

Panama

a country study

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Edited by
Sandra W. Meditz
and
Dennis M. Hanratty
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Country Profile



Country

Formal Name: Republic of Panama (República de Panamá).

Short Form: Panama.

Term for Citizens: Panamanian(s).

Capital: Panama City (Panamá).

Geography

Size: Approximately 77,082 square kilometers.

Topography: Dominant feature of landform is central spine of highlands forming continental divide. Highest elevations near borders with Costa Rica and Colombia. Lowest elevations at waist of country where it is crossed by Panama Canal. Most of population

concentrated on Pacific side of divide southwestward from Panama City.

Climate: Tropical climate with high temperatures and humidity year round; pleasanter conditions prevailing in highlands and on Pacific side of continental divide. Seasons determined by rainfall rather than by changes in temperature. Prolonged rainy season between May and December; short dry season between December and April in parts of Pacific slope and for shorter periods on Atlantic slope of divide.

Society

Population: In mid-1987 population estimated at 2.3 million; rate of annual growth calculated at about 2.2 percent in the 1980s.

Education and Literacy: Compulsory attendance to age fifteen or completion of six-year primary level. Education free at public primary, secondary, and high schools; nominal tuition at University of Panama. About 87 percent of population over age 10 literate.

Health: Although high proportion of medical facilities and personnel located in major urban areas, most people had ready access to medical care of some kind, and extension of modern medical facilities to rural areas continued in late 1980s. Life expectancy at birth in 1985 seventy-one years.

Language: Spanish the official language and mother tongue of over 87 percent of the people. Antilleans—about 8 percent of the population—primarily spoke English, and Indians—about 5 percent—spoke their own tongues, but with a growing number adopting Spanish as second language.

Ethnic Groups: Society composed of three principal groups: Spanish-speaking mestizos, representing the vast majority of inhabitants; English-speaking Antillean blacks, constituting approximately 8 percent of the population; and tribal Indians, making up about 5 percent of the population. Mestizos originally identified as people of mixed Indian-Spanish heritage, but term now refers to any racial mixture where the individual conforms to the norms of Hispanic culture. Also some unmixed Caucasians.

Religion: Overwhelmingly Roman Catholic. Ratio of priests to population quite low, and relatively few Panamanians enter priesthood. Antilleans predominantly Protestant.

Economy

Gross Domestic Product (GDP): US\$4.9 billion in 1985, more than US\$2,000 per capita. Growth of GDP estimated at 2.8 percent for 1986, demonstrating some economic recovery following very low or negative growth as a result of recession after 1982.

Agriculture: About 9 percent of GDP in 1985. Crops represented just over 63 percent of value added in agriculture. Main crops—bananas, sugarcane, rice, corn, coffee, beans, tobacco, melons, and flowers. Livestock (producing primarily red meat) accounted for nearly 30 percent of value added in agriculture; fishing (primarily shrimp), just over 4 percent; and forestry, nearly 3 percent. Largely self-sufficient in foods except wheat.

Industry: Nearly 18 percent of GDP in 1985, including primarily manufacturing and mining (over 9 percent of GDP), construction (nearly 5 percent of GDP), and energy (over 3 percent of GDP). Manufacturing consisted mainly of import substitution, consumer goods. A few larger plants, including oil refining, electric power, cement, and sugar. Manufacturing concentrated near major cities.

Services: Over 73 percent of GDP in 1985. Sector included transportation, banking and other financial services, government services, wholesale and retail trade, and other services.

Currency: Balboa equal to United States dollar. Balboas available only in coins. Dollars circulated as the only paper currency.

Imports: US\$1.34 billion in 1985, including primarily manufactured goods, crude oil, machinery and transportation equipment, chemicals, and food products.

Exports: US\$414.5 million in 1985, mainly refined petroleum, bananas, sugar, manufactured goods, shrimp, and clothing.

Balance of Payments: Traditionally, no short-run constraints because of monetary system. Large exports of services, including those to former Canal Zone, nearly compensated for deficits in merchandise trade balance. Substantial inflow of capital. Beginning in June 1987, however, extensive capital flight, bank closures, and cutoffs of United States aid as a result of the volatile political situation posed serious short- and long-term financial problems for Panama.

Fiscal Year (FY): Calendar year.

Fiscal Policy: Public-sector expenditures considerably above revenues, resulting in large external public debt—one of the world's

largest on a per capita basis. Austerity and structural adjustment programs imposed in 1983-84 successful in reducing deficit, but debt service remained a major burden in the late 1980s.

Transportation and Communications

Ports: Fourteen ports, the most important Balboa (Pacific) and Cristóbal (Atlantic) at entrances to Panama Canal.

Railroads: There were 3 separate, unconnected systems totalling 238 kilometers. Main line between Panama City and Colón (seventy-six kilometers). Other two in west, originating in David and Almirante, respectively, and continuing across the Costa Rican border.

Roads: In 1984 about 9,535 kilometers, 32 percent asphalted. Principal axes are Pan-American Highway, running across Panama from Costa Rica toward Colombia, and Trans-isthmian Highway from Panama City to Colón.

Airports: Eight main fields, including one international airport: General Omar Torrijos International Airport, more commonly known as Tocumen International Airport, near Panama City.

Oil Pipeline: Trans-isthmian pipeline completed in 1982. Approximately eighty-one kilometers long, running from Puerto Armuelles to Chiriquí Grande.

Telecommunications: Well-developed internal and external systems.

Government and Politics

Government: Executive—under provisions of 1972 Constitution, as amended in 1978 and 1983, chief executive is president of the republic, assisted by two vice presidents, all elected by popular vote for five-year terms. In late 1980s, de facto executive authority remained, however, in hands of commander of Panama Defense Forces (Fuerzas de Defensa de Panamá—FDP). Legislature—sixty-seven-member unicameral Legislative Assembly created in 1983; members popularly elected for five-year terms that run concurrently with presidential term. Judiciary—Highest court is Supreme Court made up of nine members and nine alternates who serve ten-year terms after nomination by the executive branch and ratification by Legislative Assembly. Supreme Court divided into three chambers for civil, penal, and administrative cases. Lower courts include superior tribunals, circuit courts, municipal courts, and night

courts. Public Ministry, headed by attorney general, acts as state representative within judiciary.

Politics: Political culture traditionally characterized by personalism (*personalismo*), the tendency to give one's political loyalties to an individual rather than to a party or ideology. Politics from 1968 coup until his death in 1981 dominated by General Omar Torrijos Herrera, formally head of government from 1968 to 1978 and thereafter de facto head of government while commander of the National Guard. Torrijos's influence continued after his death, as both military and civilian leaders sought to lay claim to his political and social heritage. Proliferation of parties after 1980, when political system opened up again. Most activity divided into two main coalitions: pro-government and opposition. Pro-government coalition headed by party created by Torrijos: Democratic Revolutionary Party (Partido Revolucionario Democrático—PRD). Nation's principal opposition party was Authentic Panameñista Party (Partido Panameñista Auténtico—PPA) led by veteran politician Arnulfo Arias Madrid. Political crisis over lack of democratization and scandals associated with the FDP commander, General Manuel Antonio Noriega Morena, began in June 1987 and escalated throughout the year and into 1988. Opposition forces remained fragmented, but popular protests were orchestrated by the National Civic Crusade (Cruzada Civilista Nacional—CCN), a coalition of civic, business, and professional forces.

International Relations: Traditionally dominated by bilateral relations with United States; special relationship created by 1977 Panama Canal treaties continued to be most important aspect of foreign relations in late 1980s. Relations very strained and troubled, however, in late 1987 because of United States concerns over the lack of democratization and serious allegations of involvement of the FDP commander in drug trafficking and money laundering. Following negotiation of Panama Canal treaties, Panama has given more attention to other commercial and trade relations and especially to the Central American peace process.

International Agreements and Membership: The country is party to Inter-American Treaty of Reciprocal Assistance (Rio Treaty) and Treaty for the Prohibition of Nuclear Weapons in Latin America (Tlatelolco Treaty) and is bound by provisions of Panama Canal treaties. Also a member of Organization of American States, United Nations and its specialized agencies, World Bank, International Monetary Fund, and Inter-American Development Bank, as well as an active member of the Nonaligned Movement.

National Security

Armed Forces: Panama Defense Forces (Fuerzas de Defensa de Panamá—FDP) include military forces, police forces, and National Guard, with total strength of about 15,000.

Military Units: Principally ground forces with four combat battalions, four support battalions, eight infantry companies, and one cavalry squadron. Also a small air force and navy, as well as paramilitary National Guard.

Equipment: Limited equipment inventory. Most infantry weapons, military vehicles, naval craft, and aircraft from United States. Two largest (thirty-meter) patrol craft from Britain.

Foreign Military Treaties: Bilateral treaties with United States for canal defense.

Police: Police forces subordinate to FDP and include a variety of uniformed, undercover, and civilian forces. Most significant are National Department of Investigations (Departamento Nacional de Investigaciones—DENI), undercover security police, and First Public Order Company (Doberman), which handles riot control.



Figure 1. Administrative Divisions of Panama, 1987

Introduction

PANAMA'S HISTORY, as well as its present-day social, economic, and political life, has been dominated by the country's significant geographic position. Encompassing the lowest and narrowest portion of the isthmus connecting North America and South America, Panama has for centuries served as a land bridge and transit zone between continents and oceans.

