

DCI Notes  
0800, 12 Oct 78

PANAMA BRIEF

I. Two weeks ago - SADR (Polisario) recognition

One-man Panamanian foreign policy often is intemperate and contradictory

(Central Amer. Map) This case - importuning of Polisario delegation 5/78

Similar Angola 1976 - 4th LA to recognize

Typical muscle flexing on minor issues

Recognizing SADR involved no loss

Significant - didn't respond 1977 before treaties

II. Looking at Panamanian Foreign Policy since Treaties. See 3 basic trends.

1. More independence of U.S.

2. Search for wider support for protocol of guarantee of canal neutrality

3. Seeking independence/scope for Panamanian economy

III. Superimposed on these are outbursts of Torrijos intemperance such as just gone thru, e.g., Nicaragua

e.g. Nicaragua

- Torrijos surely anti-Somoza

-Believed Guatemala & Salvador helping Somoza

-Believed US needed a prod

- Strongly influenced by Prez emotional commitment & acts to topple Somoza helped push Torrijos into action

-Torrijos pulled back somewhat, but still:

-Willing to recognize provisional FSLN government--if set up

-Are aiding FSLN covertly - maybe equipping Panamanian "volunteers"

*anti-US tone*

IV. Over and above outbursts, first thrust towards greater independence of US, stems from fact Torrijos feels freed having *considered* impact his foreign policy moves on treaty negotiations with US ^

-More independent--means largely more neutral & opening to socialists--e.g.

(Expanding Diplomatic Relations Map)

Having been expanding relations - 1/3 past decade communist

Only 3 left - USSR, PRC, NKorea - continual reports contact NKorea  
Would expect USSR/PRC following coming into effect of treaties 10/79

In meantime, also looks USSR/E. Eur as area to expand markets,  
investments & aid, lessening econ dependence on W. Hemisphere &  
US in particular

e.g., Late August/early September - Panamanian delegation to USSR & E. Eur.

2 topics - economics & neutrality

V. Neutrality of Canal

All but E. Ger agreed sign treaty guarantee - E. Ger thinking

VI. Economics

A. Also looking ways increase trade w/East bloc.

- Received promise \$300M hydroelec project - If should introduce  
Sov into Panama by 10/79-?
- Plus return - Colon Free Zone use?

B. Status of Panama Economy

- Not in bad shape but -- Does have problems
- GDP growth rate zero 75-76, 1.6% 77, maybe 3% this year

(Export Graphic)

Expanding banana production - 30000 tons E. Eur  
Surplus sugar stocks and production  
Copper coming on line '80  
Attempting to increase industrial production to increase  
employment - but means a need for markets

C. To try open opportunities in Aug - created new office to  
strengthen relations w/socialist countries and conduct a  
"commercial offensive"

Chart - shows how small % Commies are - increase?

(Trade Partners  
Graphic)

D. Also trying to strengthen Latin America economic relations, e.g.

- Venezuela & Ecuador principal LA trade partners
  - 25%/60% Panama's oil imports
  - Venezuela has loaned money
- \$30 M credit from Argentina in May should expand trade
- Mexican technical assistance and credit line agreement

S E C R E T

E. Trying for Arab loans and oil since early 70s, but

- Resisting being drawn into mideast arguments
- Sept Israel visit chilled Arab relations persist

