

*Panama's non-traditional Security Concerns:
Approaching the 21st Century*

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INTRODUCTION TO PANAMA'S NON-TRADITIONAL SECURITY CONCERNS

As the United States withdraws its military presence from Panama, the security environment and the national economy will be impacted by new non-traditional security concerns. In the year 1999, the Panama Canal and its properties (canal reverted areas and US military bases) will be turned over to the Government of Panama (GOP) from the United States. Panama in relation to its Latin American neighbours faces a unique challenge- it will take on one of the largest real estate project and business ventures in the Western Hemisphere. Panama will receive valuable infrastructure, large tracts of land, and tropical and water resources. The immediate economic need to develop these properties will affect Panama's ability to achieve long-term sustainability. The challenge for Panama is to develop a strategy for management and ownership, balance its economic development with environmental management, protect and sustain its vital resources, establish a strong political precedent, and to recreate an effective security force.

Historically, the United States provided the economic stability and military security to protect the canal's strategic importance. The presence of US troops in Panama also contributed to: increasing investor confidence, safeguarding global trade, continuing canal operations, and enhancing regional security in the Western Hemisphere. Most importantly, the historic United States-Panama relationship has directly influenced Panama's ability to effectively manage the Panama Canal and to defend its territory after 1999.

Panama's limited security capability hinders its ability to respond to increasing violence and crime in the countryside and major cities. Like other Latin American countries, Panama will be challenged to defend its territory from non-traditional security concerns such as narcotics trafficking, crime, riots, terrorism, insurgency, environmental destruction and scarcity. Panama's security forces lack the capability to confront these challenges in without outside help. Without new doctrine, training, leadership, equipment, and adequate personnel, Panama will not be able to provide the internal security needed to safeguard its democracy. Panama's future security environments will increasingly rely on host nation specialized forces, regional forces, and a US force.

The health of Panama's economy depends upon the management and protection of its key resources in order to provide a secure environment. As Panama enters the twenty-first century, development of its resources must be managed, protected, and sustained. Over the next three years, the following issues will need to be carefully analyzed:

The economic and commercial importance of the Panama Canal relies on its sustainable management. Since the Canal first opened on August 15, 1914, the waterway has provided quality transit service to more than 700,000 vessels. Today more than 12,000 ocean-going ships use the canal a year (average toll is \$27,000 US dollars). Ultimately, the protection of the Panama Canal Watershed's ecosystem is a basic prerequisite for the canal's future.

The Watershed is comprised of the lower basin (Gatun Lake) and upper basin (Madden Lake). The total Gatun-Madden Lake watershed of 1,289 square miles is divided by the Madden Dam into two distinct watersheds. The watershed acts as an essential water collection system for canal operations. The canal needs a daily inflow of 1.6 billion gallons (between 32-50 million gallons per vessel transit) of fresh water to fill and operate the Canal and its locks (Greenquist, 1995). Current watershed and reservoir capacity limits operations of up to forty-nine crossings per day. Most importantly, the sustainable management of the canal's reservoir and tropical rainforests is crucial to the canal's viability. Years of neglect, conflicting priorities, and duplication of efforts resulted in poor planning for the future.

The ecological importance of Panama's natural resources must be protected from negative economic externalities. As Panama City's population of 1.2 million continues to grow at 1.8 percent per year, many areas of the reverted properties, Panama and Colon City and fragile ecosystems will continue to be affected by increasing industrialization and urbanization.

The real estate and business potential for Panama will rely on successful incorporation of more than 7000 buildings and infrastructure into the economy. Without adequate investment and clear policy plans for these reverted properties, degradation of key resources will affect future opportunities.

Panama's past decade of economic mismanagement, misguided development policies and political abuses of the Noriega Regime led to deteriorate relations with the US. Panama's past failures to adequately plan for the future has left the present void. The lack of effective long-term planning will directly affect the conditions necessary to ensure responsible ownership, adequate internal and canal security, and the sustainable use of the Canal and US military reverted properties. Although there is a sense of urgency to plan now, marketplace constraints will continue to challenge Panama's efforts for successful reversion. The immediate time frame dictates that Panama is not ready for the turnover.

Nurturing economic growth, environmental protection, and democracy are the key challenges that will test Panama's future to sustain development. Establishing coherent national priorities and effective security measures will take additional financial resources, long-term analysis, and time. Without effective implementation of new reforms to economic development, environmental planning, political and judicial reform, and internal and hemispheric security, Panama's future will be impacted negatively. Here-in lies the dilemma for Panama: Will Panama be able to effectively handle non-traditional security concerns in the year 2000 and beyond?