The narrowness of the isthmus inspired various attempts to facilitate passage between the Atlantic and Pacific oceans. Following their arrival in Panama in 1501, the Spanish turned Panama into a principal crossroads and marketplace of the great Spanish Empire (see *The Conquest; The Spanish Colony*, ch. 1). They built the Camino Real, or royal road, to link settlements on the Pacific and Atlantic coasts and used the road to transport treasures from the west coast of South America—especially Peruvian gold and silver—to Spanish galleons waiting on the Atlantic coast for the trip to Spain.

As early as 1520, however, frustrated by the slowness and hazards of the Camino Real, the Spanish undertook surveys to determine the feasibility of constructing a canal across the isthmus. The United States, seeking a quicker passage to its west coast because of the discovery of gold in California in 1848, promoted the construction of a trans-isthmian railroad, which was completed in the 1850s. But it was the French who first undertook what the Spanish ultimately had abandoned as impractical—and undesirable because it would be an attractive target for other world powers. Under the direction of Ferdinand de Lesseps, the builder of the Suez Canal, the French in 1879 attempted to construct a canal across the isthmus. The project was abandoned in 1889 because of the combined effects of disease, faulty design, and, finally, bankruptcy. The United States soon took on the project, building on what the French had done, and the first ship passed through the Panama Canal on August 15, 1914 (see *Building the Canal*, ch. 1).

Since that time, the Panama Canal has been the single greatest factor influencing Panama's society, economy, political life, and foreign relations. Panamanian society in the 1980s continued to reflect Panama's unusual position as a transit zone and the home of the canal, factors that subjected Panama to a variety of outside influences and gave the country an ethnic diversity not commonly associated with Latin America (see *Ethnic Groups*, ch. 2). Like

other former Spanish colonies, Panama's population was overwhelmingly Spanish-speaking and Roman Catholic; most inhabitants were regarded as mestizos—a term that originally referred to those of mixed Spanish and Indian heritage, but increasingly had come to mean any racial mixture in individuals conforming to the norms of Hispanic culture. In addition to mestizos and tribal Indians, Panama contained a significant minority of Antillean blacks (8 percent of the population)—Protestant, English-speaking descendants of Caribbean laborers who built the canal. There also were significant numbers of Chinese, Jews, Arabs, Greeks, East Asians, South Asians, Lebanese, Europeans, and North Americans—both immigrants and expatriate residents—who came to Panama to take advantage of commercial opportunities associated with the canal.

The Panama Canal has also shaped Panama's economic development. First, the canal has been a major source of wealth for Panama because of revenue generated by canal traffic, the influx of workers who built and later maintained the canal, and the large United States civilian and military presence associated with the canal. Until the Latin American economic slump in the mid-1980s, Panama was generally regarded as wealthy in the regional context, although the distribution of income remained skewed. Reflecting this relative wealth, Panama registered one of the highest levels of per capita income in the developing world (US\$2,100) in 1985. Second, because of the canal and other transport and service activities deriving from the country's location, Panama's economy always has been service-oriented rather than productive. Services accounted for 73 percent of the gross domestic product (GDP—see Glossary) in 1985, the highest level in the world. The Panama Canal was the primary activity in the nation's services sector, but that sector was expanded through increased government services and initiatives such as the Colón Free Zone (CFZ—see Glossary), a trans-isthmian pipeline, and the International Financial Center, which promoted offshore banking and foreign investment in Panama (see Panama Canal; Services, ch. 3).

A third characteristic of Panama's economy was the country's use of the United States dollar as its paper currency. The local currency, the balboa (see Glossary), was available only in coins. Reliance on the United States dollar meant that the country could neither print nor devalue currency as a means of establishing and implementing monetary policies. Finally, Panama's development in terms of both location of economic activity and concentration of population followed an axis across the isthmus between Colón at the Atlantic terminus of the Panama Canal and Panama City

on the Pacific coast. Over half of the population and most nonagricultural economic activity were located there.

In addition to its major influence on social and economic life in Panama, the canal also bound Panama inexorably to the United States—and therein lies the canal's dominance of Panamanian politics and foreign policy. In essence, the canal itself spurred the creation of the modern-day nation of Panama. In order to obtain the rights to construct a canal, the United States fostered separatist sentiment in Panama, then a department of Colombia, and engineered Panama's independence from Colombia in 1903. Panama became a virtual protectorate of the United States, and the pattern of United States intervention set at independence was to be repeated numerous times throughout the first half of the twentieth century (see *The United States Protectorate*, ch. 1).

This close relationship was from the start, however, colored by resentment and bitterness. The Hay-Bunau-Varilla Treaty of 1903, by which the United States acquired the right to construct a canal, was the primary source of this discontent—at least initially—for several reasons. First, Panama was not even a party to the treaty, which was signed by the United States and a French-born entrepreneur. Second, and more important, the treaty gave the United States “in perpetuity” a sixteen-kilometer-wide strip of territory known as the Canal Zone that split the nation into two unconnected pieces. (In return, Panama was to receive an annuity.) Sovereignty or jurisdiction over the Canal Zone, profits from canal operations, frustration over the continued highly visible presence and domination of the United States in Panama, and other related issues became and remained the primary focus of both internal politics and foreign relations for Panama. Nationalism, consistently a powerful force in Panama in the twentieth century, was directed primarily against the United States presence. National leaders of all political persuasions both cultivated and capitalized on public discontent with the United States. Indeed, these leaders kept popular resentment narrowly focused on the United States lest it turn on the Panamanian elite, commonly known as the oligarchy, which traditionally controlled Panama's political, economic, and social life (see *Urban Society*, ch. 2).

The quest for a more equitable treaty governing the Panama Canal has dominated Panamanian-United States relations throughout the twentieth century. The Hay-Bunau-Varilla Treaty was modified several times. But Panama's hopes for a completely new treaty were not realized until 1977, when the two countries brought to fruition negotiations that had been initiated as early as 1971 (see *The Treaty Negotiations*, ch. 1). Panama and the United States

actually signed two treaties on September 7, 1977. The first, the Panama Canal Treaty, abrogated all previous treaties with respect to the canal and transferred legal jurisdiction over the Canal Zone to Panama. The treaty created a United States agency, the Panama Canal Commission, to operate, manage, and maintain the canal until noon, December 31, 1999, at which time Panama will secure unfettered ownership and management of the canal. The commission consists of five United States citizens and four Panamanians working under an American administrator and a Panamanian deputy until 1990; thereafter the commission will work under a Panamanian administrator appointed by the winner of the 1989 presidential elections in Panama, but approved by the United States president with the advice and consent of the United States Senate. In other words, the canal will remain under the effective control of the United States government throughout the treaty period (see *The 1977 Treaties and Associated Agreements*, ch. 1; for texts of the treaties, see Appendix B).

The second treaty, the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal, popularly known as the Neutrality Treaty, was vigorously resisted by the Panamanian negotiators and remains particularly galling to the government and the public. It provides for joint Panamanian and United States responsibility for the protection of the canal, but because it has no termination date, it smacks of the detested "in perpetuity" phrase of the original 1903 treaty. Panamanian concern over possible United States intervention in Panamanian affairs based on this treaty was sharpened by various unilateral interpretations and conditions that were attached to the treaties by the United States Senate during its ratification proceedings. One condition attached to the Neutrality Treaty in effect stipulated that even after December 31, 1999, the United States could use military forces in Panama "to reopen the Canal or restore the operations of the Canal." Although the Panamanian government and public were incensed over this attachment, Panama continued with the ratification. It did, however, append the following statement to the two documents: "The Republic of Panama will reject, in unity and with decisiveness and firmness, any attempt by any country to intervene in its internal or external affairs."

Thus, despite the high hopes of all concerned, the negotiation of new treaties failed to resolve Panamanian discontent. Issues related to the canal continued to muddy the waters of United States-Panamanian relations in 1988 (see *Relations with the United States: The Panama Canal; Other Aspects of Panamanian-United States Relations*, ch. 4). United States-Panamanian relations also were

strained by growing United States dissatisfaction with Panama's military-dominated political system. Panama's failure to establish a democratic form of government was an especially sore point for the United States government because "democratization" in Panama was an American condition for support of the Panama Canal treaties.

Panama's political system dates back to the year 1968—a watershed in Panamanian history. In that year the National Guard staged a coup—not for the first time—and established an enduring pattern of direct and then indirect military control of the government. Despite the subsequent construction of a democratic facade in the late 1970s, de facto control of the nation's politics in 1988 remained firmly in the hands of the commander of the National Guard's successor organization, the Panama Defense Forces (Fuerzas de Defensa de Panamá—FDP).

The 1968 coup also represents a major turning point in Panamanian history because it brought to power Brigadier General Omar Torrijos Herrera, a charismatic leader whose populist legacy—known as *Torrijismo*—radically altered Panamanian politics. Prior to the advent of Torrijos, Panamanian politics were dominated almost exclusively by a small number of aristocratic families. This oligarchy, largely urban, tended to be white or light-skinned and valued its purported racial purity; aristocrats intermarried and held tightly to their elite status. But Torrijos built a popular base from the ranks of the National Guard, which was composed mostly of provincial black and lower- or middle-class mestizos like Torrijos himself, as well as an assortment of campesinos and urban workers (see *The Government of Torrijos and the National Guard*, ch. 1; *Nationalism, Populism, and Militarism: The Legacy of Omar Torrijos*, ch. 4). Torrijos fostered public works and agrarian reform and put the National Guard to work on programs to improve conditions in rural areas and to bring the poorer classes to power.

