. They implemented a program of training for the work force, and met the goal of filling five of every six-job openings by Panamanians. Under McAuliffe and Manfredo's leadership, the canal moved a record 171 million long tons of cargo during the first year. Additionally, the almost fourteen thousand record size ships that passed through the canal paid a record \$303 million in tolls.⁷⁶

During the early 1980's shipping in the Canal increased, as did profits, from the Alaskan North Slope oil transport and a 1983 toll increase of 9.8%. Since then profits have steadily increased from Japanese automobile shipments to the US east coast and wide-beamed and PANAMAX vessels.⁷⁷ The 1980s also saw the formation of the Tripartite Canal Alternatives Study Group—a U.S., Panamanian, and Japanese interest group—that held planning talks to explore shipping possibilities and help the Canal adapt to changes in commercial shipping.⁷⁸ It was clear; the world needed an efficient free flow of goods and capital and Panamá had the potential to dominate in both areas.

U.S. operation of the canal was "socialist" in that the government operated everything. Port authorities could see privatization was the key to the future of the Canal. What cost the U.S. government \$600 and took three days to move through the canal, a private company could do in eight hours, for \$150.⁷⁹ As a result, Panamá established a free enterprise zone and encouraged private investors to operate competitively in the Canal Zone, with hotels, industrial parks, ship repair facilities, and new housing. Clearly, predictions that Panamanians lacked the knowledge and resources to manage the business of the canal were unfounded. The canal ran as smoothly as ever. Unfortunately, the same was not true for the country of Panama.

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By 1979, Panama's economy was in crises, prompting the International Monetary Fund (IMF) to conclude that Panama had arrived "at a relationship between indebtedness and national income unprecedented in the Western Hemisphere." Economic sanctions and political intervention on the part of the United States only contributed to further destabilization during the 1980s.

Post-treaty relations came under the Reagan Administration's "intensifying obsession with insurgency and counterinsurgency in El Salvador and Nicaragua."⁸⁰ The U.S. departments of State and Defense worked against each other in Panamá in the early 1980's. The State department worked for a democratic and civilian government that would honor the treaties and expand Panamá's economic base. The Department of Defense focused on the national police force (the Guardia Nacional); they restructured the Guardia, armed, and trained it to defend the Canal and help against Nicaraguan Sandinistas. The intended goal was to "occupy its attention sufficiently to discourage meddling in politics."⁸¹ Historically, the Guardia was a powerful force in Panamá. With the power of the Guardia, General Omar Torrijos took control of the government and became a "reformist military ruler."⁸² Torrijos was killed in a mysterious plane crash, in October 1981; Florencio Flórez took command of the Guardia. Rúben Paredes, who was betrayed by Manuel Noriega, betrayed Flórez. Noriega took control of the Guardia, in 1983, and renamed it the Panamá Defense Force.⁸³ Noriega had a long-term relationship with U.S. government officials.

In 1971, U.S. law enforcement had named Manuel Noriega "one of the world's most significant narco-traffickers."⁸⁴ An opportunity to turn Panamá's government over to elected civilians was lost in 1984. Nicolás Ardito Barletta, a U.S. trained economist and former vice-president of the World Bank, ran against eighty-three-year-old Arnulfo Arias, the popular former president.⁸⁵ Arias, a Populist, was elected four times previously, in 1940, 1948, 1964, 1968, and each time was removed from office by the oligarchs who controlled the Guardia.⁸⁶ When Arias won again in 1984, Noriega's National Defense Force gathered ballot boxes, reworked the vote totals, and announced Barletta the winner. The Reagan administration signaled its support for Noriega's action by sending Secretary of State George Schultz to Barletta's inauguration.⁸⁷

In 1985, U.S. "economic (\$112 million) and military (\$127 million) aid to Panamá soared."⁸⁸ Relations between the U.S. and Panamá began to deteriorate when the *New York Times* and *Washington Post* published information about Noriega's violence, drug trafficking and money-laundering activities, in June 1986. Further information was made public, tying Noriega "to selling visas, passports, and residence permits to Chinese, Lybians, and Cubans so that they could eventually make their way to the United States." In addition were accusations of selling high-tech equipment to Cuba, which in turn sold to the U.S.S.R. ⁸⁹ "The Senate passed a resolution in June 1987 calling for Noreiga to step down;" military aid was cut off.⁹⁰