F. Relations with socialist countries, e.g., Cuba

VII. Overall

A. Hypersensitivity about Canal won't go away

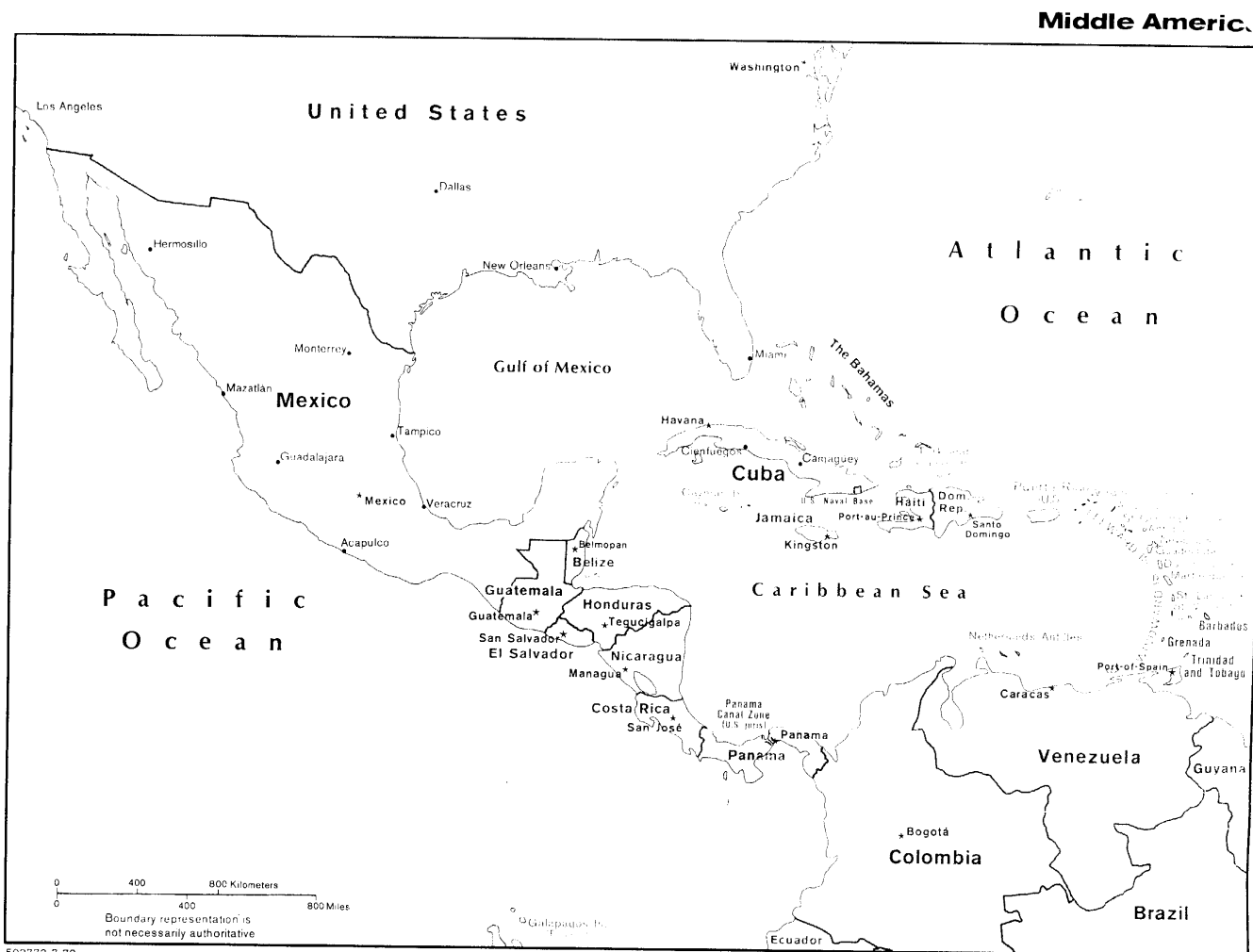
Suspicious of US - not Carter

B. Another step down in sensitivity to US concerns when  
go into effect in October 79

C. But overall relations remain good, if uneven.

S E C R E T

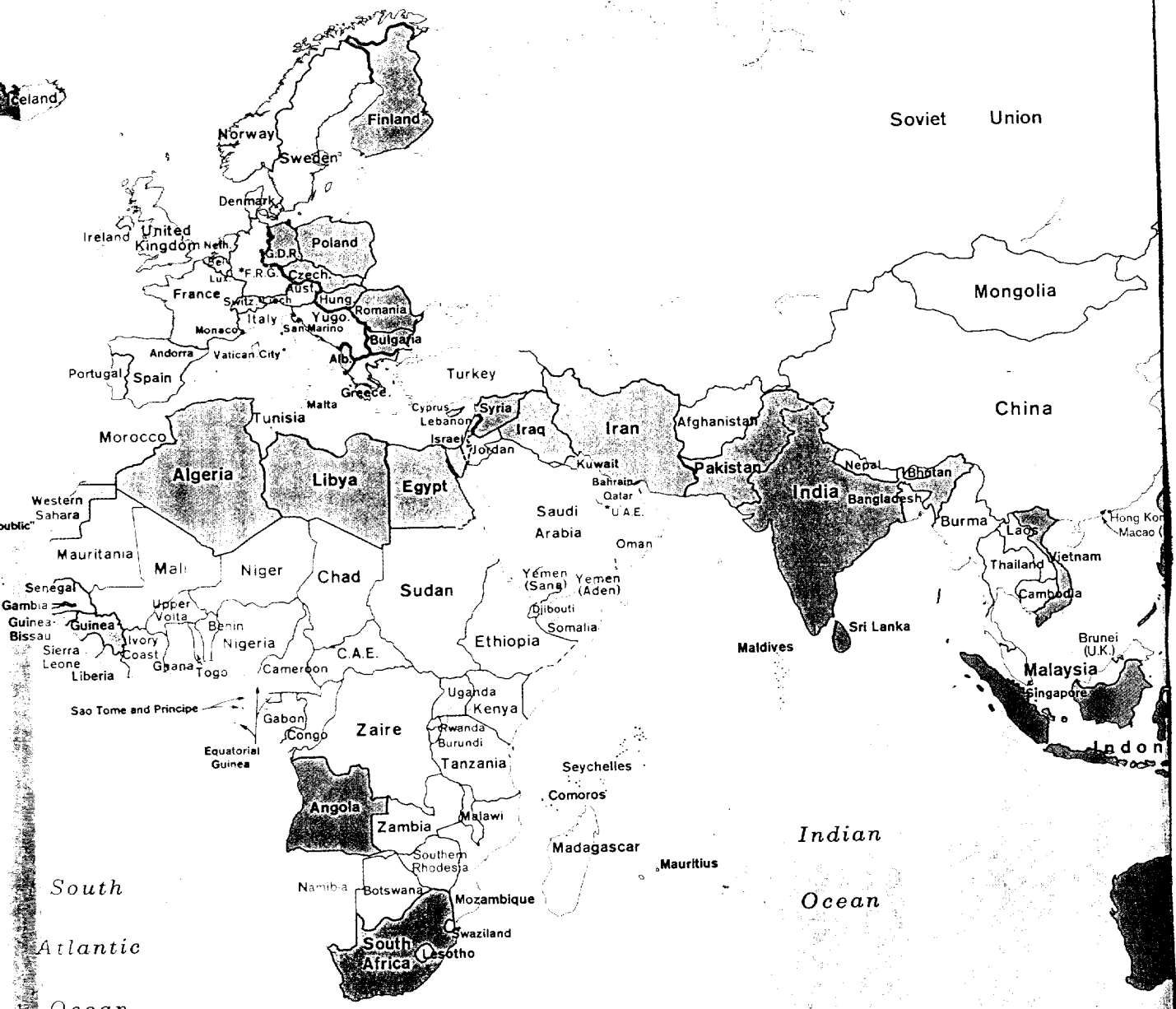
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## Key to Map Showing Expanding Panamanian Diplomatic Relations

<u>Communist</u>	<u>Date</u>	<u>Third World</u>	<u>Date</u>	<u>Other</u>	<u>Date</u>
Albania	8-78	Algeria	2-73	Australia	Pre-1968
Angola	5-76	Argentina	Pre-1968	Austria	Pre-1968
Bulgaria	1973	Bolivia	Pre-1968	Belgium	Pre-1968
Cuba	8-74	Colombia	Pre-1968	Brazil	Pre-1968
Czechoslovakia	1973	Cyprus	1972	Canada	Pre-1968
Germany, East	1974	Dominican	Pre-1968	Chile	Pre-1968
Hungary	9-75	Republic		China, Republic of	Pre-1968
Poland	1973	Ecuador	Pre-1968	Costa Rica	Pre-1968