Initially at least, Panama enjoyed an economic boom under Torrijos. After the passage of strict secrecy laws, Panama became an international banking center, and the CFZ became the world's second largest free-trade zone (after Hong Kong). But Panama's foreign debt also soared because of the extensive borrowing from abroad used to finance the expansion in public services, and Panama eventually registered one of the highest per capita debt levels in the world (see *Growth and Structure of the Economy; External Debt*, ch. 3). Panama's high growth rate through 1982 fell off sharply as the world economy went into a recession. Unemployment, rural poverty, and a low rate of private investment also plagued the country.

In the late 1970s, Torrijos's populist alliance already showed signs of eroding, primarily because of the severe economic downturn that had forced Torrijos to retract many of the progressive measures previously enacted to benefit labor and land reform. But the unpopularity of the canal treaties and the "democratization" process that Torrijos had initiated to win United States support for the treaties also were prime factors. Torrijos, for example, had permitted political parties, previously banned, to resume activity. In 1978 elections were held for a new legislature, and Torrijos formally stepped down as head of the government in favor of Aristides Royo, a government technocrat who was chosen by the legislature to serve a six-year term as president. Torrijos nevertheless remained commander of the National Guard and, as such, the holder of real power in Panama.

Torrijos's sudden death in a July 1981 airplane crash gave rise to a power struggle in Panama that was filled by a succession of figurehead presidents controlled by a series of National Guard and FDP commanders, who engaged in fierce internal maneuvering. The newly erected democratic facade remained in place and on paper was strengthened by the promulgation of constitutional amendments in 1983, which, among other things, permitted the direct election of a president (see *The Constitutional Framework*, ch. 4). Elections were duly held in 1984, but widespread allegations of fraud, increasingly supported by credible evidence, undercut the importance of the event as a demonstration of Panama's return to democracy. The FDP's handpicked candidate was elected, and the FDP commander remained the true source of political power in Panama.

General Manuel Antonio Noriega Moreno, the ambitious former head of military intelligence in Panama, assumed control of the National Guard in 1983 and launched a successful effort to consolidate his power. He oversaw the transformation of the National Guard from a small paramilitary organization into the much larger and more capable FDP, ostensibly capable of defending the expanded national territory (now including the former Canal Zone) and of joining the United States in defending the Panama Canal (see *Missions and Organization of the Defense Forces*, ch. 5). Because of the strong United States vested interest in the security of the canal, this transformation was accomplished with extensive United States training, equipment, and financial assistance. Ironically, however, the growing size and strength of the FDP, which were fostered in accordance with perceived United States strategic interests, led to a situation that the United States increasingly regarded as inimical to its own interests as well as those of the

Panamanian people. The FDP, which traditionally has exhibited strong institutional cohesiveness and loyalty to its commander, increasingly has become a formidable power base for enhancing and institutionalizing political control by the FDP commander.

Despite Noriega's firm hold on power in Panama, a series of events in the mid-1980s tarnished his already unsavory international reputation and threatened his regime. The first occurrence was the violent death in September 1985 of Dr. Hugo Spadafora, a vociferous Noriega critic. Spadafora, who purported to have hard evidence of Noriega's involvement in drug trafficking, was brutally murdered, and there were credible reports of FDP involvement in the death (see *Political Developments in the Post-Torrijos Era*, ch. 4). Panamanians were shocked, but the threat to Noriega came not from popular discontent, but rather from the decision of then-president Nicolás Ardito Barletta Vallarino to investigate the murder. To prevent such an action, Noriega forced Ardito Barletta to resign in favor of his vice president, Eric Arturo Delvalle Henríquez. Noriega successfully weathered this initial storm, but at the cost of an overt demonstration of the extent of military control over an ostensibly civilian regime.

The second and more serious threat to Noriega and, by extension, to the FDP, came in June 1987, when Colonel Roberto Díaz Herrera, chief of staff of the FDP, was forced to retire and then publicly denounced Noriega and other FDP officers for a variety of corrupt practices, including engineering the 1984 election fraud, ordering the murder of Spadafora, and causing the death of Torrijos. Díaz Herrera later also spoke of Noriega's involvement in drug trafficking. Díaz Herrera's revelations were shocking, not so much because of what they said about Noriega and the FDP—Panamanians had long suspected these things—but because Díaz Herrera was the first high-ranking FDP officer to break the FDP code of silence. He had spoken apparently out of pique at Noriega's failure to live up to an earlier agreement among FDP leaders to rotate the position of commander. Revenge for this forced retirement also motivated Díaz Herrera's denunciation of Noriega.

One result of the revelations was an internal political crisis in Panama that as of a year later remained unresolved. In June 1987, a coalition of civic, business, and professional groups formed the National Civic Crusade (*Cruzada Civilista Nacional—CCN*), and thousands of Panamanians participated in marches and street demonstrations to demand Noriega's resignation. Noriega and the FDP responded harshly, and there were credible reports of widespread police brutality. Noriega also attempted—mostly unsuccessfully—to portray the conflict as a class and racial struggle (i.e.,

white elite opposition to the black and mestizo masses and FDP) as well as a Yankee (see Glossary) conspiracy to retain United States control of the canal.

The chain of events in June 1987 also led to the direct involvement of the United States in the crisis. On June 26, 1987, the United States Senate passed a resolution calling for a transition to genuine democracy in Panama. The Panamanian government responded by organizing a demonstration against the United States embassy and arresting United States diplomatic and military personnel. As a consequence, on July 1, 1987, the United States suspended all military and economic assistance to Panama. It also halted repairs to Panamanian military equipment and supplies of tear gas and spare parts. For the rest of the year and into the new year, the United States government continued to consider ways of escalating the economic pressures on Panama and periodically took additional steps in that direction. In December, for example, the United States Congress suspended Panama's sugar quota for exports to the United States, cut off all nonhumanitarian aid, prohibited joint military exercises, and mandated United States opposition to any international development bank loan for Panama until Noriega handed over power to a democratically elected civilian government.

By the end of 1987, the United States government apparently had decided that Noriega was expendable and that serious efforts should be made to force him from power. United States assistant secretary of defense Richard Armitage headed an end-of-the-year effort to draw up a plan for Noriega's departure from Panama. But Noriega, who had been aware of the negotiations, denounced the plan in January 1988.

The already volatile situation flared up further in February 1988, when grand juries in Miami and Tampa, Florida, indicted Noriega on numerous counts of racketeering, drug trafficking, and money laundering. The indictments accused him of using his country as a vast clearinghouse for drugs and money tied to the Colombian cocaine trade. Suspicions and growing evidence of such activities by Noriega (as well as arms trafficking and intelligence activities) had long abounded, but the United States government previously had not acted on the evidence, purportedly because Noriega was considered by successive administrations as an important ally. Some United States government elements apparently had regarded him as vital for the protection of United States strategic interests in Panama; others, as an important source of intelligence information on Cuba. Moreover, Noriega had reportedly assisted United States efforts to oppose the Sandinista regime in Nicaragua. But support for Noriega died out after the events of June 1987 and the indictments.

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The evolving crisis took another unexpected turn later in February 1988, when Panamanian president Delvalle attempted to fire Noriega, who then, with the solid backing of FDP officers, convened the legislature, which voted to oust Delvalle and replace him with education minister Manuel Solís Palma. Delvalle went into hiding in Panama, and, ironically, this aristocrat, formerly branded as "Noriega's man," became the unlikely leader of the opposition to Noriega. Washington refused to recognize Solís Palma and initiated an additional economic squeeze designed to bring Noriega down. In March 1988, the United States government froze Panamanian assets (about US\$50 million) in United States banks, withheld its monthly payment for the use of the canal, and suspended trade preferences on imports from Panama. (All payments due to the Panamanian government were placed in escrow, payable only to the "legitimate" government of Delvalle.) The United States also decertified Panama as an ally in the drug-fighting war, which, according to a 1986 law, would mandate an aid cut-off and justify other discretionary sanctions, which were not imposed at that time. This measure was largely symbolic, however, because aid had already been terminated in December 1987.

Because Panama was dependent on the United States dollar, these economic measures meant that Panama had no cash with which to pay its employees—or to meet its interest payments on loans from international lending institutions or private banks. Panama's banks closed in early March 1988, and by mid-March half of the estimated US\$23 billion in foreign deposits had left the country. Indeed, capital flight had proceeded steadily ever since the June 1987 crisis. Even before the capital flight, the economy was stagnating and suffering from high unemployment and low or negative growth in GDP. In short, the Panamanian economy was near collapse. Although the economic measures adopted by the United States were intended to dry up the Noriega regime's cash and thereby force him out without permanently damaging the economy, analysts began to fear that the long-term effects of the crisis on the Panamanian economy would be devastating and that the once-prosperous banking sector would be irrevocably damaged.

The CCN reacted to the economic crisis in Panama by calling a general strike that brought Panama's economy to a virtual standstill for the month of March. Widely regarded as largely upper-class, white, and elite, the CCN had not engendered widespread popular or labor support up to that point, but in March 1988 its followers appeared to be growing. The populace engaged in a series of protests and strikes over the government's failure to pay public-sector employees and pensioners. Several parties and the hierarchy

of the Roman Catholic Church (traditionally conservative and previously impartial) voiced support for the crusade. Noriega did not appear to have much support outside the FDP and the official government party that had been created by Torrijos—the Democratic Revolutionary Party (Partido Revolucionario Democrático—PRD).