The racial rhetoric that developed in the U.S. anti-drug war focused on ethnic minorities, people of color, and foreigners. They were identified as both users and sellers of drugs who threatened U.S. citizens with violence, addiction, and temptation. "The

criminal justice system and media (focus) on Black and Latino users...created a political imperative for Americans to confront Noriega and Panamá."⁹¹

When President Barletta pressured Noriega, in 1985, to cut back on corruption in the PDF, Noriega was annoyed. When opposition leader, Dr. Hugo Spadafora publicized Noriega's drug trade activities, Noriega ordered him brutally tortured and assassinated.⁹² Barletta promised an investigation into Spadafora's murder. On Tuesday, September 24, the PDF announced Spadafora was murdered in Costa Rica, and as this was outside of their jurisdiction, closed the investigation.⁹³ Barletta then announced an investigation into Noriega's chief of staff, Colonel Roberto Díaz Herrera; Noriega forced Barletta to resign the presidency.⁹⁴

Four years after Spadafora's murder, the U.S. and Panamá faced a crisis when Noriega refused to step down from power. In Panamá, the middle class rallied against Noriega, in the "fifty nights of horror" protests, in July and July 1987.⁹⁵ Noriega remained in power. In May 1989, Noriega again suspended election results. The Organization of American States attempted to mediate the situation.⁹⁶ In October, Noriega brutally suppressed a PDF coup, supported by the United States, against him and had those involved executed.⁹⁷

While U.S. military personnel finalized plans to invade Panamá and keep Americans in the Canal Zone safe, Noriega had the National Assembly name him Panamá's chief of government. He publicly blamed the U.S. for creating a state of war in his country and President Bush for violating the treaty. The atmosphere of confrontation between the United States and Panamá peaked when a U.S. Navy Lieutenant and his wife "were taken into PDF custody, where he was reportedly beaten and she threatened with rape."⁹⁸ While the couple was detained, the PDF fired on a car carrying four American officers, hitting two. Lt. Robert Paz, U.S. Marine Corps, died within minutes.⁹⁹

U.S. officials ordered Noriega to step down; he refused. The invasion of Panamá, named *Operation Just Cause*, on Wednesday, December 20, 1989, was intended to be "a demonstration of Pentagon prowess." The Bush administration cited four reasons for the invasion: 1) to safeguard the lives of Americans, 2) to defend democracy in Panamá, 3) to combat drug trafficking, and 4) to protect the integrity of the Panama Canal Treaty.¹⁰⁰ The United Nations and Organization of American States condemned the United States. The canal was never threatened or in danger; Panamá was not a strategic crisis. The invasion demonstrated a consensus between Bush and congressional intelligence committees to demonstrate to Noriega, to Panamá, and to others in Latin America, that the United States was in charge, regardless of treaty conventions.¹⁰¹

The invasion of Panamá was decisive proof that the United States could and would exert force in dealing with Latin America. The Bush administration authorized a "mini-Normandy invasion" of 25,000 U.S. military forces, in reality, to arrest one man, Manuel Noriega.¹⁰² Estimates of civilian deaths ranged from 202 to 4,000. It was "the single bloodiest episode in Panamanian history and (the invasion) "blasted the myth that the partnership "was mutually beneficial and began the final countdown to the moment when it (would) dissolve altogether."¹⁰³ Pentagon policy restricted media access to the

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“graphic images of blood and gore (and) had an impact beyond limiting the (American) public recoiling from the human consequences of the invasion.

“The visceral emotions associated with the conflict belong to Panamanians.”¹⁰⁴ Americans held on to their vision of the United States defending democracy in Operation Just Cause. Conservatives, and others who fought against the Carter/Torrijos treaties, proved, decisively, that the United States had the unquestioned capacity to defend the Panamá Canal and to exert influence in Latin America.