This paper will discuss key non-traditional security concerns for Panama during its transition to a sole proprietor. This paper will exhibit use of qualitative analysis to draw conclusions and projections on Panama's future. Research objectives include the following:

- To define the political and economic development challenges Panama faces;
- To understand the changing atmosphere and relationship of the US and Panama;
- To present key challenges for sustainable development and environmental management; and to define the dynamics of the US turnover and Panamanian ownership.

GEOGRAPHICAL AND HISTORICAL SECURITY

Panama is known as the Crossroads of the World; it has been a melting pot of races, nationalities, and cultures over the centuries. Panama's evolution into a unique nation can be attributed to its rich history. Panama's importance lay in its geography; it is the shortest land bridge between the oceans. Panama is located on the narrowest and lowest parts of the Isthmus of Panama that links North America to South America. Panama is smaller than South Carolina; it encompasses approximately 77,082 square kilometers in length and is between 60-177 kilometers in width. Panama's two coastlines are the Caribbean or Atlantic and the Pacific. The country is divided into nine provinces; provinces are divided into districts that are subdivided into sections called corregimientos.

The presence of the Spanish in Latin America determined the course of Panama's history for nearly 200 years. The Spanish linked the Atlantic and Pacific Oceans with a narrow Royal Road of stone - the critical Spanish trading route. In 1821, the Isthmus gained its independence from Spain and became a province of Nueva Granada (the Republic of Colombia). In 1848, Panama would serve as the world's crossroads for travel and treasure for adventurous US capitalists. Between 1855-1869, 600,000 travellers used the Panama Railroad and over \$750 million worth of gold from California were transported through Panama (Weeks and Zimbalist and Weeks, 1991).

From 1879-1888, Ferdinand de Lesseps, headed a French effort to build a canal through the isthmus. Due to fiscal mismanagement, political corruption, and the extreme climate and geography difficulties, the French Canal Company went bankrupt and sold canal construction rights to the US in 1903 (Biensanz, 1955) In November 1903, Panama achieved its independence from Colombia with the help of US troops and warships preventing Colombian troops from reaching the isthmus. The Canal Treaty of 1903 granted the United States rights in perpetuity as if it were sovereign over a ten-mile wide by fifty-mile long strip of land known as the Canal Zone to the US. The treaty also gave the US the rights in perpetuity to occupy and control land outside of the Zone deemed necessary for effectively operating the Canal. Other provisions of the treaty ensured that the operation of the Canal would have minimal linkages to the rest of Panama's economy (Weeks and Zimbalist, 1991).

In 1907, the Roosevelt Government began building the canal and completed it in 1914. The US, led by the US Army Medical Corps and the Corps of Engineers tamed the ac Isthmus and completed the canal, the Eighth Wonder of the World. The actual work of digging the Canal involved three major projects:

- 1) cutting through the mountain ridge at Culebra,
- 2) building a gigantic earth dam at Gatun to trap the waters of the Chagres River, to

- form an artificial lake (85 feet above sea level),
- 3) and building a double set of three locks at either end of the Canal to lift and lower ships from sea to Lake Level.

POLITICAL SECURITY

Overview

Over the last 90 years, hundreds of thousands of US citizens have been involved with the construction, operation, and defense of the canal (Johnson and Houle, 1995). From the Independence of Panama to the construction of the Panama Canal, the US has played a key role in Panama's history. During its controversial history with the US, elections of all Members of the white commercial elite of Panama City won important offices. Political instability in Panama resulted from both the absences of a ruling class and US hegemony.

Direct foreign control of Panama's economic and political systems, did not Allow for political evolution or democratic maturity. Panama never had the typical landed oligarchy that typifies in Central America; instead, a strong merchant class has been the dominant political force. After World War II, the military in virtually every Latin American country became a major force in politics. The rise of Panama's military was a response to the weakness of the traditional urban-based ruling class. When the US ceased to intervene militarily in Panama's politics, the national police forces became the principle arbiter for Panama's multi-party system (McDonald and Ruhl, 1989).

Until the ratification of the Panama Canal Treaty of 1979, the Americans had significant control over the maintenance and security for the canal. After 1979, a strong sense of nationalism emerged with the leadership of Omar E. Torrijos and grew immensely during the Post-Treaty years. Torrijos' influence continued after his death, as both military and civilian leaders sought to lay claim to his political and social heritage (Meditz and Hanvraty, 1989). By 1980, all normal functioning of the government authority broke down. Consequently, US-Panama relations deteriorated. The Manuel Antonio Noreiga regime contributed to the underlying instability of the political system through its corruption, bribery, and violations of law.