After the exertion of economic pressure by the United States—combined with growing internal opposition to the Noriega regime—many observers expected Noriega to be forced to step aside in the near future. But such was not the case. Noriega showed remarkable durability and ingenuity in adopting countermeasures that permitted his regime to survive. In an important move aimed at cutting off the flow of information among opposition forces, Noriega periodically closed down independent and opposition radio and television stations and newspapers. Faced with CCN strikes and demonstrations and spontaneous acts of protest by various groups (e.g., teachers, telephone workers, mill workers, and hospital workers), Noriega responded with violence. Troops teargassed demonstrating teachers, stormed Panama's largest hospital when hospital workers staged a protest, occupied flour mills, forcefully reopened the port of Balboa after dock workers went on strike, stormed a luxury hotel to arrest opposition figures, intimidated shops and supermarkets into reopening, forced banks to reopen for limited operations, and purged (forcibly retired or imprisoned) FDP officers implicated in a mid-March 1988 coup attempt or suspected of disloyalty. Acting under a declared state of urgency, Noriega increasingly moved to take over all key economic sectors and public services so that he could survive a prolonged economic battle.

In addition to instituting measures designed to quell popular protests, Noriega showed great resourcefulness in his quest for cash dollars. By the end of March, he had amassed enough cash to meet some of the government's payrolls. His sources of cash included cash salary payments to Panamanians working for United States military forces in Panama, the Panama Canal Commission, and various foreign banks; the conversion of Panamanian assets of the Latin American Export Bank into hard currency in Europe; and taxes paid by United States companies with branches in Panama. The United States government later tried to close off the latter flow of dollars, but regulations prohibiting payments to the government of Panama were so general that they were difficult to enforce. Another factor in Noriega's ability to weather the cash crisis was the introduction of an alternative currency system that used government checks, issued in small denominations. These "Panadollars"

could not be cashed at banks, but were widely exchanged in lieu of cash.

Noriega's successful containment of the violence in Panama, defeat of the attempted coup, and acquisition of cash apparently reinforced his determination to stay in power. In March 1988, Noriega began to toy with both opposition and United States government attempts to negotiate his departure. But he ultimately rejected all proposed deals, even though between March and May the United States increasingly backed down on its initial requirements and met virtually all demands put forth by Noriega, including his insistence that the indictments be dropped.

Thus, by June 1988, the situation had reached an impasse. The opposition in Panama remained committed to ousting Noriega and restoring democracy to the country, but its protest activities were sporadic and its leaders disheartened. In fact, most CCN leaders had left the country. There was some discussion of opposition negotiations with Noriega, but few observers expected any such attempts to prove fruitful. The United States government maintained all economic sanctions previously imposed against Panama, and on June 6 announced its intention of more rigidly enforcing regulations prohibiting payments to the government of Panama. United States government officials also made vague threats about other future actions against Panama, but they publicly ruled out any military intervention in the absence of a direct threat to the Panama Canal, and most observers noted the lack of other viable United States options. The prospect of Latin American mediation to achieve a negotiated settlement offered some hope of an end to the crisis, but there was no apparent progress in this direction as of August 1988. Meanwhile, the Panamanian economy, although outwardly functioning more normally, continued its steady deterioration, as evidenced by continued layoffs, bankruptcies, a sharp decline in the GDP, and defaults on payments of the foreign debt.

The acknowledged failure of the combined efforts of the United States government and the Panamanian opposition to force out Noriega resulted from several factors that observers discussed at great length in the media and on which they generally agreed. First, the Panamanian opposition did not develop into a "people's power" movement such as those that had successfully toppled dictators in the Philippines and Haiti earlier in the 1980s. The Panamanian opposition was widespread, but it remained fragmented, lacked a charismatic leader, failed to foster allies within the FDP (a tactic used successfully elsewhere), and never engendered widespread support among labor or the masses. In its attempt to develop support, the opposition was hindered somewhat by a perceived class

distinction between the elite upper- and middle-class, business-dominated CCN and the masses, who had traditionally supported and benefited from FDP rule. Noriega played on this mass susceptibility to class animosity. There was growing evidence that the populace regarded the FDP under Noriega as corrupt and self-serving and found his personal corruption distasteful, but fear and perceived class interests continued to override any desire for social change. Moreover, observers noted that the Panamanian opposition, as well as the general populace, remained steadfastly cautious and nonviolent and was easily intimidated by the FDP.

The second major reason for Noriega's retention of power was the strength and cohesiveness of the FDP—attributes that had been largely underestimated by the United States government and others. The FDP, out of both fear and entrenched self-interest, remained loyal to Noriega. Although his position was undermined somewhat by the defection of close associates, Noriega still was able to put down the March 1988 coup attempt quite easily. Subsequently, he managed to purge suspected dissidents and surrounded himself with loyal supporters and cronies. In May 1988, Noriega created a twenty-member Strategic Military Council headed by a colonel and composed of three lieutenant colonels, ten majors, and six captains. Observers believed that this lower-ranking group increasingly bypassed the more senior general staff. Noriega also tripled the size of his personal security force, staffing it largely with Cubans and other non-Panamanians, and he reportedly also brought in Cuban military advisers and weapons. In short, Noriega moved both to consolidate his hold over the FDP and to tighten the FDP's grip on the country.

Finally, and perhaps most basically, Noriega survived the crisis because the economic sanctions imposed by the United States government did not have the quick and catastrophic effect envisioned by policy makers. Despite the dependence of Panama on dollars, the Panamanian economy proved to be surprisingly resilient. In addition, the sanctions were ineffective because they did not directly affect Noriega, who managed to weather his liquidity crisis because of a continuous influx of both legal and illegal cash. The sanctions hit hardest on the middle class and private sector and created hardships for the masses. In the long run, however, the economy was seriously damaged, perhaps irreparably. Moreover, some observers noted that the economic sanctions may unintentionally have destroyed the private sector, which is the base for moderate, democratic forces in Panama. In related events, observers noted the ruling PRD's apparent move to the left with the

appointment of new cabinet members in late April 1988 and the increasingly pro-Cuban and pro-leftist leanings of the FDP.

The focus of United States and international attention on Noriega—first attempting to remove him from power and then analyzing where such attempts went wrong—tended to obscure more enduring problems affecting Panama's future. In mid-1988 analysts uniformly agreed that, even without Noriega, who was not likely to leave soon, restoring order, rebuilding the damaged economy, and revamping the political system were formidable tasks. Noriega's departure would ease but not solve Panama's political problems. The opposition remained divided and political parties factionalized. Indeed, in February 1988, two parties reportedly formed their own opposition movement—the Popular Civic Movement (Movimiento Civilista Popular—MCP)—separate from the CCN. Moreover, the lack of a clear national leader as an alternative to Noriega or another FDP officer was a serious impediment to opposition success. Delvalle was tainted by his former association with Noriega; veteran politician Arnulfo Arias Madrid died in August 1988; and other party leaders reportedly lacked charisma.

Finally, and most important, the extensive, institutionalized control of national life by the FDP and the endemic corruption within the FDP (including widespread involvement in drug trafficking and money laundering) stood in the way of any rapid or easy transition to democracy in Panama. In the summer of 1988, some observers reported that certain FDP elements were discontent with Noriega. They predicted that Panamanian military officers would eventually remove Noriega from power. Prospects for an end to corruption and a return to democratic civilian rule in Panama, however, would not necessarily be improved by a military coup that ousted Noriega alone.

The FDP's reputation for corruption also fueled United States fears about the future of the Panama Canal. The prospects for an efficient, professional, and nonpartisan administration of the canal and related activities under Panamanian leadership were not good based on the evidence of Panama's corrupt, politicized management of the trans-isthmian railroad, ports, and other former Canal Zone property turned over to it in 1979. Indeed, some analysts believed that even before the crisis ignited in June 1987, maladministration, political patronage, and corruption had become so pronounced and extensive that they jeopardized the future of Panama's economy.

Panama's future thus remained clouded in mid-1988. Although life had in some senses returned to normal following the turmoil that had flared up in June 1987, the political system remained

unrepresentative and potentially unstable, the economy chaotic, and relations with the United States severely strained.

August 15, 1988

* * *

As of late March 1989, there had been no major changes in the situation in Panama since research and writing of this book were completed. But observers agreed that the United States attempt to oust Noriega had failed. Despite his increasing international isolation and lack of popular support, Noriega had survived, and, against all odds, the battered economy had not collapsed.

In the spring of 1989, political activity in Panama focused on preparations for the presidential election set for May 7, 1989. Pro-government parties—the PRD, Labor and Agrarian Party (Partido Laborista Agrario—PALA), Republican Party (Partido Republicano—PR), National Liberal Party (Partido Liberal Nacional—PLN), and several other small parties—had formed a new electoral coalition, the National Liberation Coalition (Coalición de Liberación Nacional—COLINA). COLINA's slate of candidates, announced in early February 1989, included Carlos Alberto Duque Jaén of the PRD for president, Ramón Sieiro Murgas of PALA for first vice president, and Aquilino Boyd, the government's ambassador to the Organization of American States, for second vice president. All three were widely regarded as staunch Noriega supporters: Duque, a business partner of Noriega; Sieiro, Noriega's brother-in-law; and Boyd, a Noriega regime loyalist.

