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Panama: The Torrijos Regime and the Canal Issue

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PANAMA: THE TORRIJOS REGIME AND THE CANAL ISSUE

CONCLUSIONS

A. General Torrijos now is virtual dictator of Panama. He has been feeling his way toward a set of policies that would strengthen his hold on power and has displayed both cunning and ruthlessness in the task. He has also shown an apparently sincere interest in helping the poor, in honest and effective government, and in national development. During his period in power he has shown a willingness to listen to advice on complicated problems, but also at times a tendency to act in an arbitrary and impetuous manner.

B. We estimate that Torrijos will retain power for at least the next year or two, though we expect periods of political tension and even turmoil. If he succeeds in developing a mass political party to supplement his base of support in the *Guardia Nacional*, he could retain control of the government for many years. His main opposition will probably come from the social and economic elites who have traditionally run the country.

C. Torrijos will face a conflict between his pragmatic and his nationalistic motives in reopening negotiations on the Canal issue: on the one hand he seeks immediate benefits and concessions to strengthen his political and economic position; on the other hand, he seeks a new "partnership" that would afford Panama a substantial voice in Canal Zone affairs. The key issue will be whether his idea of Panama's rights under such an arrangement is compatible with US requirements for controlling the operation of the Canal and guaranteeing its military protection. Recognition of his vulnerability to political attack for not securing enough for Panama, especially on the sensitive issues of sovereignty and perpetuity, will probably lead him either to push for addi-

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tional US concessions as the negotiations proceed, or to prolong negotiations for some years while seeking immediate benefits outside of the treaty framework.

D. Torrijos would probably meet any rebuff by the US—such as an unwillingness to meet some key demand—by raising anti-US pressures in Panama. His reaction would be influenced not only by his views of the political requirements for protecting his position, but also by a latent hostility which is part of his ambivalent attitude toward the US. If he felt his political fortunes were at stake, he would probably resort to large-scale anti-US demonstrations.

E. By manipulating the process, Torrijos could probably obtain Panamanian ratification of reasonably favorable treaties. This would probably strengthen his hand at least initially, though his opposition would undoubtedly try to rally support through charges of a sellout to the US. If and when Panama returned to a system of relatively free elections, the charge that the treaties had been imposed on the Panamanian people by the US in cooperation with an unconstitutional military regime would be raised by some if not all candidates.

F. It is possible through successful completion of new agreements or treaties for the US to gain relief from broadly based Panamanian attacks on our position, whether or not there is a return to freely-elected government. And future Panamanian governments would be unlikely to abrogate such agreements or treaties unilaterally no matter what the form of ratification. But in any case the Canal issue would remain the pivot of Panamanian politics and nationalistic sentiment in the country would continue to grow. We believe, therefore, that sooner or later strong pressures would again emerge for the US to make additional concessions to Panama, particularly on the issues of sovereignty and the size of the US presence in the country.

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DISCUSSION

I. THE TORRIJOS REGIME

Character and Style

1. Since the overthrow of President Arias by the *Guardia Nacional* in October 1968, General Omar Torrijos has emerged as virtual dictator of Panama. His personal power was considerably enhanced last December by his dramatic quashing of a coup by subordinate officers.¹ Torrijos has the power to choose the personnel and control the policies of the Provisional Junta Government; the *Guardia* as an institution now exercises little direct influence on his conduct of affairs.

2. Torrijos has spent much of his first 16 months in command feeling his way toward a style of rule and a set of policies that would ensure his position as Panama's strongman as well as justify the *Guardia's* seizure of power. Perhaps with good reason, he has been concerned with preserving not only his office but also his life, and he has demonstrated both ruthlessness and cunning in the task. He has at the same time exhibited an apparently sincere interest in advancing Panama's national welfare and the well-being of its predominantly poor citizens, which he is convinced were neglected by the self-serving politicians and oligarchs who have traditionally ruled the country. In addition to his sympathies for the poor, he identifies with those in the middle class who, like himself, are self-made.

