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PANAMA

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## PANAMA

### I. Political

Revolt and violence are well-accepted political techniques in Panama. Although recent attempts to cause trouble have been dealt with firmly by the Robles Government, antigovernment and anti-US riots which can quickly get out of hand are always possible, as was proven in November 1959 and January 1964. Serious antigovernment riots in June 1966 wrought considerable property damage in Colon and taxed the government's ability to maintain order.

Extreme nationalists and political opportunists, using Panama's sensationalist and powerful press and radio media, have created a climate of restlessness in the country. Communists have greater influence than any others among students and labor in Panama; these groups would probably spearhead any future trouble. The Communists' quick response in January 1964 was an important element in escalating and prolonging mob violence and in contributing to the subsequent intransigent attitude assumed by then President Chiari. Ultranationalist and irresponsible demagoguery over the canal treaty issue could again arouse public feeling and offer new opportunities for violence.

After President Robles took office in October 1964, he forced political differences behind the scenes by his firmness, determination, and support from the US. However, disgruntlement over Robles' mild reforms—especially new tax measures—and political appointments quickly generated opposition to him from several disparate groups, even including members of his own government coalition. The bulk of criticism against his administration has been directed at the conduct of the canal treaty negotiations.

Leaders of defeated presidential candidate Arnulfo Arias' Panamenista Party (PP) have reportedly encouraged opposition activity even to the point of aiding the Communists financially. Arias has repeatedly threatened to oppose any treaty settlement concluded with the US. However, Arias departed the country on 1 July 1967 shortly after the joint presidential statement announcing that negotiations had produced agreement on the three proposed treaties. Arias has since said that he left the country to show the US that there was widespread opposition to the treaties and that he had nothing to do with stirring up this opposition.

The oligarchy's cynical willingness to go to any length to retain their privileged position is a dominant aspect of Panamanian political life. Unrest among Communist-led students and a high level of urban unemployment provide trouble-makers of all political colorations with ready-made support. Overt hostility towards the president and his cabinet and an almost total disregard for civic responsibility flourish in a society where political change proceeds in a highly personalized fashion and corruption and manipulation are widespread.

## 2. Economic

Because of the Panama Canal Zone, the large United Fruit Company banana plantations in Chiriqui Province, and extensive foreign investments in business and commerce, the economy of Panama is more externally-oriented than that of any other Latin American country. A rapid rise in returns to Panama from the Canal, improved export performance, and the first glimmerings of a meaningful development program are responsible for pushing the growth rate of the economy in the 1960's to an average of more than 8 percent annually, or more than 5 percent per capita. The development of manufacturing industries has paced this growth, although apart from food processing, petroleum refining, and some construction products, most manufactures are still imported. Except for wheat, Panama is able to meet most of its food requirements.

Tax reforms and improvements in collection have strengthened the government's fiscal performance. Income tax receipts, for example, rose 20 percent in 1965 and 30 percent in 1966. Foreign assistance (gross inflows have averaged about \$20 million annually in recent years), nevertheless, is still important to government development efforts, financing about one-third of public investment in 1963-65. Administrative reforms have improved the government's ability to acquire and use foreign financing and the country's small foreign public debt provides considerable room for further borrowing abroad. Private sector investment, which accounts for about three-fourths of the total, is financed primarily from earnings of corporations in Panama. Many are subsidiaries of foreign firms. The country also attracts private foreign capital by allowing deposits in "nameless" numbered accounts. These funds, however, are particularly vulnerable to political instability.

Per capita GNP in 1966 was \$510, one of the highest in Latin America. Although there are wide disparities in income distribution and the overwhelming majority of the rural population is particularly

September 1967

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poor, a government price support program for basic food crops and some technical assistance has contributed to a general improvement in rural incomes since 1961. High levels of economic activity are providing increased employment opportunities in Panama City and Colon but rural migration to these cities keeps unemployment high. Implementation of programs to ameliorate conditions in urban slums, however, has lagged badly.

The rapid pace of economic growth has continued into 1967. Exports rose 18 percent in the first six months of the year over the corresponding period in 1966. The government's investment program is being maintained at a high level; tax revenues in the first quarter of 1967 were 13 percent above the same quarter of 1966, and borrowing from international lending agencies has increased.