Opposing the government coalition were three major opposition parties—the Christian Democratic Party (Partido Demócrata Cristiano—PDC), National Liberal Republican Movement (Movimiento Liberal Republicano Nacional—MOLIRENA), and Authentic Liberal Party (Partido Liberal Auténtico—PLA), which had banded together in a coalition known as the Civic Democratic Opposition Alliance (Alianza Democrática de Oposición Cívica—Civic ADO or ADOC). Civic ADO also had the support of the Crusade (CCN), the small Popular Action Party (Partido de Acción Popular—PAPO), and a dissident faction of the Authentic Panameñista Party (Partido Panameñista Auténtico—PPA), which had split after the death of Arias Madrid in August 1988. When the Electoral Tribunal gave official recognition and control of the party to a small faction headed by Hildebrando Nicosia Pérez, who had broken with Arias Madrid in the mid-1980s, the majority faction, led by Guillermo

Endara, left the PPA and formed the Arnulfist Party. The Arnulfist Party threw its considerable weight behind Civic ADO, and its leader, Guillermo Endara, was put forward as Civic ADO's presidential candidate. In addition to Endara, Civic ADO's electoral slate included Ricardo Arias Calderón of the PDC for first vice president and Guillermo Ford of MOLIRENA for second vice president. The official PPA refused to join either coalition, preferring to run its own slate of candidates headed by Nicosia for president.

Observers predicted that the government-sponsored candidates would prevail. The Noriega regime was widely expected to ensure the victory of its candidates through a combination of electoral fraud and pre-electoral tactics designed to intimidate and divide the opposition. Indeed, the opposition claimed that thousands of names of opposition party supporters had already disappeared from the lists of eligible voters. Moreover, in the period leading up to the election, the Noriega regime was reportedly using its control of the three-member Electoral Tribunal to capitalize on internal divisions in legitimate opposition parties. In disputes over party leadership, the tribunal had consistently ruled in favor of minority factions presumed more loyal to Noriega, most notably in the case of the PPA. Analysts regarded such rulings as attempts to "steal" these opposition parties and undercut their electoral strength. Some observers even postulated that Nicosia had purposely split the PPA in order to create a rift in the opposition, reduce support for Civic ADO, and enhance the electoral prospects of COLINA.

The pre-electoral period in Panama was a tense one with respect not only to internal Panamanian politics but also to relations between Panama and the United States. In addition to its political machinations, the Noriega regime's continued harassment of Americans in Panama, incursions onto United States military facilities, hostile propaganda, and charges of violations of the Panama Canal treaties exacerbated the already poor relations between the two countries. Observers believed that the future tone and direction of the relationship would be determined to a large extent by the outcome of the May 1989 election. The United States would face difficult policy decisions over how to react to the expected electoral fraud; what to do about the economic sanctions, which were unpopular and ineffective but still officially in place; and how to handle the turn-over of directorship of the Panama Canal Commission to a Panamanian in 1990, given the high probability of an undemocratic and hostile regime in Panama.

Panama itself faced an uncertain future. Although victory for pro-Noriega forces seemed assured in the short term, in the longer

term they were expected to confront increasing regional and international isolation, continued United States opposition, and, most seriously, bleak economic prospects because of the dramatic drop in GDP and government income and the equally drastic rise in capital flight and unemployment. The once vital Panamanian economy was a shambles, and its future looked grim, indeed.

March 27, 1989

* * *

Late on the night of May 10, 1989, the Electoral Tribunal announced that the May 7 elections—presidential, legislative, and local—had been annulled because of violence and “foreign interference.” The announcement followed three days of uncertainty, controversy, and incipient violence during which both sides claimed victory although official results had not been forthcoming. Duque declared himself the winner on election night, and partial results slowly released by the government over the next three days showed him leading by a two-to-one margin. But the Roman Catholic Church in Panama, independent exit polls, and international election observers supported the opposition’s contention that it had won by a margin of about three to one.

The opposition stated unequivocally that the elections were fraudulent and that the official results were based on fake tally sheets. Most observers agreed with them. They cited numerous instances of military and paramilitary raids on vote-counting centers during which original tally sheets were seized or destroyed. It appeared that the Noriega regime, unable to steal the election unobtrusively because of the wide margin of the opposition’s victory, had resorted to crude and overt fraud to ensure the victory of its hand-picked candidates.

In addition, the regime responded to opposition demonstrations with violence, forcibly dispersing protesters. On May 10, members of Noriega’s civilian paramilitary squads, known as Dignity Battalions, which were believed to be composed primarily of members of the FDP, attacked and savagely beat opposition candidates Endara, Arias Calderón, and Ford during a motorcade and popular demonstration to protest the electoral fraud. The Noriega regime responded to international condemnation of its actions by expelling foreign journalists and harassing United States diplomatic and military personnel stationed in Panama.

Despite its use of fraud and violence, however, the Noriega regime ultimately gave up on any attempt to claim victory in the

elections and instead nullified them. Opposition and church leaders rejected the annulment and demanded official recognition of the opposition's electoral victory and a turnover of power to the newly elected government on September 1, 1989, as scheduled. In addition, the opposition called for a twenty-four-hour general strike to be held on May 17.

Most Latin American nations, except for Cuba and Nicaragua, also condemned the annulment but warned against United States military intervention. A special meeting of the Organization of American States to discuss the situation was scheduled for May 17, and the Group of Eight (a coalition of eight Latin American democracies from which Panama had been suspended in February 1988) expressed "profound concern" over events in Panama. West European nations also denounced the Noriega regime's actions.

For its part, the United States stood by its earlier condemnation of the elections as fraudulent, deplored the use of violence, refused to recognize the Noriega regime, and called on Panamanians to overthrow Noriega. The United States took steps to protect its personnel and property in Panama and to prepare for a possible evacuation of United States personnel and their dependents from Panama. It also ordered the deployment to Panama of an additional brigade of combat troops, recalled its ambassador, and engaged in diplomatic initiatives to isolate Noriega and encourage a regional solution to the crisis.

Thus, the political crisis that had begun in Panama in June 1987 remained unresolved and had, in fact, escalated to a new and more dangerous level. The situation remained very tense as observers awaited Noriega's further efforts to exert control and the domestic and international responses to his actions.

May 15, 1989

Sandra W. Meditz

Panama: A Country Study

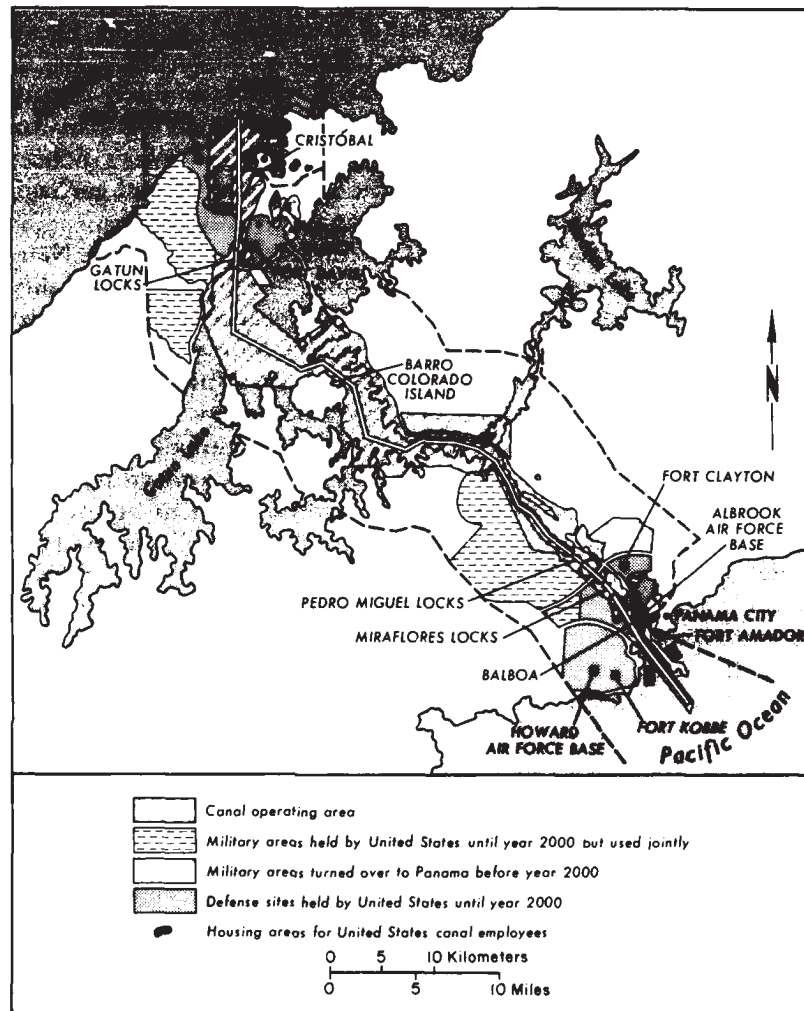


Figure 3. Dispensation of Land Within the Former Canal Zone

Committee to perform the defense-related functions called for in the agreement with respect to Article IV of the treaty.