Romania	10-71	El Salvador	Pre-1968	Denmark	Pre-1968
Sahara Arab	7-78	Guatemala	Pre-1968	Egypt	Pre-1968
Dem. Republic		Guyana	3-73	Finland	12-75
Vietnam, South	8-75	Haiti	Pre-1968	France	Pre-1968
		Honduras	Pre-1968	Germany, West	Pre-1968
		India	Pre-1968	Greece	Pre-1968
		Indonesia	1978	Guinea	3-73
		Iraq	6-76	Hong Kong	Pre-1968
		Jamaica	Pre-1968	Iran	1-75
		Lebanon	Pre-1968	Israel	Pre-1968
		Libya	3-73	Japan	Pre-1968
		Pakistan	Pre-1968	Korea, South	<del>Pre 68</del>
		Paraguay	Pre-1968	Malta	1-76
		Senegal	4-72	Mexico	Pre-1968
		Sri Lanka	Pre-1968	Monaco	1969
		Syria	2-76	Netherlands	Pre-1968
		Uruguay	Pre-1968	New Zealand	Pre-1968
				Nicaragua	Pre-1968
				Norway	Pre-1968
				Peru	Pre-1968
				Philippines	1973
				Portugal	Pre-1968
				Singapore	Pre-1968
				South Africa	Pre-1968
				Sweden	Pre-1968
				Switzerland	Pre-1968
				United Kingdom	Pre-1968
				United States	Pre-1968
				Vatican	Pre-1968
				Venezuela	Pre-1968
				Yugoslavia	Pre-1968