### 3. International Relations

Panama's major international concern has always been the status of the Canal Zone and the concomitant close relations with the United States. It has used the OAS and UN to air its complaints against the US on the canal issue, although its votes and attitudes on most international questions generally coincide with those of the US. Nevertheless, Panama's relations with the rest of the world will for the foreseeable future be dominated by sea level canal considerations and by efforts to work out a new canal treaty settlement with the US. Although the US and Panama announced on 26 June 1967 that agreement had been reached on the three proposed draft treaties, opposition in both countries appears to be forcing a postponement of ratification until at least after the May 1968 elections in Panama. The three proposed treaties deal with the present lock canal, a future sea-level canal, and defense of the canal.

Diplomatic, cultural, and economic relations with Communist countries, including Cuba, are negligible. Communist China made a major propaganda issue of the January 1964 riots and there is some evidence of its continuing interest in maintaining contacts among the Chinese community in Panama. Several Soviet and other Communist area newsmen have visited Panama since the riots. There has also been a noticeable increase in travel to Communist countries by Panamanians since January 1964. The Polish and Yugoslavian ambassadors in Mexico are accredited to Panama and Panama maintains limited diplomatic relations with Czechoslovakia, where the honorary Panamanian Consul in Prague is a Czech citizen.

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#### 4. Subversion

The major threat to stability in Panama is mob violence of the sort which snowballed to major proportions in January 1964. President Robles has already effectively used the National Guard several times to avert violence since he took office, however, and the Guard is improving both its relations with the public and methods for riot control.

Attempts by Panamanians trained in Cuba, or other Communist countries, to organize subversive training and activity in Panama have not in the past been successful except in arousing students. If, however, Arnulfo Arias' mass-based Panamenista Party does participate in revolutionary activities, the potential for insurgency will be increased markedly.

The small Communist movement, although badly splintered and relatively weak, has tried to capitalize on unrest and poverty to subvert the existing order. Despite the inability of the Communists to create mass disturbances on their own, they are always ready to seize the initiative and control the streets in a situation brought about by other forces. Their greatest asset is an aptitude for inciting national emotions over the Canal Zone.

The leaders of the People's Party (Communist) attempted to improve the organization in 1966 but failed to inject new vigor. The Colon riots in June 1966 and the subsequent government roundup of Communist leaders greatly weakened the party, which was already disorganized and fragmented. In addition, many of the members went into hiding to avoid arrest. Since this incident the party has adopted a cautious line to avoid further government action against it.

The student movement, a prime target of the Communists for over 25 years, has been successfully and widely penetrated. In large part due to the apathy of the majority of the students, the PDF's influence in the university and secondary organizations represents perhaps its most significant achievement. The Communists work through the Federation of Panamanian Students (FEP), which claims to represent approximately 38,000 students; however, it does not exercise control over the entire membership. They have gained control over student organizations through their pursuit of leadership posts, unity of action, timely exploitation of political opportunities, and lack of effective competition.

The 4,580-man National Guard is the only uniformed police or military organization in the country and spends about 90 percent of its time in police activity. Its commandant, Brigadier General Bolivar Vallarino, wields substantial political and economic influence and is

closely allied with the oligarchy. The National Guard is capable of controlling sporadic uprisings, rioting, and disorderly crowds, as demonstrated during the June 1966 disturbances. It would have difficulty in suppressing simultaneous or widespread disorders or in eliminating a small well-organized insurgent band or bands which might operate in isolated areas, however.

#### 5. Canal Zone

The Canal Zone Government is an independent US government agency under direct supervision of the President who has delegated this authority to the Secretary of the Army. The Secretary of the Army is designated Stockholder of the Panama Canal Company under a Federal Charter and appoints the Board of Directors of 13 members in which management of the corporation is vested. Brigadier General W. P. Leber is Governor of the Canal Zone and President of the Panama Canal Company. He is appointed by the President, subject to confirmation by the US Senate, and serves ex officio as President of the Company.

As of 30 June 1967 the Panama Canal Company employed 12,454 persons (2,658 US and 9,796 Panamanians); the Canal Zone Government employed 3,115 persons (1,577 US and 1,538 Panamanians).

Although gross revenues of the Panama Canal Company for FY 1966 were \$72.6 million, net revenues were only \$6.4 million after charges for interest costs and the net cost of operations of the Canal Zone Government. Out of the net revenue, \$430,000 is earmarked as a part of the \$1,930,000 annuity to Panama. The remainder of this payment—\$1,500,000—comes from the US Government rather than the Panama Canal Company. The net earnings, or surplus, after these payments was \$4,880,382 in 1966 and only \$42,439 in 1965. The total US investment in the Canal is \$1.9 billion of which \$331 million is interest-bearing. Congress has no statutory requirement for amortization payments and since 1955 such payments have been sporadic; the last capital reimbursement was \$10 million in 1960.