The US became increasingly concerned over the lack of democratization, serious allegations of human rights violations, military involvement in drug trafficking, and government participation in money laundering. From 1983-1989, Noreiga personally appointed and removed the nation's presidents. His loyalist paramilitary force supported his tyranny through suppression and corruption much to the dissatisfaction of the majority of Panamanians. By 1980, an estimated \$600 million USD in drug-related funding was laundered through Panama's offshore banking system annually (Meditz and Hanvraty, 1989). The GOP's involvement in these illegal activities resulted in a US military and economic embargo of \$26 million USD.

On December 19, 1989, the US military invaded Panama. The objective was to protect American lives, restore the democratic process, preserve the integrity of the Panama Canal Treaties, and to apprehend General Noreiga. Following the invasion, Noreiga's military apparatus was dismantled and replaced with a police force. A civilian government replaced Panamanian military dominance. Subsequently, the Panamanian constitution was amended to disband the Panamanian Defence Forces (PDF). Approximately sixty percent of the former PDF leadership was purged following the ouster of Noreiga, and almost 12,000 former PDF members were retrained to perform police functions.

Present Situation

Panama possesses one of the Latin America's most fragmented and least institutionalized multi-party systems. Panama's political culture continues to be characterized by personalismo or the tendency to give one's political loyalties to an individual rather than to a party or ideology. Most Panamanian political parties are little more than ad-hoc organizations backing the personal ambitions of a few politicians and their patronage of hungry followers. Lacking coherent ideologies, these weak electoral vehicles continue to be highly vulnerable to factionalization in the future (McDonald, 1989).

Presently, President Ernesto Ballederes and his Revolutionary Democratic Party (PRD) run the country. The Ballederes Administration is taking on Panama's largest challenges in history, preparing for the turnover of the Panama Canal and its properties. Both the government and private sector are rapidly assuming more responsibility as they struggle to manage their future. The acceptance of ownership continues to bring new changes and difficulties for the political system to overcome. The political system continues to wrestle with inefficiency, red tape, competing objectives, and conflicting priorities.

In 1998, Ballederes' successor will carry the burden taking full control and ownership. Additionally, the relationship between Panama and the United States will be tested from now until the year 2000 and beyond. Both parties will need to reaffirm their obligation to fulfil the 1977 Carter-Torrijos Treaties and explore future options. A lasting and co-operative relationship for both nations is essential to ensure the stability and success for Panama's future.

ECONOMIC IMPACTS ON SECURITY

Panama has the highest per capita Gross Domestic Product (GDP) in Central America. Its well-developed service sector accounts for seventy-percent of the GDP. Transportation is the most important contributor to Panama's service-oriented economy. The dynamic of Panama's transit economy is it continues to be an export or service platform for transnational corporations. The government has played a limited role in economic matters throughout most of Panama's history; it restricted activities to infrastructure development to create an environment conducive to private investment. Therefore, there are glaring discrepancies between the rural and urban economies. Most of the income is skewed to a small,

goods-oriented consumer and economically powerful class (Department of State, I 1996).

The principal problem for the agricultural sector is the concentration of land in only a few hands (Quintero, 1993). Most of Panama's farmers do not own land and are squatters who till between 2-5 hectares (hectare is roughly 2.5 acres). As the population increases, the rate of movement onto previously unsettled lands is creating a moving agricultural frontier (Meditz and Hanratty, 1989). Peasants continue to invade and seize land (especially around Gatun Lake) and are successful in maintaining their claims to the holdings. Encroachment and illegal squatting onto unsettled lands along major water sources and in National Parks, will impact fragile ecosystems. Urban migration from populated regions of the countryside into Panama and Colon also settled along the TransIsthmian Highway in sensitive watershed areas. As migration continues to accelerate, urban sprawl and uncontrolled growth will pose as a challenge to economic security.

Migration into the populated Panama City and Colon City's urban areas has been fuelled by the growth in economic activity (manufacturing, construction, trade, transport, and communications). The location of the Panama Canal has given impetus to the development of transportation services (Pan-American Highway and the TransIsthmian Highway) and industrialization. Since 1980, Panama's export sector boomed with the Colon Free Zone, offshore banking center, modernization and expansion of the Canal, and the TransIsthmian oil pipeline. Economic growth is evident with the construction of hotels, high-rise condominiums, convention centers, resorts, airports, transportation corridors, and port and container facilities. Panama's urban infrastructure supports the private sector transactions and allows for goods and services to move with relative ease to port. Despite macro-economic success, there are many negative impacts on the economy.

First, the GOP has failed to improve the lot of many of its citizens. The pattern of prosperous metropolitan areas and poor rural provinces continues to be the major economic trend. Most people in the rural area lack ready access to medical care and basic amenities. Inequalities in income distribution continue to hinder any improvement in the quality and standard of living. To eliminate housing shortages, it will cost \$480 million in metropolitan areas and \$886 million in the country as a whole (Sahota, 1990).