3. But Torrijos is by no means an ideologist or even an intellectual. He is a practical, professional *Guardia* officer with a strong instinct for self-advancement, a compassion for the plight of the poor, and an almost naively patriotic nationalism.² He has risen to his present position more by a combination of professional competence and calculated maneuvering than by his leadership qualities. He lacks the sophisticated understanding of national problems that increasingly is stressed in the education of senior military officers in the larger South American countries. During his period in power he has shown a willingness to listen to advice on complicated problems, but also at times a tendency to act in an arbitrary and impetuous manner.

4. Torrijos' frequent visits to Panamanian villages illustrate an instinctive and practical populism. He listens to the problems of the *campesinos* and is responsive whenever possible to their requests for a water well or school or improved road; in any case he leaves them with some evidence of his personal concern

¹ Colonels Silvera and Sanjur, respectively deputy commander and chief of staff, pulled off a seemingly successful coup on 15 December. But Torrijos, who was visiting Mexico, boldly returned the next day and quickly rallied the *Guardia* to his standard.

² The 5,400-man *Guardia*, Panama's only security force, is essentially a police force organized along military lines, with small coast guard and air sections. The *Guardia* is equipped and trained to perform limited counter-insurgency missions.

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(often a cash handout to needy individuals or worthy causes).³ As for the poor in the cities, the regime has improved such local services as garbage collection and has sponsored a public works program that promises, along with employment opportunities, some relief of shortages in schools, housing, and roads.

5. Torrijos and his advisors recognize that these populist gestures and measures could help in time to build a broad civilian support to supplement the regime's narrow *Guardia* base. A mass political following would enable Torrijos to transform his government from one that is transparently a personal dictatorship to one with at least the trappings of a representative system. Specifically, it would enable him to keep his pledges to convene some form of constitutional assembly and eventually to hold general elections, and to do so without much risk of losing control of the situation. A broad popular base would also prove useful in arranging for ratification of any future Canal treaty.

The Politics of Control

6. In October 1969, on its first anniversary, the self-styled "revolutionary" regime announced the formation of the "New Panama Movement," in effect a personal political vehicle designed to institutionalize Torrijos' civilian base of support. It was apparently styled after the government party in Mexico in that it is designed to incorporate peasant, labor, student, and professional sectors.⁴ The next month he floated plans to create a compulsory, government-controlled labor federation. These initiatives apparently got sidetracked by the December coup and, in the case of the labor federation, by strong expressions of resistance from existing labor groups and from conservative commercial and political interests.

7. Nonetheless, we expect that these or similar programs will be revived over the next several months, as the regime moves to keep its commitment to arrange for some form of representative government. Torrijos has announced his intention to work toward the gradual return of elected government. But he has also stated that it would take a decade to effect the changes in Panama's basic structures and in popular attitudes that he sees necessary for a definite breakthrough toward national development. We believe that he intends to control affairs, directly or indirectly, for much or all of that period. Thus, if and when he decides the time is ripe for a return to elected government, he will arrange either for his own election as president or for that of a trusted supporter.

8. The foregoing is not to say that the stability or even the survival of the Torrijos regime is assured, or that he will not at some point—if he becomes

³ Some peasants have also benefited from an agrarian reform decree that was the handiwork of Colonel Boris Martínez, Torrijos' early rival for power, whom he forcibly exiled early in 1969. Though Torrijos has not pushed the measure vigorously, he has used it to transfer legal titles to several hundred longtime squatters.

⁴ The platform of the party is quite general, being against oligarchical domination, political bossism, electoral fraud, and government corruption—and for the welfare of the working man and the best interests of the nation. It specifically calls for Panamanian sovereignty over all its territory, however.

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enamored with power or frustrated with its limitations—abandon his pragmatic course for much more radical policies and a much more ruthless style of rule. In fact, Panama may experience considerable instability and political uncertainty at least for the rest of 1970, as Torrijos seeks to institutionalize his rule, and his opponents seek to prevent it.

9. The regime still depends heavily on suppression and intimidation to keep the opposition in line. A number of leaders of the Communist Party and of Panama's other minuscule extremist parties have been kept in jail or forced into exile since the 1968 coup, as have some key supporters of former President Arias. The old-line political parties have been outlawed and political activities, except those sponsored by the regime, are for the most part banned. Although some criticism is apparently tolerated, the press, radio, and television are kept under indirect but nonetheless tight controls, and key media organs now serve as mouthpieces for the regime. Student groups have been sharply limited in their political activities and are otherwise held under close wraps.