In FY 1966, 85.3 million long tons of cargo passed through the Canal on 13,300 vessels. The number of vessels transiting the Canal has been averaging about 36 per day. It is estimated that the present canal can handle the needs of world commerce up to the year 2000. [US-owned ships are the prime users of the Canal with 54 million long tons of cargo in 1966. Japan was second with 24 million and Venezuela third with 8 million.]

Tolls are currently levied on a net tonnage basis—90¢ per ton for laden ships and 72¢ in ballast. Other types, including warships pay 50¢ per displacement ton. US Government ships pay tolls on the same basis as others. A ship which would otherwise have to sail around the "Horn" can save as much as ten times the amount of her toll by using the Canal. The average toll per ship is \$6,128.

The Canal generates about two-fifths of Panama's GNP and two-thirds of its foreign exchange earnings. In 1966, this amounted to approximately \$116 million.

#### Chronology of Key Events

- 1903 (3 November) Independence from Colombia proclaimed.  
(18 November) Hay-Bunau-Varilla Treaty signed in Washington.
- 1914 (15 August) Panama Canal opened.
- 1936 (2 March) Treaty of Friendship and Cooperation replaced some provisions of 1903 treaty and increased the annuity paid to Panama.
- 1940 (1 October) Arnulfo Arias inaugurated president for first term.
- 1941 (9 October) Arnulfo Arias ousted when he left the country without assembly approval.
- 1946 (1 March) Present constitution adopted.
- 1947 (12-22 December) Anti-US riots over air bases; bases close down.
- 1949 (July-November) Daniel Chavis succeeds to presidency on death of Domingo Diaz; National Police install Arnulfo Arias on 24 November as actual winner of 1948 presidential election.
- 1951 (10 May) Arnulfo Arias ousted after attempt to rewrite the constitution; replaced by Vice President Alcibiades Arsemena.  
(May) Colon Free Zone established.
- 1952 (11 May) Jose Antonio Remon elected president.
- 1953 (22 December) People's Party (Communist) outlawed.
- 1955 (2 January) President Remon assassinated; succeeded for a few days by Vice President Jose Ramon Guizado, then by Second Vice President Ricardo Arias Espinosa after Guizado accused of part in assassination.  
(25 January) Remon-Eisenhower agreement revised 1903 Canal treaty, including increase in annuity paid to Panama.

September 1967

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- 1956 (13 May) Ernesto de la Guardia, Jr. elected president.  
(21-22 July) President Eisenhower attended Meeting of Presidents of the American Republics in Panama City.
- 1958 (19-25 May) Antigovernment student riots result in eight deaths.
- 1959 (24 April) Abortive invasion by small Cuban-backed force and Roberto Arias.  
(November) Celebration of two national anniversaries during the month marked by violent anti-US disorders.
- 1960 (8 May) Roberto Chiari elected president.  
(17 September) Panamanian flag officially raised alongside US flag in Canal Zone.  
(1 October) Ernesto de la Guardia, Jr. becomes first president to complete term in almost 30 years.
- 1961 (9 December) Panama breaks relations with Cuba.
- 1964 (9-11 January) Three days of unrestrained violence along Zone border follows display of US flag by Zone students in violation of agreement; 25 killed; Panama breaks relations with the US (10 January) for three months.  
(10 May) Marco Robles defeats Arnulfo Arias in presidential election.  
(18 December) President Johnson offers new treaty to Panama and announces a sea-level canal will be constructed.  
(24 December) First major tax reform bill passed.
- 1966 (1 June) Extensive antigovernment rioting in Colon follows murder of Communist student who had returned from USSR.
- 1967 (26 June) Joint statement by Presidents Johnson and Robles announced that negotiators had reached agreement on proposed canal treaties.

#### Holidays and Significant Dates

1 January	New Year's Day
9-11 January	Anniversary of 1964 anti-US Riots
18-23 February	Carnival (government offices closed)
1 March	Constitution Day
1 May	Labor Day
1 June	Anniversary of Colon Riots
1 October	Opening of National Assembly
12 October	Columbus Day
3 November	Foundation Day—Independence from Colombia

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4 November Flag Day  
5 November Colon Independence Day  
28 November Independence from Spain  
25 December Christmas

### Selected Factual Data

#### LAND

Total sq. miles: 28,575, excluding Canal Zone; 24% arable, of which 4% is cultivated; 20% exploitable forests; and 56% forests, urban areas, and waste. Canal Zone totals 553 sq. miles of which approximately 10% is inland water.