Second, despite Panama's well-educated workforce, unemployment is the gravest economic and social problem. As the poor continue to absent from the top-ranked activities such as in the canal area, financial establishments, electricity, mining, transportation and communication) the discrimination and marginalization of lower classes will continue (Sahota, 1990). Panama's elite will continue to reap the economic benefits of Panama's geographic location at the expense of the majority of its citizens. Ultimately, wealth, occupation, education, and family affiliation will define upward mobility and upper class success.

Third, although 87 percent of the population over age 10 is literate, high levels of unemployment contribute to crime. The bulk of Panama's urban population is from lower

classes. Crimes by juveniles have increased with the involvement in illicit activities. Continual riots, street violence, and urban decay characterize Panama's growing urban areas, especially Colon City. Property damage attacks against persons, and gang fights will increase as the income gap widens.

Fourth, despite the fact that urban Panama has access to sanitary landfills, waste generation is not contained. Excessive industrialization along the TransIsthmian Highway has generated disposal of garbage into the streams, rivers, watershed basins, and continental and marine waters. Pollution results from the discharge of agricultural pesticides, residues from sugar refineries and sawmills, municipal waste, and untreated sewage (UN, 1992).

Continued unsustainable development and environmental destruction will damage prospects for Panama's tourism development and private investment. Panama is in need of significant sector investment in new roads, sewer and water treatment systems, and more education and health facilities.

REVERTED PROPERTIES AND IMPACTS ON SECURITY

After almost 100 years of US presence, Panamanians are eager to regain absolute jurisdiction over their entire territory, including the US reverted properties and US military bases. Panama will take on the largest real estate projects and business ventures in the Western Hemisphere. In 1999, the GOP will manage the Panama Canal and be responsible for integrating the canal's reverted properties into a national development strategy. In the years leading up to the transfer of the canal and US military bases, the GOP faces two interrelated problems: attracting foreign investment and managing vast properties that Panama will receive as the US withdraws (Department of State, 1996). In 1999, approximately 569 square miles of land with roughly seven thousand buildings (airports, harbours, warehouses, hospitals, shopping malls, hotels, apartments, houses, and schools) will be turned over.

Panama is not ready to absorb efficiently all remaining property (3,608 buildings and 71,000 acres). The economic impacts of US military departure will cost Panama more than 3800 jobs and about \$200 million annually in salaries and purchases (Nelson, Naughton and Vallarino, 1996). Panamanian public opinion polls identify employment as the main reason why 75-80 percent of those polled favour a US military presence in Panama [(See Appendix A: Pros/Cons of US Military Presence)]. It is still possible that the US will be asked to retain a strictly supporting role after the year 2000. Sovereignty concerns will continue to be an important factor for any future negotiations.

There is no guarantee that foreign investors will be able to provide economic investment into Panama by 1999. Finding investors that are willing to finance early conversion of military bases to commercial and profitable uses will challenge the GOP. As result, Panama may be forced to pay for maintaining the returned bases until they are developed. These costs (security and maintenance) are estimated to be about \$20-\$40 million a year

(Nelson, Naughton and Vallarino, 1996). Panama will increasingly rely on economic Assistance from the US and other industrialized countries (Japan, Taiwan, and European countries) and international lending institutions (Inter-American Development Bank, e International Monetary Fund, and World Bank) to finance its economic modernization and any social investment.

Attracting foreign investment is a basic goal of Panama. To achieve national economic progress and stability, Panama will be under pressure to implement structural adjustment measures. These include strengthening exports of non-factor services based on its competitive advantage such as international transportation (ports) and related services (ship supplies and tourism). Additionally, Panama will need to encourage efficient substitution of high value-added industrial and/or commercial activity to replace foreign exchange earnings from the departing US military (State Department, 1996). There is a large risk associated with over reliance on external sources. Panama needs to develop its economy in a sustainable manner allowing for mature growth. Continually depending on traditional sources such as the US will jeopardize Panama's ability to govern itself independently.

The GOP will continue to rely on the viability of the Canal for future economic gains. Grains, cargo, and automobile shipment are generally projected to provide the most secure source of Canal growth over the next twenty years. With the development of a variety of transportation alternatives and improvements in containerized shipment, the Canal can not retain its original absolute cost advantage in commerce. It is essential the Canal keeps the quality of transit service high and maintains tolls at competitive levels. As part of the Canal's commitment to long-range planning additional improvements are necessary to maintain Canal capacity ahead of transit demand up to and into the 21st century (Panama Canal Commission, 1989). It is important to recognize that canal modernization will increase water use, create new environmental impacts, and require additional expenses.