10. The most immediate and important problem for Torrijos is to ensure the loyalty and effectiveness of the *Guardia*. The general staff has been subjected to three major shake-ups since October 1968, the latest following last December's shortlived coup. Torrijos has jailed the principal plotters and has also removed from posts in the hierarchy some officers whose loyalty he suspects despite their efforts in support of his return to power. Some staff and command posts are manned by inexperienced young officers. Meanwhile, some senior officers are uncertain that Torrijos will retain them in their posts or are otherwise demoralized. In contrast, Torrijos appears to have the backing of junior officers and non-commissioned officers, probably because he has done much to cultivate them over the years.

11. As one consequence of the December coup, Torrijos will probably seek to monitor and manage day-to-day *Guardia* affairs even more closely than in the past. His suspicions of the loyalty of some senior officers and his reluctance to work through the general staff may prolong the period of disorganization and reduced effectiveness. If he carries his preoccupation with loyalty too far, he may turn a number of disgruntled officers into potentially dangerous personal enemies. In any case, some factionalism among the officer corps and at least minor coup plotting are bound to reappear. Except by assassination, however, no rival is likely to undercut his dominant position in the *Guardia* anytime soon.

12. Torrijos has also recently dismissed the titular heads of the Provisional Junta and some cabinet ministers, because of their readiness to deal with the colonels who moved against him. But here he probably has strengthened his hand by moving into office confidants who were already his key advisors—particularly businessman Demetrio Lakas who now is Junta President. If Lakas can control his tendency toward self-assertiveness and retain Torrijos' confidence, he can serve both as a steadying influence on Torrijos and as a force for loyalty and continuity among civilian officials.

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13. Over the past year the regime has increased the level of governmental efficiency and honesty from Panama's previous low standards, mostly by bringing in young professionals and businessmen who are relatively capable, though inexperienced in government. Most of them are highly critical of the past domination of the government by the economic and social elites. Several of Torrijos' appointees were members of the Communist Party as youths, and one or two still have links to the Party. But there is no evidence that the small, ineffective Communist Party is influential with Torrijos or represents a subversive threat to the regime. He apparently chose the leftists by the same standards he increasingly applies to all appointments: they either were personal acquaintances or were recommended to him by his confidants as technically qualified for their posts and in sympathy with the regime.

14. Immediate problems in the *Guardia* aside, the key domestic factor determining the stability of the regime will probably be the course of its relations with the major commercial interests and the oligarchy. Torrijos has at least temporarily stripped the economic and social elites of political power, but they retain sufficient economic leverage to cause him grave trouble. Most formerly influential Panamanians are contemptuous of Torrijos and the *Guardia* and, at the same time, fearful of losing their considerable wealth and social position. The members of the oligarchy and the business community are by no means united in outlook, and some have sought an accommodation with the regime or are waiting to see how the regime affects their specific interests. If they should unite against him, they could bring sharp economic and political pressures through such moves as a major flight of capital or extensive layoffs of workers. Also, some of the oligarchs who feel particularly threatened might seek to remove him from the scene through assassination or a plot involving disgruntled military and civilian elements.

15. So far Torrijos has not moved frontally against big business and oligarchical interests. The regime does seek to reduce their overall influence and to increase their contribution (e.g., through taxes) to programs for development and social reform. Yet the regime fears the effect on the economy of a prolonged decline in private investment. Such investment was down during 1969, and the government compensated through public works financed in part through foreign borrowing. As a result the economy largely recovered from the slowdown of the previous year. The government can probably continue to rely on public works and foreign credits to stoke economic growth for the short term, though probably not without strain on both its budget and the balance of payments. In time it will have either to coax the businessmen into more vigorous investment or to move toward more statist policies that curtail the independence of the private sector.

16. All things considered, we estimate that Torrijos will retain power in Panama at least over the next year or two, though we expect periods of political tension and perhaps turmoil. The regime will probably seek to avoid a potentially explosive direct confrontation with the economic and social elites. It will

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attempt rather to box them in by moving forward with plans to consolidate its political position, and by seeking foreign financial support for its programs and diplomatic confirmation of its legitimacy. If Torrijos (age 43) survives the next two years and makes reasonable progress in building a popular base of support, his reign may indeed last a decade.