Business and the Future

Three and a half years after the United States relinquished control, the Canal is running better than ever. Sparked by competition and the efficiency of free enterprise, the canal is emerging as the Singapore of the Western Hemisphere. Doubts about Panama's ability to keep the waterway working smoothly have all but disappeared. Those reaping the benefits include the government of Panama as well as several private investors. The canal accounts for about 7% of Panama's GDP. Ten percent (\$51M) of the country's income tax revenue comes from the 9,000 canal employees. Surplus revenue, and a share of the canal's \$580 million in annual tolls, provides the government with another \$200 million a year (about \$80 million more than earned under US control). In turn, the Panamanian government has contributed over \$150 million a year in support of capital improvements to the canal.¹⁰⁵

Among private companies investing in the canal, Hutchinson International Port Holdings invested \$200 million in an expansion of its Pacific port in Balboa. The expansion doubled port capacity to accommodation 1,000 ships a year. This latest investment brings total investment by Hutchinson in its Balboa and Cristobal ports to \$330 million since 1996. Since the mid 1990s, Manzanillo International Terminal has invested \$300 million in the port of Colon, making it the biggest freight handling port in Latin America. Colon has also become the world's second-largest free trade zone, second only to Hong Kong. Evergreen Marine Corporation of Taiwan, one of the world's largest shipping companies, provides container services for the trade zone. In addition, Evergreen has invested \$100 million into terminal operations at Coco Solo near Colon.¹⁰⁶

Not content to sit back and wait for ships to show up, as was the case when the U.S. ran the canal, the Panama Canal Authority (PCA) is aggressively marketing the canal to win business. During the summer of 2003, the PCA partnered with several ports on the East Coast and Gulf of Mexico in an effort to promote the all-water route from Asia to the eastern United States. New York/New Jersey, Norfolk, Savannah, Charleston, New Orleans, Houston, and Miami signed agreements designed to keep cargo on ships instead of off loading it onto trucks and trains on the West Coast. Far East trade accounts for large amounts of traffic at these ports. About thirty-five percent of all containerized cargo handled by the port of New York and New Jersey during 2002 came from Asia.¹⁰⁷

In an effort to be even more competitive and help fund canal modernization, a new toll structure went into effect, October 1, 2002. Replacing the 90-year-old U.S. toll

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system, toll rates will now be more in line with those of other international waterways, such as the Suez Canal. Tolls were increased an average of 8% on October 1, followed by an additional 4.5% in July 2003. Fears that increases would have a negative impact on the cruise business have not materialized.¹⁰⁸

While on one hand the PCA is trying to win more trade via alliances with shippers and ports, it realizes that in order to accommodate increased business it must also expand capacity. One of the ways to increase transits is to send traffic through the canal in both directions simultaneously. In March 2003, the PCA began testing two-way traffic. A ten-year project to widen the canal through the Gaillard Cut made the test possible. The test will last nine to twelve months.¹⁰⁹

Another issue related to capacity involves limitations to accommodate vessels too big for the existing lock system. The addition of a third set of locks is an issue that has been discussed for years. Such an expansion would allow giant oil tankers, and almost half the world's new container fleet to use the canal, increasing overall traffic by nearly twenty-five percent. The cost for this kind of expansion would very expensive and would most likely would run in the billions of dollars, and become quite complex.¹¹⁰

Conclusion

Panamá is preparing to meet the future and is affirming its sovereignty.¹¹¹ It remains "that a critical examination of the long-term cultural consequences left by nearly a century of the U.S. colonial presence in Panamá" be compiled and written.¹¹² In 1988, a United States embassy official expressed the view that, "Panama has paid very little for the enormous economic, security and political benefits it has gained from its special relationship with the United States."¹¹³ It is doubtful history will agree. Clearly, Panamá will have to deal with ghosts from the past for a very long time to come. The economic future of the canal continues to look positive. However, if the canal is to take full advantage of its pivotal position in world trade and continue as a profit making business, expansion will continue to have an important role to play.

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