ENVIRONMENTAL IMPACTS ON SECURITY

Environmental security is traditionally not a major concern for developing countries such as Panama. Panama will face environmental security challenges as it struggles to develop a stronger economy, a politically stable government, and higher standard of living. Environmental security concerns often indirectly interact with other political, economic, and social factors to create conflict and instability (Dixon, 1996). The cultural belief that natural resources are unlimited and the lack of understanding the vital importance of using biological capital wisely, are crucial variables that will impact the sustainability of the natural resources. Because Panama's economy is underdeveloped, conservation values are just now beginning to emerge while the region's major preoccupation is economic development.

Panama's constitution sets the basis for the country's environmental policy; however, there are no formal environmental laws to effectively manage natural resources or protect the environment. Panama does not have any defined positions on specific international

environmental issues. Additionally, there are limited resources dedicated for the study of environmental issues and the development of laws and regulations. As Panama approaches its historic leap into the 21st century, it must incorporate environmental management and sustainable development practices into a national strategy. This includes: a sea change in the law enforcement measures, institutionalization of an environmental ethic at all levels of government and business, and new ecological design effort.

Environmental security concerns on US bases (ammunition depots, firing ranges, oil spills, and underground fuel tanks) will need further co-operation, education, and understanding to ensure a smooth transition. The imminent reversion of some of the lands and bases is triggering intense debate on cleanup costs and sealing hazardous areas from future incursions by squatters. The US Department of Defense (DOD) has environmental compliance programs in place and is prepared to meet all of its treaty obligations to transfer installations free of known hazards to human health and safety (Preciado, 1996).

The US military is making every effort to work closely with GOP officials by providing tours, briefings, and blueprints of the transferring installations. Approximately eighty percent of DOD lands in Panama still contain relatively undisturbed tropical forests. In comparison, vast deforestation continues around surrounding lands adjacent to the US installations. Forests on DOD installations harbour thousands of plant and animal species, including some fifty-six protected or endangered species (Preciado, 1996).

A large environmental concern is the global destruction of the earth's rain forests. Sixteen continental countries of Latin America together contain 57 percent of the world's tropical forests (Browder, 1995). Panama's land area is 7.7 million hectares divided into 4.1 million hectares of forests, 1.2 million hectares of pastureland, and 582,000 hectares of permanently cultivated fields (Meditz and Hanratty, 1989). Panama is home to over 900 species of birds, representing 70 percent of all avian orders on the earth. Since construction of the canal and its subsequent colonization by the French, American, Antillean, European, Panamanian (Spanish and Indigenous tribes), all these players have displaced nature with their occupation. Particularly, all groups have relied on the Panama Canal watershed for their livelihoods.

The construction of the artificial lake-Gatun from 1910-1914 initiated the process of deforestation in the watershed. In the early 1930's, an additional lake, Madden Lake, was created by damming the upper Chagres River provide added water storage canal operations. After WWII, migration from Panama's interior to the Watershed converted the area from a rural to a major demographic growth area.

Deteriorating social conditions, pressures from a growing population, mismanagement of environmental resources, and political inefficiency continue to impact the development and protection of the watershed. Deforestation in Panama is driven by interplay of diverse local cultures, institutions, and history. Approximately 57,000 forested hectares are lost annually and conservation efforts have had only limited success. The overall encroachment through agricultural and cattle-raising activities is the major cause of deforestation on the

watershed; forests are continually converted into cheap pasture land and the whole process is funded by an agro-export economy (Weinburg, 130). Additionally, a large amount of land has been opened up for highway construction, especially along National Parks.

The low quality of soils, high runoff from abundant rainfall on Panama's isthmus, and land use activities continue to impact on the soil's water storage capacity. The watershed's steep slopes (45 degrees) and fragile soils are poorly suited for human settlement (approximately 60 percent of the watershed has been cleared for housing, industry, and agriculture) (Greenquist, 1995). Over two thousands tons of soil is eroded each year during tropical rains. As deforestation continues in the watershed, sedimentation will affect the municipal water supply for Panama City, hydropower generation, and ultimately, the storage capacity of the Madden Dam Reservoir. Future auxiliary maintenance costs for managing the hydrographic basin will require additional expenditures. For example, between 1989-1993, the Panama Canal Commission dredged 14.7 million cubic yards of sediment and rock from the canal.