Ancillary agreements signed on September 7 allowed the United States to conduct certain activities in Panama until 2000, including the training of Latin American military personnel at four schools located within the former Canal Zone; provided for cooperation to protect wildlife within the area; and outlined future United States economic and military assistance. This latter agreement, subject

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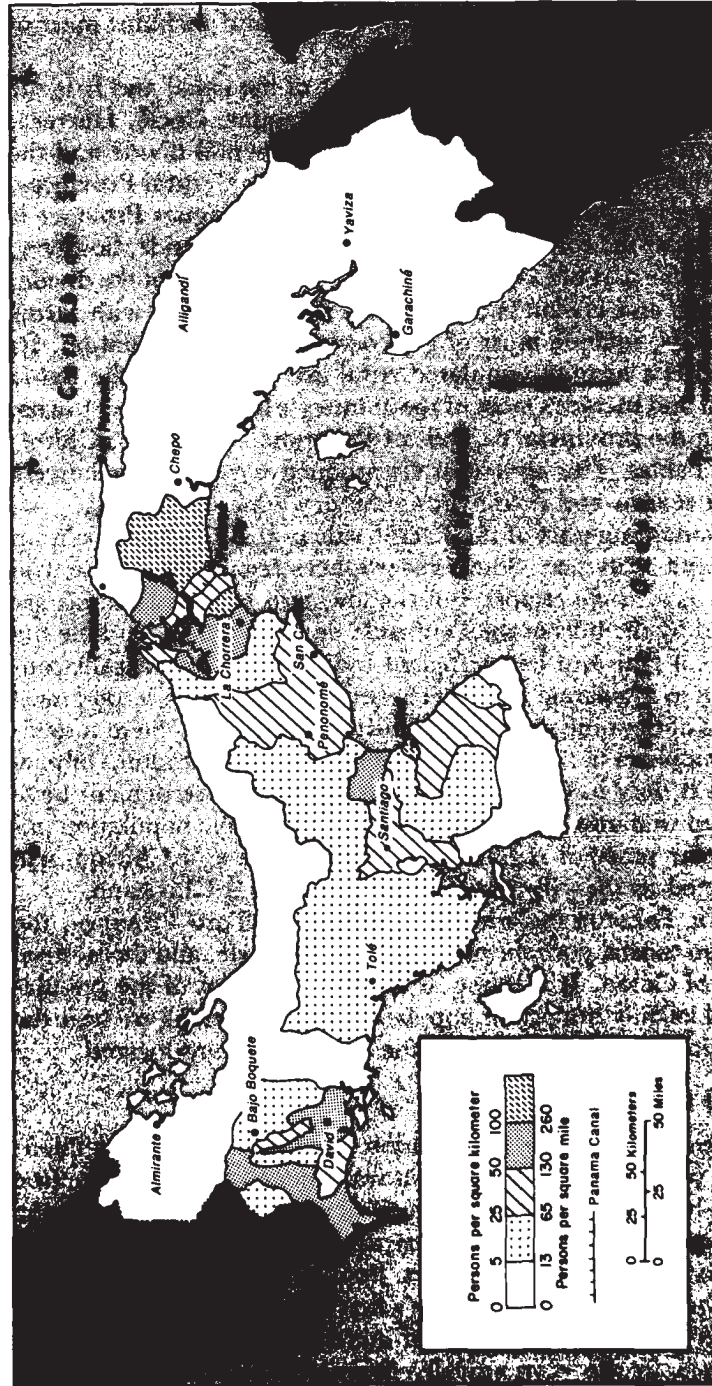
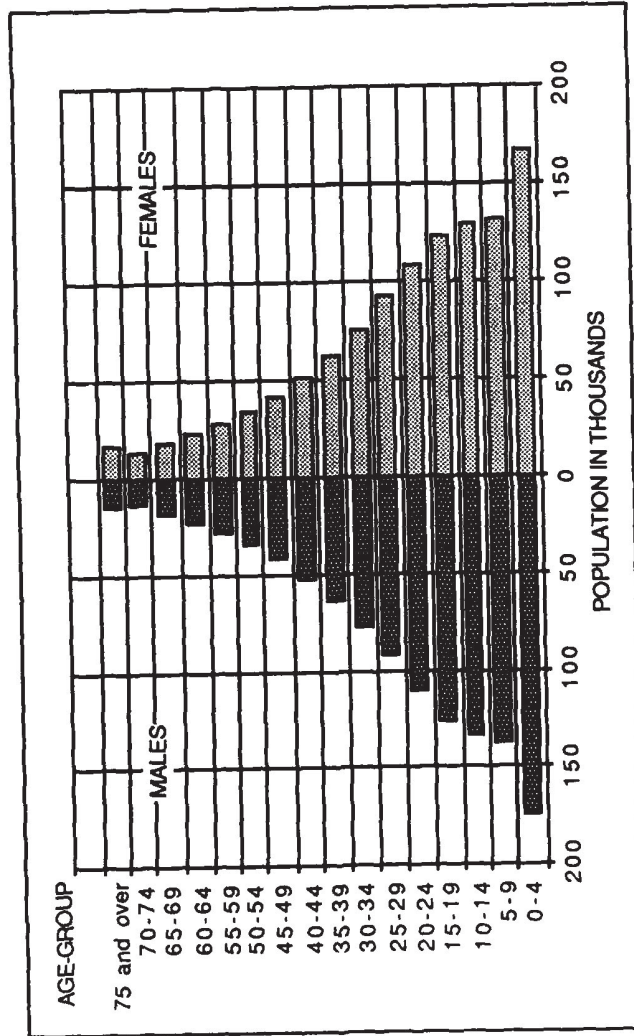


Figure 5. Population Density, 1980 Census



Source: Based on information from Panama, Directorate of Statistics and Census, *Estadística Panameña*, Vol. 970, Panama City, March 1985, 15.