#### PEOPLE

Population: 1.3 million; 215,000 fit for military service.  
Ethnic groups: 70% Mestizo, 14% Negro, 9% White, 6% Indian, and 1% other.  
Religions: 90% or over, Roman Catholic; remainder largely Protestant.  
Languages: Official language Spanish; relatively large West Indian minority of 14% speak English as native language; smaller minority speaks Guaymi or other Indian dialect; most English or Indian speakers are bilingual in Spanish.  
Literacy: 80% of population 10 years of age or over.  
School year: Secondary schools in session during March-December; University in session during May-January.  
Labor force: About 390,000 with only 5% organized.  
Time differential: EST -1 hour (GMT -6 hours).

#### GOVERNMENT

Type of government: Unitary republic; constitutional democracy; National Assembly convenes on 1 October and adjourns on 31 January.  
Branches of government: President, 2 vice presidents and 42-member unicameral legislature elected every 4 years by direct popular vote; Supreme Court of 9 judges appointed for 18-year terms by president with legislative approval; president appoints cabinet.  
President: Marco Aurelio Robles Mendez for term 1 October 1964 - 1 October 1968. During temporary or permanent absence of the president his functions are assumed by one of the two vice presidents in the order in which they were elected.  
Attitude incumbent regime toward US: Friendly, financially dependent, wary of US sea-level canal plans and their ramifications for Panama.

September 1967

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Capital: Panama City.

Regional breakdown: 9 provinces and 1 Indian reservation, the Comarca de San Blas.

Principal political parties and leaders:

National Liberal Party (PLN), led by Marco Robles, David Samudio, Alfredo Ramirez, and the Chiari brothers.

Republican Party (PR), led by Jose Bazan, Marcel Penso, and Max Del Valle.

National Patriotic Coalition Party (PCPN), led by Augusto "Sammy" Boyd.

Third Nationalist Party (TPN), led by Gilberto Arias Guardia.

Panamenista Party (PP), led by Arnulfo Arias Madrid.

Except for the Panamenista Party, most important parties are in the government coalition at present.

Voting Strengths: In the 1964 elections the coalition supporting Robles polled 41% of the votes; Arnulfo Arias polled 37.7%; the remainder was divided among 5 other candidates, 2 of whom had Communist support.

Other political groups: (1) The People's Party (PDP—Communist), illegal, about 500 members and 500-1,000 sympathizers; (2) small groups of "hardline" pro-Castro and pro-Chinese Communist activists divided into the Movement of Revolutionary Unity (MUR) and the Marxist-Leninist Party of Panama (PMLP); membership estimated at approximately 40-50; leaders are Floyd Britton, Alvaro Menendez Franco, and Carlos Ariel Garcia Martin; (3) The Christian Democratic Party (PDC), small but growing party which polled 3% of the votes in the last election, led by Dr. Antonio Gonzalez Revilla and Dr. Antonio Enriquez Navarro.

Suffrage: Compulsory for both men and women 21 years of age or over.

Next national election: May 1968 (presidential and legislative).

Qualified voters: 486,420; 75% of voting age population.

Significant exclusions from voting: None.

Actual voters in election of May 1964: 326,401; PLN, 15%; PR, 10%; PCPN, 8%; TPN, 4%; PP, 38%; Other, 25%.

Abstention: (1964) 33% of registered voters.

Extent of fraud: Evidence of significant manipulation in final tabulations.

System of balloting: President and Vice Presidents by direct election; deputies are elected by a complicated system of proportional representation.

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Panama — 9

Member of: UN, OAS; Panama is affiliated with 3 subsidiary bodies of the Organization of Central American States (ODECA)—the Councils of Tourism, Labor and Welfare, and Public Health; in addition, it has limited participation in the Central American Common Market (CACM).

#### ECONOMY

Government budget: (1967) US\$114.9 million.

GNP: US\$664 million (1966 est in 1960 prices); 8% increase during 1966; US\$511 per capita.

Inflation: The Balboa is pegged to the US\$ and there is little inflation (1966 price index was 105 in 1962 prices).

Agriculture: Bananas, rice, corn, coffee, sugar; 10% of imports are food.

Major industries: Food processing, petroleum refining, construction materials, handicrafts.

Critical shortages: Heavy capital equipment, transportation equipment, chemicals, manufactured items.

Exports: \$89.4 million (1966); bananas (50%); petroleum products (29%); shrimp (10%).

Imports: \$214.5 million (1966); manufactures (36%); machinery, vehicles and transportation materials (21%); crude petroleum (20%); food and beverages (10%); chemicals (9%).

Exports to US: (1965) \$42 million or about 46% of total exports.