Recently, the GOP has initiated a program to reforest 8650 acres of watershed. These efforts are not enough; permanent destruction of primary rainforests is irreversible. Despite the existence of decrees, laws, and norms for environmental protection, these dispositions are dispersed, obsolete, and not enforced (Moreno, 1986). Although there are guardians of the forest and natural resources for 326,000 hectares of the watershed, the isolation and topography makes it difficult to patrol in the ecological critical areas on the High Chagres Basin (Moreno, 1986). Panama's limited security forces will not be able to effectively prevent improper land use, illegal squatting and encroachment, and deforestation.

Without institutionalizing an environmental ethic and educating all Panamanian citizens on ecological concerns, the future of the watershed will be jeopardized. Ultimately many Panamanians depend on the forest and its ecological services for their livelihoods; therefore, they must have a personal stake in rainforest conservation. Panama's present accounting system measures only the economic growth that results from the exploitation of natural resources; the costs of resource degradation are not considered. Environmental costs must be internalized rather than transferred to others or future generations (Panayotou, 1993). Sustaining the watershed requires the GOP to correct market failures and to implement reform policies. Preventing further destruction and prompt internalization of environmental chaos is both economically and environmentally preferable for Panama's future (Panayotou, 1993). Without protection of the watershed's biological diversity, indigenous cultures, and historic sites, these losses will have irreversible affect.

SECURITY FORCES

Panama's security forces will be increasingly challenged by non-traditional security as threats. The mission of host nation security forces is to provide security including coastal, canal, border, and civil control. Historically, a civil police force, the National Police Corps,

provided internal security for Panama during its first fifty years as a republic. The US maintained its internal security with its own Canal Zone police forces. Not until the 1979 Carter-Torrijos Treaties, did the US allow for the creation of a National Guard to share defense of strategic US areas. The treaties also mandated co-operation and co-ordination in the canal defense and protection until December 31, 1999. After 1999, all US troops are to be withdrawn, Panama will be fully responsible for national defense, and the US would share responsibility for canal defense.

Additionally, the 1983 amended version of the 1972 Constitution stated: "The national defence and public security of the country became the responsibility of the Panama Defence Force (Fuerzas de Defensa de Panama-PDF). This transformed the National Guard into a National Army.

After the American attack in 1989, the PDF was dismantled. The PDF totalled approximately 15,000 and were geographically dispersed in four military zones and operated within military zones. Other major security components were the Panamanian Air Force, National Navy, Police Forces, and National Ground. The Ground Forces consisted of:

- 3 infantry battalions
- 1 special forces company
- 2 public order companies
- 1 engineering company
- 1 cavalry troop

In the early 1980s, the PDF adopted the concept of integrated territorial defence to guide force development plans. The plan required a combination of air-mobile infantry units and special operations forces to deter and defend the canal and key installations against armed attacks. Light infantry units were dispersed throughout the country and along the coasts to deter and defend attacks on its territory or violations of sovereignty; popular support (and an intelligence network) throughout the country (Baranyi, 1994).

The PPF is under the command of the President the Republic of Panama and the Ministry of Government and Justice. The PPF is an umbrella-type organization composed of the Panama National Police (PNP), the Panamanian National Maritime Service (SMN), the Panamanian National Air Service (SAN), and the Institutional Protective Service (SPI). There is a separate Judicial Technical Police (PTJ) subordinated to the Public Ministry umbrella.

Since 1989, law and order was extremely tenuous for the PPF due to: poor training of the police officers, poor co-ordination between security agencies, a huge backlog of cases in the judicial system, and rising crime rates underpinned by extreme inequalities. The resulting human rights violations by using excessive force and abuse against detainees and prisoners was cause for alarm (Baranyi, 329-330). Numerous external observers such as the Organization of American States, US government, and human rights organizations have criticized the lack of independence, inefficiency, and corruption amid the Panamanian

judiciary and Public Ministry (Meditz and Hanratty, 1989). Although Panama's Constitution provides for habeas corpus and the prompt and uninterrupted administration of justice, violations continue to occur frequently and are part of Panama's security culture.

The restructuring of the PPF has surfaced a dilemma for Panamanians and their government. The government realizes that ensuring national sovereignty and internal security requires a significantly larger number of personnel with adequate armament. The GOP has amended its Constitution with a permanent ban on the formation of future military forces. Some Panamanians are concerned that the PPF will be unable to maintain order and defend the country when US troops withdraw. Others feel that "neutrality" will be the main defense of the Panama Canal and that Panama should follow a Costa Rican model for national defense.

The nation's security forces lack the professionalism, confidence building measures, law enforcement capability, and general support to protect Panama's citizens and the country's national security interests. A major concern is the PPF's inability to respond effectively to the criminalization of its remote borders (particularly in the Darien and along the southern coasts). Efforts to create an intelligence service, anti-terrorist rapid reaction unit, and a variety of other bodies to deal with these non-traditional security problems continue to be plagued by corruption, incompetence, and political infighting (Falcoff and Millet, 1993).