Figure 6. Estimated Population by Age and Sex, 1987

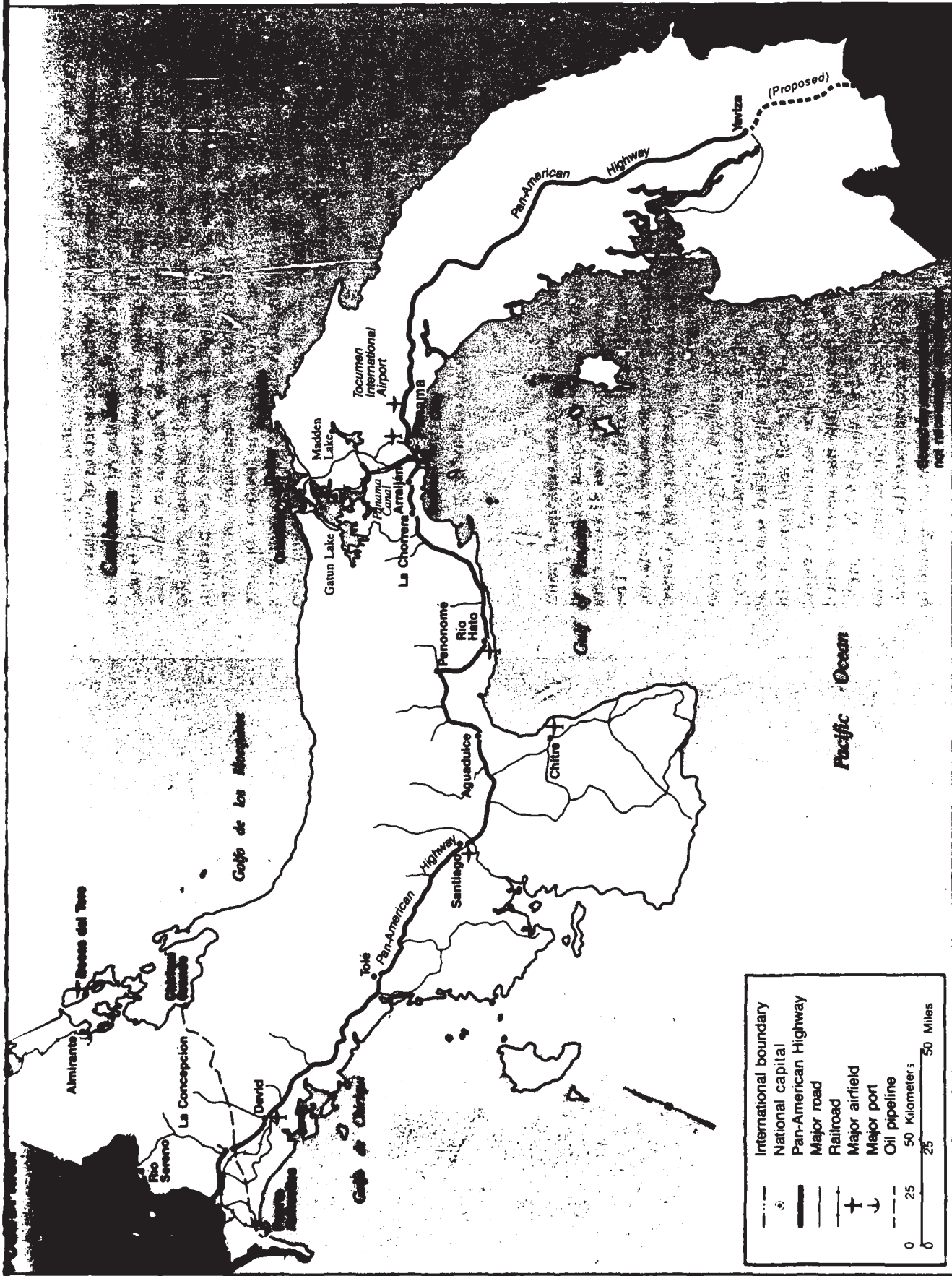


Figure 8. Transportation System, mid-1980s

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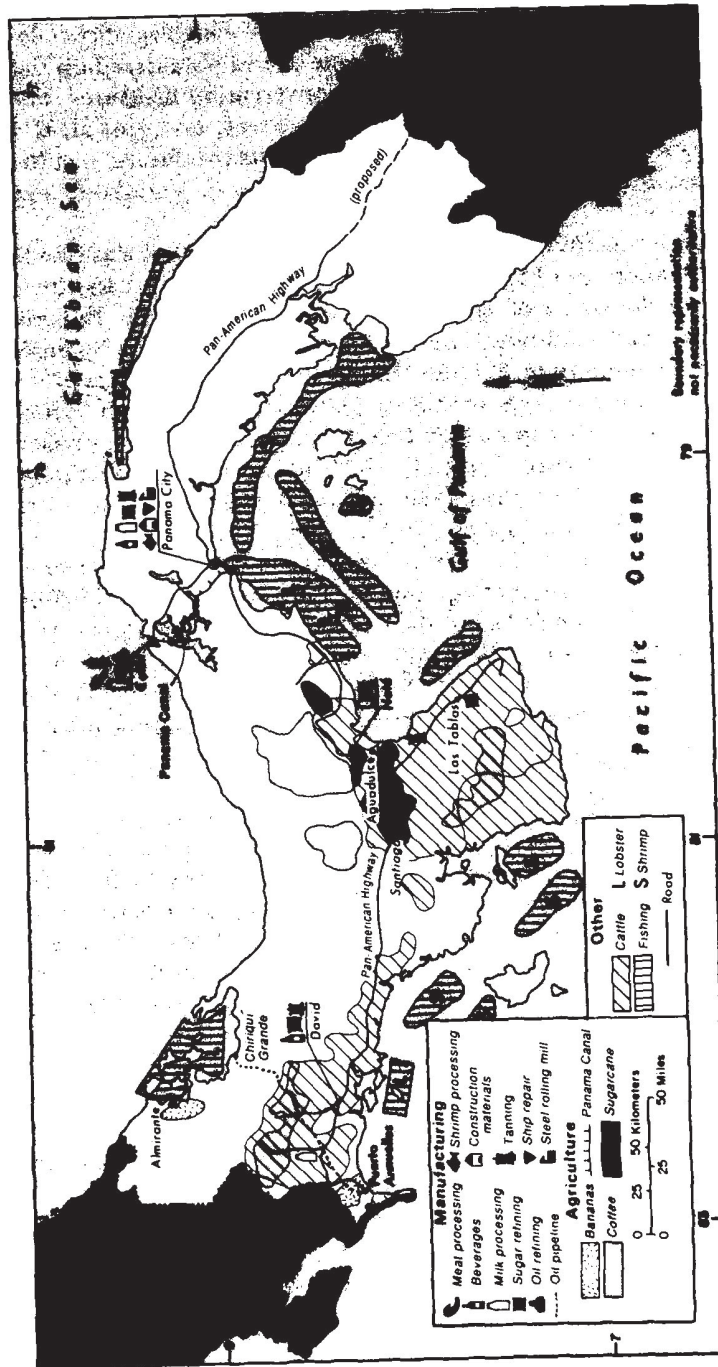


Figure 9. Location of Major Economic Activity

Appendix A

Table

- 1 Metric Conversion Coefficients and Factors
- 2 Population and Annual Growth Rates, Census Years 1911-80
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- 4 Indigenous Population, by Province or Territory, 1980
- 5 Illiteracy Rates for Population over Ten Years of Age, by Sex, 1970 and 1980
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Table 1. Metric Conversion Coefficients and Factors

When you know	Multiply by	To find
Millimeters	0.04	inches
Centimeters	0.39	inches
Meters	3.3	feet
Kilometers	0.62	miles
Hectares (10,000 m ²)	2.47	acres
Square kilometers	0.39	square miles
Cubic meters	35.3	cubic feet
Liters	0.26	gallons
Kilograms	2.2	pounds
Metric tons	0.98	long tons
.....	1.1	short tons
.....	2,204	pounds
Degrees Celsius	9	degrees Fahrenheit
(Centigrade)	divide by 5 and add 32	

*Table 2. Population and Annual Growth Rates,
Census Years 1911-80*

Census Year	Population	Years Covered	Average Annual Growth Rate (in percentage)
1911	336,742	n.a.	n.a.
1920	446,098	1911-20	3.17
1930	467,459	1920-30	0.47
1940	622,576	1930-40	2.76
1950	805,285	1940-50	2.56
1960	1,075,541	1950-60	2.94
1970	1,428,082	1960-70	3.06
1980	1,831,399	1970-80	2.52

n.a.—not applicable.

Source: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 38-39.

Table 3. Annual Population Growth Rates, by Province, 1970-80

Province	Annual Growth Rate (in percentage)
Bocas del Toro	3.07
Coclé	1.78
Colón	2.11
Chiriquí	2.37
Darién	2.17
Herrera	1.74
Los Santos	0.48
Panamá	3.49
Veraguas	1.63

Source: Based on information from Panama, Directorate of Statistics and Census, *Estadística Panameña*, No. 970, Panama City, March 1985, 6-7.

Table 4. Indigenous Population, by Province or Territory, 1980¹

Province or Territory	Total	Indigenous Population	Percent Indigenous
Bocas del Toro	53,487	17,468	33.00
Chiriquí	287,350	30,862	11.00
Comarca de San Blas	28,621	27,588	96.00
Darién	26,524	8,924	34.00
Panamá	831,048	2,294	0.30
Veraguas	173,245	5,955	3.00
PANAMA ²	1,831,399	93,091	5.00

¹ Provinces of Colón, Coclé, Los Santos, and Herrera do not contain significant numbers of Indians, and statistics were not available for those provinces.

² Total is for all nine provinces and the Comarca de San Blas.

Source: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 48-49.

Table 5. Illiteracy Rates for Population over Ten Years of Age, by Sex, 1970 and 1980

	1970	1980
Male	101,931	84,515
Female	101,351	89,610
TOTAL	203,282	174,125
Percentage of Total Population . . .	21	13

Source: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 252.

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Table 6. Educational Enrollment, Selected Years, 1950-83

	1950	1960	1970	1975	1979	1980	1981	1982	1983
Preprimary	n.a.	n.a.	n.a.	18,677	18,136	22,616	24,656	25,843	25,843
Primary	110,059	161,800	255,287	325,394	373,823	337,522	335,239	336,740	335,950
Secondary ¹	17,519	38,964	78,466	125,745	137,816	171,273	174,078	174,791	176,916
Postsecondary	1,519	4,030	8,159	22,581	38,865	41,311	43,964	47,592	47,131
Other ²	n.a.	n.a.	n.a.	n.a.	13,085	14,458	9,905	12,611	8,653
TOTAL	129,097	204,794	341,912	473,720	582,266	582,700	585,802	596,390	594,493

n.a.—not available.

¹ Includes both technical and academic programs.

² Includes special education and vocational courses of less than three years.

Sources: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1977*, Panama City, November 1978, 176-80; and Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 261-62.

Table 7. Education Budgets, 1979-84

	Ministry of Education		University of Panama	
	Amount*	Percentage of Total Budget	Amount*	Percentage of Total Budget
1979	85,037	18.4	16,681	3.6
1980	110,913	15.3	17,332	2.4
1981	120,153	15.2	21,455	2.7
1982	133,862	12.1	22,801	2.1
1983	145,927	12.7	26,665	2.3
1984	217,840	18.3	32,294	2.7

*In thousands of balboas; for value of the balboa—see Glossary.

Source: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 266.

Table 8. Government Spending for Education,
by Level of Instruction, 1979-83
(in thousands of balboas)*

	1979	1980	1981	1982	1983
Primary	63,441	74,254	70,760	68,502	74,605
Secondary	32,177	33,644	37,441	47,161	48,525
University	19,769	24,316	31,897	41,105	43,442
Adult education	866	126	1,523	1,161	845
Other	39,394	49,773	53,412	56,238	61,708
TOTAL	155,647	182,113	195,033	214,167	229,125

*For value of the balboa—see Glossary.

Source: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 268.

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Table 9. Schools, Classrooms, and Teachers, Selected Years, 1950-83

Year	Primary	Secondary	Postsecondary
1950			
Schools	950	78	1
Classrooms	n.a.	n.a.	n.a.
Teachers	3,415	959	n.a.
1960			
Schools	1,298	127	2
Classrooms	n.a.	n.a.	n.a.
Teachers	5,309	1,704	191
1970			
Schools	1,784	192	2
Classrooms	n.a.	n.a.	n.a.
Teachers	1,784	3,784	448
1975			
Schools	2,171	209	2
Classrooms	n.a.	n.a.	n.a.
Teachers	10,685	5,670	869
1980			
Schools	2,306	301	2
Classrooms	11,280	3,763	318
Teachers	12,361	8,138	1,310
1981			
Schools	2,316	307	2
Classrooms	11,508	3,947	370
Teachers	12,393	8,610	1,586
1982			
Schools	2,347	313	3
Classrooms	11,726	3,973	451
Teachers	12,853	8,928	1,705
1983			
Schools	2,376	321	3
Classrooms	11,289	4,011	506
Teachers	12,613	9,249	1,766

n.a.—not available.