Imports from US: (1965) \$79 million or about 41% of total imports.

Electric power: 120,000 kw capacity (1966), excluding Canal Zone; annual production 418 million kwh produced (1966); 289 kwh per capita.

Trade: Major trading partner US (46% of total exports and 41% of total imports). Other partners are Canal Zone, Venezuela, European Common Market, and Japan.

Aid: US economic assistance US\$90 million loans, US\$82 million grants (FY 1946-66), international organizations US\$27 million (FY 1946-65).

Exchange rate: 1 Balboa = US\$1.

#### COMMUNICATIONS

Railroads: 345 route miles (48 miles of 5'0" gage, 107 miles 3'0" gage, 190 miles of plantation feeder lines).

Highways: 3,885 miles excluding Canal Zone (2,400 miles earth, 730 miles concrete or bituminous, 755 miles crushed stone or gravel); Canal Zone has 141 miles, all paved.

September 1967

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Inland waterways: 50-mile Panama Canal; 500 miles of shallow rivers.

Ports: 1 principal (Cristobal/Colon), 2 secondary (Balboa/Panama City and Coco Solo), 10 minor.

Merchant marine: 563 vessels totaling 4,591,511 grt, almost all foreign owned.

Airfields: 61 usable airfields, 12 with hard-surfaced runways (1 handles jet transports).

Telecommunications: Republic of Panama: adequate in urban areas; Canal Zone: adequate.

#### DEFENSE FORCES

Personnel: National Guard, 4,580; secret police, about 250.

Loyalty to government: Majority are loyal, but feel underpaid. National Guard commander is important figure in politics.

Major units: 2 national guard public order companies of 150-200 men each; 150-man cavalry squadron.

Aircraft: 1 Cessna-185.

Ships: 4 coastal launches, 1 landing craft (LCM).

Air facilities: 12 airfields suitable for military use (5 airfields have runways of 6,000 feet or over; 1 capable of supporting jet medium bombers, 2 can support B-66 light bombers and jet fighters, and 2 have only marginal capabilities for jet aircraft because of limited weight capacity).

Supply: Dependent on foreign sources, mostly US.

US Missions: US Army mission.

US Military aid: FY 1966 and previous \$1.6 million.

Percentage of national budget: In 1966 national guard received approximately 4.6% of the total budget (\$5 million); 0.8% of the estimated gross national product; about 90% of this amount was for police and internal security activity since the guard is not equipped to defend Panama against outside attack.

#### RELATIONS WITH THE COMMUNIST COUNTRIES

Diplomatic missions: Polish and Yugoslavian ambassadors in Mexico are accredited to Panama.

Consular missions: Panama maintains limited diplomatic relations with Czechoslovakia, where the honorary Panamanian Consul in Prague is a Czech citizen.

Permanent commercial missions: None.

Binational cultural centers: None.

Exports and imports are insignificant.

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Panama — 11

**National Intelligence Survey (NIS) Material**

The following sections of the NIS are relevant:

**NIS Area 77 (Panama)**

GENERAL SURVEY (Jul 67) and the following specialized sections:

- Sec 21 Military Geographic Regions (Apr 57)
- Sec 23 Weather and Climate (Oct 56)
- Sec 24 Topography (Dec 56)
- Sec 25 Urban Areas (Sept 56)
- Sec 31 Railway (Oct 58)
- Sec 32 Highway (Sept 58)
- Sec 33 Inland Waterways (Feb 59)
- Sec 35 Ports and Naval Facilities (Apr 62)
- Sec 36 Merchant Marine (Mar 59)
- Sec 41 Population (Feb 55)
- Sec 43 Religion, Education, and Public Information (Apr 54)
- Sec 44 Manpower (Feb 55)
- Sec 45 Health and Sanitation (Oct 55)
- Sec 51 The Constitutional System (Jul 51)
- Sec 52 Structure of the Government (Feb 52)
- Sec 53 Political Dynamics (Jun 54)
- Sec 54 Public Order and Safety (Aug 53)
- Sec 55 National Policies (Apr 61)
- Sec 56 Intelligence and Security (Sept 66)
- Sec 57 Subversion (Jun 60)
- Sec 58 Propaganda (May 54)
- Sec 91-94 (Chap IX) Map and Chart Appraisal (Jun 58)
- Gazetteer (Dec 52)

**NIS Area 71-77 (Central America)**

- Sec 22 Coasts and Landing Beaches (Mar 56)

**Map**

The best available general reference map is: Texaco; *Panama*; 1:1,125,000; 1966.