Panama will continue to experience difficulties in establishing and training a professional civilian police force. Limited budgets, training facilities, and equipment have made it difficult to develop the PPF into an adequate security force. Insufficient weapons and ammunition, limited tactical experience, and a lack of clear doctrine will hinder the PPF's ability to control the increasing violence and crime rate in the countryside and major cities.

Panama's path toward democratization has had a profound impact on the changing role and dimension of the PPF. The PPF will have to modernize, perform its security duties, and maintain stability in the country. Non-traditional security threats such as drug trafficking, poverty, crime, urban sprawl, and illegal encroachment will continue to challenge the PPF forces and the GOP indefinitely. The GOP is making efforts through a new economic strategy to emphasize the generation of employment, housing, and basic social services for the poor to decrease internal instability (Baranyi, 1994). Additionally, the efficient utilization of lands and assets reverting to Panama will be key to determining the future security environment. Inflow of investment capital is contingent on the country's stability. Therefore, it is imperative that the GOP takes the necessary steps for strong rule of law and policing in the country. There are three options being considered for the future security environment:

Panama would preserve its current police agencies and contract the defence of the canal out to either a private security firm or the United Nations. Panama would add units configured for canal defence to its current security agencies, resorting to the international community for assistance only in the case of high-intensity threats to canal security.

Panama would develop a separate military force to protect the canal and the nation-state against external threats; this force might resemble the former PDF but would be outwardly-oriented and politically subordinated to civilian authorities (Baranyi, 1994)

US MILITARY ROLE IN NATIONAL SECURITY AND CANAL DEFENSE

The US military's historic presence in Panama has influenced hemispheric security and canal operations. The US continued strategic interest in the canal is to ensure its safe, effective, and uninterrupted operation (Nelson, Naughton, and Vallarino, 1996). The US still retains a direct responsibility for the canal until Panama assumes full control under the 1977 Neutrality Treaty. This gives the United States permanent responsibility, along with Panama, to maintain the canal's neutrality and keep it open to ships of all nations. Additionally, Article V of the Panama Canal Treaty specifies the following:

After December 31, 1999, the Republic of Panama shall operate the canal and maintain a military force, defense sites, and military installations within its national territory (Coone, 1990). Since 1989, the US has played a key role in assisting the Panama's security forces (security assistance and training). Despite US efforts to professionalize and prepare Panama's security forces, the US military has been a major deterrent for the development Panama's external security. The US military has unilaterally performed the following activities: counter-drug operations; regional security c-operation; civic action and humanitarian aid projects; and search and rescue and disaster relief operations (Nelson, Naughton, and Vallarino, 1996).

Low intensity threats from both narco-traffickers and Colombian insurgent groups will continue to threaten Panama's security. For example in 1991 and 1992, there was an all increase of terrorist attacks on government offices and on US military personnel, infrastructure, and US and foreign citizens operating in the Darien. Panama's security forces have been unable to address border-related problems because of limited transportation, communication equipment, and shortage of personnel resources. Unless the Panama's border problems are seriously addressed, insurgency and drug trafficking will continue to increase and threaten Panama's security.

Narcotics control remains one of the most sensitive areas of the Panamanian-US relationship. Panama continues to be a major crossroads for illegal activities. Most drugs from South American producer and processing countries pass through Panama's air space and maritime routes. The GOP's efforts to respond to the problems of crime drug trafficking, and terrorism have been largely ineffective (Falcoff and Millet, 1993). President Balladares has proposed to use one of the reverted US military bases in Panama as an international counter-drug center (Nelson, Naughton, and Vallarino, 1996). Presently, long-term national security aims, to include Panama Canal security, have not been clearly established. The GOP will not be able to maintain civil and physical security without the help of regional organizations and the US.

To modernize the canal to new technological standards, the US has invested over \$1.4 billion in state-of-the art ship-handling simulators, a highmast lighting at all locks, improved marine control system, and larger powerful tugboats (Reeder, 1996). Future improvements include:

- Creating a third set of locks- Pedro Miguel Locks for large PANAMEX ships;
- Improvements in TransIsthmian railroad and new pipelines;
- Second widening- Gallaird Cut entails the removal of some 35 million cubic yards of material at an estimated cost of \$200 million by 2013;
- Improvements in dry dock ship service facilities (Weeks and Zimbalist, 1991)

Future non-traditional security missions performed by the US military alone will decrease in Latin America into the 21st century and beyond. As long as US military units are being deactivated globally, the overall armed forces are downsized, and defense budget reduced (especially for counter-drug operations) there is little likelihood that the US military will maintain any troop presence in Panama. According to official polls, there is a large segment of the Panamanian population in support of a limited US military presence for job generation and maintenance of facilities.