17. The circumstances of Torrijos' removal from the scene would largely determine the character of a successor government and how much of the program of his regime would survive. If he were removed before making much progress in developing a strong political machine—say over the next year or two—the odds would favor a return to a civilian president representing the social and economic elites. The old style Panamanian politicians and parties have been pretty well discredited, however, and new leaders and groups would probably emerge.

II. THE CANAL ISSUE

18. Over the past several months Torrijos has shown strong interest in resuming negotiations with the US on the Canal issue. One important motive is to strengthen his domestic position, particularly to box in the oligarchy by demonstrating US approval of his regime. The regime's relations with the US during 1969 were best characterized as "correct" rather than "cordial." And some Panamanians believe that the US supported or at least condoned the December coup.

19. Torrijos and his advisors probably also calculate that renewal of talks would bring an early economic and financial return. A demonstration of warming relations with the US would enhance Panama's creditworthiness with international lenders and its attractiveness to foreign investors. Torrijos apparently hopes that, along with other early concessions, the US would agree to cede or lease certain underutilized facilities in the Canal Zone (e.g., Old France Field which he would use to enlarge the Colon Free Zone). He seeks these concessions not only for their economic benefit, but also to show the Panamanians that he can deal effectively with the US. Finally, Torrijos probably hopes to persuade the US to modify substantially those conditions of the 1903 Treaty which deny Panama's sovereignty over the Zone and thereby offend nearly all his countrymen.

20. Torrijos has told US officials that the best way to proceed on the Canal issue is to "start from zero," have the leaders of the two countries reach a political agreement on the relationships to be worked out in the new treaties, and then turn the matter of details over to the technicians. He probably has not yet fixed in his own mind the terms of such a political agreement, but he almost certainly will seek a treaty package which he believes can be presented to his countrymen as being more favorable for Panama than the 1967 draft treaties. Though these were a distinct improvement for Panama over existing arrangements, they were nonetheless thoroughly discredited there by criticism from all sides, prompted only in part by political maneuvering for the 1968 election.

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21. For this reason, future negotiations will almost certainly be complicated by any efforts to improve the terms of the 1967 draft treaties from the US point of view, especially on the sensitive perpetuity issue.⁵ Even though Torrijos might not initially consider such changes objectionable in themselves, he would at some point recognize that they would open him up to charges of selling out to the US on points long sought by Panamanians and seemingly won in 1967.

22. In fact we see a serious dilemma for Torrijos between his interest as a pragmatist in securing an early improvement in the situation through a number of additional benefits and rights, and his feelings as a Panamanian patriot that somehow the US must go the whole way and grant his country complete and effective sovereignty over the Zone. While Torrijos may enter the period of negotiations intending to be the consummate pragmatist, as the negotiations proceed he is likely to put increasing stress on his role as patriot and nationalist.

23. Torrijos has indicated that he wants to redefine the Panamanian relationship with the US to one of "partnership." The key issue will be whether his idea of Panama's rights under such an arrangement is compatible with US requirements for controlling the operation of the Canal and guaranteeing its military protection. He now appears to be primarily interested in increased economic benefits from Canal operations and a show of Panamanian participation in controlling Canal affairs (e.g., the application of Panamanian law to income-producing activities in the Zone). And he has stated privately to American officials that he recognizes that the US is to continue to operate and defend the Canal. But he has also stated that the 1967 draft treaties did not sufficiently recognize Panama's rights, and he is likely to become more demanding on the terms of a satisfactory partnership as he faces the problem of arranging Panamanian ratification of any new treaties.⁶

24. Torrijos has stated that he would submit new treaties to a plebiscite. He might instead when the time comes prefer to submit them to a special assembly, elected or otherwise. Whatever the case, he would probably be able to effect ratification through manipulation of the process and muzzling of dissent. Yet some form of opposition would emerge whatever Torrijos' intentions and precautions, both because the Canal issue is so central to the political life of Panama and because various anti-Torrijos elements would see it as an opportunity to break his hold on power. There would without question be charges of a sellout to the US on the Canal issue, and these could conceivably unite Panamanians of diverse classes and political persuasions against the regime. An awareness of this vul-

⁵ Under the existing Treaty, US rights in the Zone are held in perpetuity. Under the 1967 drafts, Panama was to gain control of the existing Canal no later than 2009, and of any future sea-level canal 60 years after its opening.