Sources: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1973-1977*, Panama City, November 1978, 176-80; and Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 256-59.

Appendix A

Table 10. Life Expectancy at Birth, by Sex, 1965 and 1985

	1965	1985
Male	62	69
Female	64	73

Sources: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 76; and World Bank, *World Development Report 1986*, New York, 1986, 233.

Table 11. Medical Facilities, by Location, 1983

	Hospitals	Medical Centers	Local Clinics
Cities			
Panama City	12	20	n.a.
Colón	2	5	n.a.
Provinces			
Bocas del Toro	3	4	56
Chiriquí	6	31	98
Coclé	3	17	46
Colón	3	17	47
Darién	3	5	32
Herrera	5	11	23
Los Santos	4	11	14
Panamá	16	53	63
Veraguas	3	17	51
Indigenous Territory			
Comarca de San Blas	4	4	13

n.a.—not available.

Source: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 221.

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*Table 12. Medical Personnel and Facilities, per 10,000
Inhabitants, by Location, 1983*

	Hospital Beds	Doctors	Nurses
Cities			
Panama City	91	21.8	28.1
Colón	48	12.5	15.4
Provinces			
Bocas del Toro	31	4.1	6.5
Chiriquí	25	6.1	5.9
Coclé	24	4.4	4.1
Colón	24	8.2	8.3
Darién	25	3.6	3.2
Herrera	42	5.6	5.6
Los Santos	67	6.1	6.1
Panamá	45	13.9	14.4
Veraguas	17	2.6	3.2
Indigenous Territory			
Comarca de San Blas	22	2.3	1.1
PANAMA	36	9.0	9.4

Source: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 223-26.

Table 13. Birth and Death Rates, per 1,000 Inhabitants, 1979-83

	1979	1980	1981	1982	1983
Live Births					
Urban	26.1	25.5	25.1	25.9	25.7
Rural	30.2	28.9	28.9	27.4	26.6
Panama	28.2	27.2	27.0	26.7	26.2
Mortality					
All deaths					
Urban	4.2	4.1	4.0	4.2	4.4
Rural	4.5	4.2	3.9	3.7	3.8
Panama	4.4	4.2	4.0	4.0	4.1
Infant*					
Urban	21.5	19.4	19.7	17.1	18.8
Rural	27.7	23.9	24.7	22.6	22.1
Panama	24.6	21.7	22.2	19.9	20.5
Maternal					
Urban	0.4	0.2	0.4	0.5	0.2
Rural	1.0	1.1	0.8	1.2	1.0
Panama	0.7	0.7	0.6	0.9	0.6

*Aged less than one year.

Source: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 61.Table 14. Central Government Budgets, 1981-85
(in millions of balboas) ¹

	1981	1982	1983	1984	1985 ²
Consolidated public sector					
Revenues	1,169.0	1,264.5	1,385.5	1,424.6	1,531.8
Expenditures	1,383.7	1,726.5	1,650.2	1,699.0	1,654.8
Balance	-214.7	-462.0	-264.7	-274.4	-123.0
Unconsolidated public-sector					
balance ³	6.6	-2.0	17.4	8.0	12.0
Total public-sector borrowing					
requirement	208.1	464.0	247.3	266.4	121.0
As percentage of GDP ⁴	5.4	10.8	5.7	5.8	2.5

¹ For value of the balboa—see Glossary.² Estimate.³ To which no transfers are made.⁴ GDP—gross domestic product—see Glossary.

Source: Based on unpublished data provided by the Controloría General de la República de Panamá, 1987.

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*Table 15. Distribution of Labor Force by Sector, Selected Years, 1965-85
(in percentage)*

Sector	1965	1973	1980	1985
Agriculture	46.3	38.6	31.8	26.5
Industry	15.8	17.8	18.1	16.1
Services	37.9	43.6	50.1	57.4
TOTAL	100.0	100.0	100.0	100.0

Source: Based on unpublished data provided by the Controloría General de la República de Panamá, 1987.

*Table 16. External Trade, 1980-85
(in millions of United States dollars at current prices)*

	1980	1981	1982	1983	1984	1985 ¹
Exports						
Bananas	61.6	69.2	66.0	75.0	74.7	78.1
Petroleum	233.3	209.1	166.6	131.2	134.4	100.6
Shrimp	43.7	42.7	52.9	51.4	46.7	53.4
Sugar	65.8	52.6	23.7	41.3	42.6	33.3
Manufactures	31.5	31.4	38.7	29.3	34.5	45.0
Other	90.2	88.9	140.9	109.9	94.0	104.1
Total exports f.o.b. ² ..	526.1	493.9	488.8	438.1	426.9	414.5
Imports						
Food	123.0	115.4	124.1	130.0	127.8	142.6
POL ³ and other energy sources	424.4	426.1	408.6	384.0	350.2	271.8
Other consumer goods	162.5	195.0	203.2	196.5	206.9	197.8
Other intermediate goods ..	373.4	413.6	404.5	360.6	392.8	439.7
Capital goods	258.7	319.8	355.6	280.8	264.4	288.2
Total imports c.i.f. ⁴ ..	1,342.0	1,469.9	1,496.0	1,351.9	1,342.1	1,340.1

¹ Preliminary.

² f.o.b.—free on board.

³ POL—Petroleum, oil, and lubricants.

⁴ c.i.f.—Cost, insurance, and freight.

Source: Based on unpublished data provided by the Controloría General de la República de Panamá, 1987.

Appendix A

Table 17. Balance of Payments, 1980-85
(in millions of United States dollars at current prices)

	1980	1981	1982	1983	1984	1985*
Exports of goods and non-factor services (NFS)	1,644.6	1,734.3	1,769.3	1,774.4	1,742.4	1,819.6
Imports of goods and NFS	-1,697.6	-1,854.6	-1,870.5	-1,697.0	-1,679.7	-1,705.3
RESOURCE BALANCE	-53.0	-120.3	-101.2	77.4	62.7	114.3
Net factor income	-283.0	-271.2	-349.8	-324.2	-375.8	-370.2
Net current transfers ..	14.4	31.2	45.6	44.3	89.6	83.3
CURRENT ACCOUNT BALANCE	-321.6	-360.3	-405.4	-202.5	-223.5	-172.6
Capital						
Long-term capital inflow	131.6	402.0	492.1	386.0	250.4	130.6
Total other items (net)	186.1	-5.1	-85.4	-95.4	1.7	-24.9
Net short-term capital	-90.4	37.7	-125.8	-177.5	-80.3	-229.1
CAPITAL ACCOUNT BALANCE	227.3	434.6	280.9	113.1	171.8	-123.4
Net errors and omissions	-276.5	42.8	-40.4	-82.1	-67.6	-136.4
Change in net reserves	3.9	-36.6	-1.3	-88.1	-14.2	134.7

*Preliminary.

Source: Based on unpublished data provided by the Controloría General de la República de Panamá, 1987.

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Table 18. External Capital and Debt, 1980-85
(in millions of United States dollars at current prices)

	1980	1981	1982	1983	1984	1985 ¹
Public and publicly guaranteed						
external debt	2,283.4	2,441.3	2,926.7	3,146.5	3,229.7	3,275.6
Official creditors	581.2	682.2	830.5	1,006.0	1,078.9	1,144.3
Multilateral	327.5	358.8	432.3	558.3	660.4	741.0
Bilateral	253.7	323.4	398.2	447.7	418.5	403.3
Private creditors	1,702.2	1,759.1	2,096.2	2,140.5	2,150.8	2,131.3
Suppliers	35.7	29.2	29.1	27.1	50.1	42.5
Financial markets	1,666.5	1,729.9	2,067.1	2,113.4	2,100.7	2,088.8
IMF credit ²	23.1	93.6	84.0	192.8	271.1	311.2
TOTAL EXTERNAL						
DEBT	2,306.5	2,534.9	3,010.7	3,339.3	3,500.8	3,586.8
Percentage of total long-term						
debt on concessional						
terms	12.2	12.8	11.8	11.5	11.7	12.1
(with variable interest rates)	52.2	51.1	55.9	57.0	57.7	59.5

¹ Estimate.

² IMF—International Monetary Fund.

Source: Based on unpublished data provided by the Controloría General de la República de Panamá, 1987.

Table 19. United States Military Aid and Sales to Panama,
Fiscal Years 1980-86
(in thousands of United States dollars)

Fiscal Year	FMS Deliveries ¹	Commercial Arms Sales	MAP ²	IMETP ³
1980	187	29,241	3	270
1981	154	752	n.a.	328
1982	360	1,000	1	359
1983	481	1,504	n.a.	466
1984	546	1,800	n.a.	453
1985	2,124	594	n.a.	575
1986	12,488	560	n.a.	507

n.a.—not available.

¹ FMS—Foreign Military Sales.

² MAP—Military Assistance Program.

³ IMETP—International Military Education and Training Program.

Source: Based on information from United States, Department of Defense, Security Assistance Agency, *Foreign Military Sales, Foreign Military Construction Sales, and Military Assistance Facts*, Washington, 1986.