The fervour of Panamanian nationalism, however, dictates complete adherence to the Panama Canal Treaty of 1979 and complete withdrawal of US troops. Any US-Panama future security relationships will be complicated by drastic budget cuts (these include security assistance for education and training, and exercises). The role that the Department s of Defense will play in future Latin American and Caribbean military establishments remains unclear (Institute for National Strategic Studies, 1995).

FUTURE SECURITY IMPLICATIONS

The US dominance in Panama and its ownership of the canal shaped Panama's economic development and politics. The canal spurred the creation of the modern-day nation of Panama. Successful implementation of the Panama Canal Treaty is critical for future and US-Panamanian relations. Both countries' reputation rests on the future success of the Panama Canal; therefore, it is essential that the Panama and US foster a mutually beneficial relationship for the future. Many Latin America and Asian nations will continue to rely on the canal as a vital asset for world commerce. In the year 2000 and beyond, the Panama Canal will continue to have an important strategic role for the hemisphere.

Over the next ten years, Panama will face fiscal challenges and political burdens in maintaining the value of reverted properties while attracting foreign investment. Although there is a sense of urgency to plan now, marketplace constraints will challenge the GOP. Ensuring adequate protection and maintenance of these properties will be difficult for the nation's limited law enforcement capability. Conditions for good ownership must be met to ensure the successful conversion of the reverted properties. Without foreign investment, privatization efforts, labour reforms, job generation, and sustainable economic development- Panama's chance to compete in the global marketplace will be jeopardized. Limited financial resources for facility management, over reliance on foreign investment

and potential bureaucratic infighting over these resources will continue to strain successful stewardship of the reverted properties. Panama's ownership of the canal and its reverted properties must be handled in a non-political and economically just manner.

The future of the Panama Canal depends on the sustainable use of the Panama Canal Watershed. Human uses and environmental costs must be included in a future management equation. Without accounting for present destructive consumption patterns and enacting upon them, future generations will be negatively impacted. Sustaining the viability of the watershed and preserving its tropical areas is profitable. Determining the value of forested areas and its surrounding land is crucial for the watershed's long-term protection. Panama must act now and incorporate ecological design, environmental accounting and planning and urban management into its long-term economic development strategy. It is time for aggressive action and implementation of a watershed management plan for Panama's future.

Panama's economy is on the road to modernization; however, its political culture is anywhere from 30-50 years behind its level of economic development. (Falcoff and Millet, 1993) The GOP must realize that without competent management, urban problems could increase and spark political unrest. Balancing growth and providing the basic social services (employment, housing, health/medical, transportation, recreation, and education) for all citizens will require new approaches to distribution. Both economic growth and poverty alleviation policies are needed to bring prosperity to both the cities and suburbs. Comprehensive planning that accounts for the protection of land and natural resources will become more difficult as wasteful consumption patterns continue.

At the turn of the century, Panama will continue to be threatened by a multitude of non-traditional security threats (drug trafficking, insurgency money laundering, poverty, scarcity of resources, internal corruption, migration, population growth, uncontrolled sprawl, unemployment, crime, and environmental mismanagement). Recent trends in Panama demonstrate that economic growth, international expansion of its capital markets, privatization, the dismantlement of its military institution, and re-democratization of its society are clear signs of progress. This success equation, however, excludes non-traditional security concerns.

The future security environment in Panama will largely depend on the ability of the government to sustain the construction of democracy and economic growth. Without adequate funding to contain the negative consequences of uncontrolled growth, sustainable urban management will be difficult. To succeed in balancing growing urban and rural violence and the outbreak of illegal activities, Panama will be required to use the coercive power of its security forces to apply political and economic pressures. Security will need to be strengthened with the co-operation of regional organizations and the US.

Panama is not the typical Latin American nation. Therefore, there can be no single equation for its future. Good governance is central to creating and sustaining an environment that fosters strong and equitable development. The key challenge will be the

political will to control social ills, security limitations to protect its citizens, protecting key natural resources from destruction, and controlling major economic assets (Panama Canal and reverted properties). Competition for limited funds among social, economic, and political contexts will make accomplishments difficult for Panama. Many of Panama's problems stem directly from the lack of resources to run an urban government, historic dependency on the US, and the diversity of its culture. Unless economic growth, internal stability, sustainable development, long-term investment, and environmental management occur, Panama's democracy will face a grim future. Any further delay will lead to irreversible destruction.

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