⁶ Under the existing Treaty, the US is authorized to act in the Canal Zone as it would "if it were the sovereign." Under the 1967 drafts, Panama would be recognized as "sovereign" over a reduced Canal Zone, but the administration of the Zone and the operation of the Canal would be governed by a Board of five Americans and four Panamanians. Also the US would retain sole responsibility for the defense of the Canal.

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nerability will probably cause Torrijos to put pressure on the US for additional concessions to Panama as the negotiations proceed.

25. Torrijos has stated to US officials that he wants to proceed with full-scale negotiations for new treaties at this time, and not just settle for patchwork changes. A growing awareness of the aforementioned problems, and a realization from the early stages of negotiations of how complicated the issues are, however, might cause him to seek to prolong the negotiations for several years. In this case he probably would push even harder for certain specific and immediate concessions that would strengthen his hand both politically and economically (again Old France Field, etc.). He might seek to tie these concessions directly or indirectly to the renewal of the Rio Hato agreement, which provides the US military with a training base outside the Zone and which is due to expire in August 1970.

26. Torrijos' approach to negotiations, and especially to any real or imagined rebuff, will be influenced by his ambivalent attitudes toward the US, which include a latent hostility. In general, he recognizes that the large and visible US presence in his country is a fact of life and not without benefits. But he, as do many Panamanians, resents what he considers US insensitivity to Panama's needs and feelings, and its excessive influence on individual Panamanians, including in the past on most *Guardia* officers. On a more personal level, he undoubtedly respects US power and authority and is interested in working out a more beneficial partnership. Yet he probably feels vulnerable to charges that he himself worked very closely with the US military in the years before the 1968 coup, still resents the US delay in recognizing and supporting his regime, and remains bitter over what he believes was support of his enemies by some US officials during the December 1969 coup.

27. What would Torrijos do if he met with some US rebuff on the Canal issue: e.g., a delay in the start of negotiations, an unwillingness to meet some key demand, a refusal to ratify treaties once negotiated? His reaction probably would be influenced mostly by his view of the political requirements of the moment, but also by his underlying hostility toward the US. He would probably first use threats and then apply pressure to gain US compliance, or to force some concessions to save face for his regime. He would do this if for no other reason than to rally popular support to his side and keep his political enemies from taking great advantage of the situation. He might open an anti-US campaign in the press, attempt to discredit some US officials in Panama, harass the Canal Zone Company and Government, or nationalize some US private companies. Especially if the rebuff were a sharp one (e.g., US Senate refusal to ratify after he had arranged for Panamanian ratification), he might break diplomatic relations. We believe he would hesitate in the first instance to foment or permit large-scale anti-US demonstrations for fear that the *Guardia* might not be able to control them and that his political enemies could manipulate them against his interests. But if he thought his political fortunes were at stake he probably would take that risk.

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28. The successful negotiation and ratification of new treaties would probably strengthen Torrijos' hand at least initially, especially if one result were a boost to the economy from US concessions or construction activity. The political opposition would continue to agitate the Canal issue hoping to stir up nationalistic sentiment on such sensitive questions as sovereignty and perpetuity. And if and when Panama returned to a system of relatively free elections, the charge that the treaties had been imposed on the Panamanian people by the US in cooperation with an unconstitutional military regime would be raised by some if not all candidates.

29. Just how much impact such attacks on any future treaties would have with the Panamanian population would depend upon a variety of circumstances. It is possible through successful completion of reasonably favorable new agreements or treaties for the US to gain relief from broadly based Panamanian attacks on our position, whether or not there is a return to freely-elected government. And future Panamanian governments would be unlikely to abrogate such agreements or treaties unilaterally no matter what the form of ratification. But in any case the Canal issue would remain the pivot of Panamanian politics and nationalistic sentiment in the country would continue to grow. We believe, therefore, that sooner or later strong pressures would again emerge for the US to make additional concessions to Panama, particularly on the issues of sovereignty and the size of the US presence in the country.

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