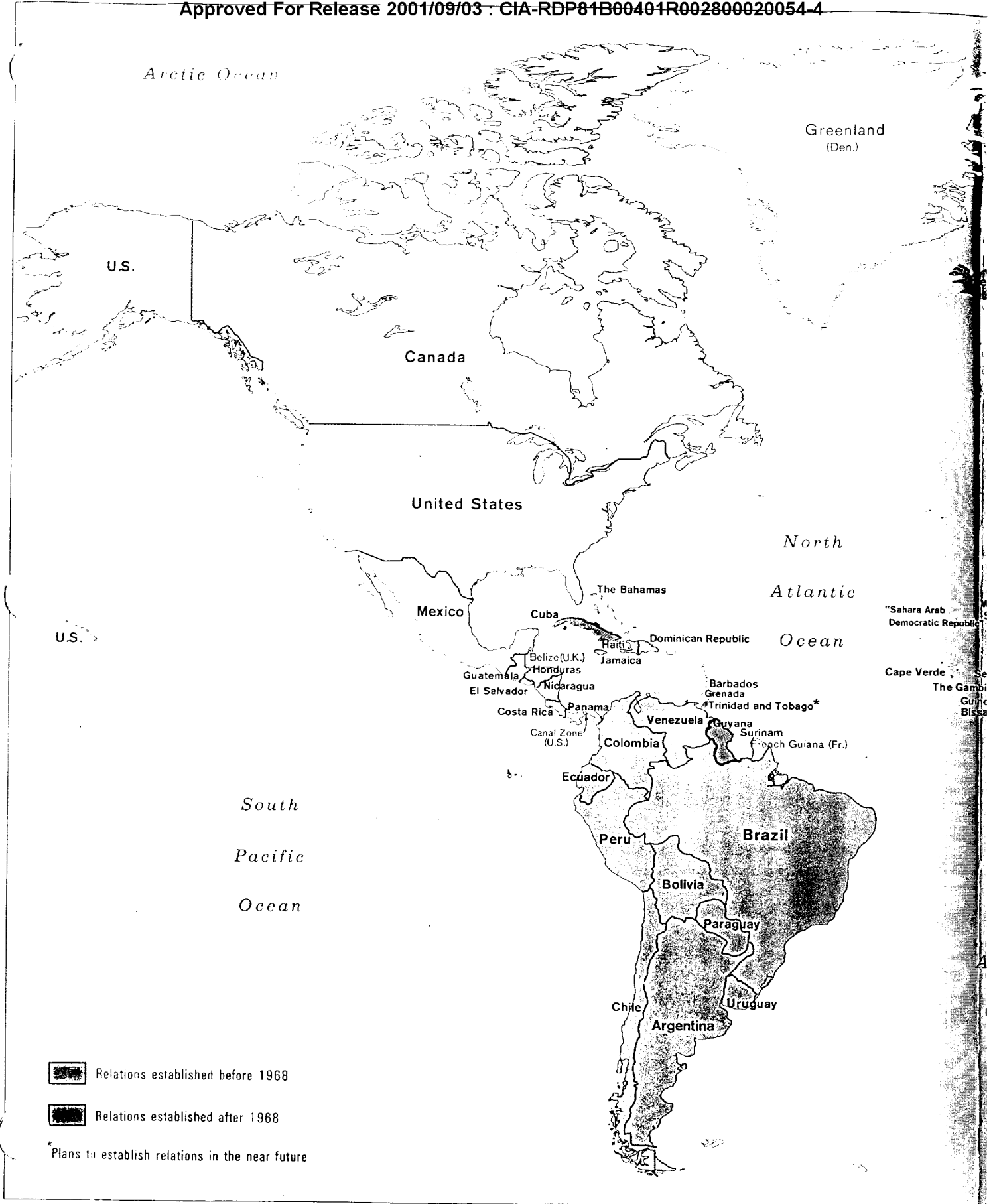
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\*C.A.E. - Central African Empire  
 F.R.G. - Federal Republic of Germany  
 G.D.R. - German Democratic Republic  
 U.A.E. - United Arab Emirates

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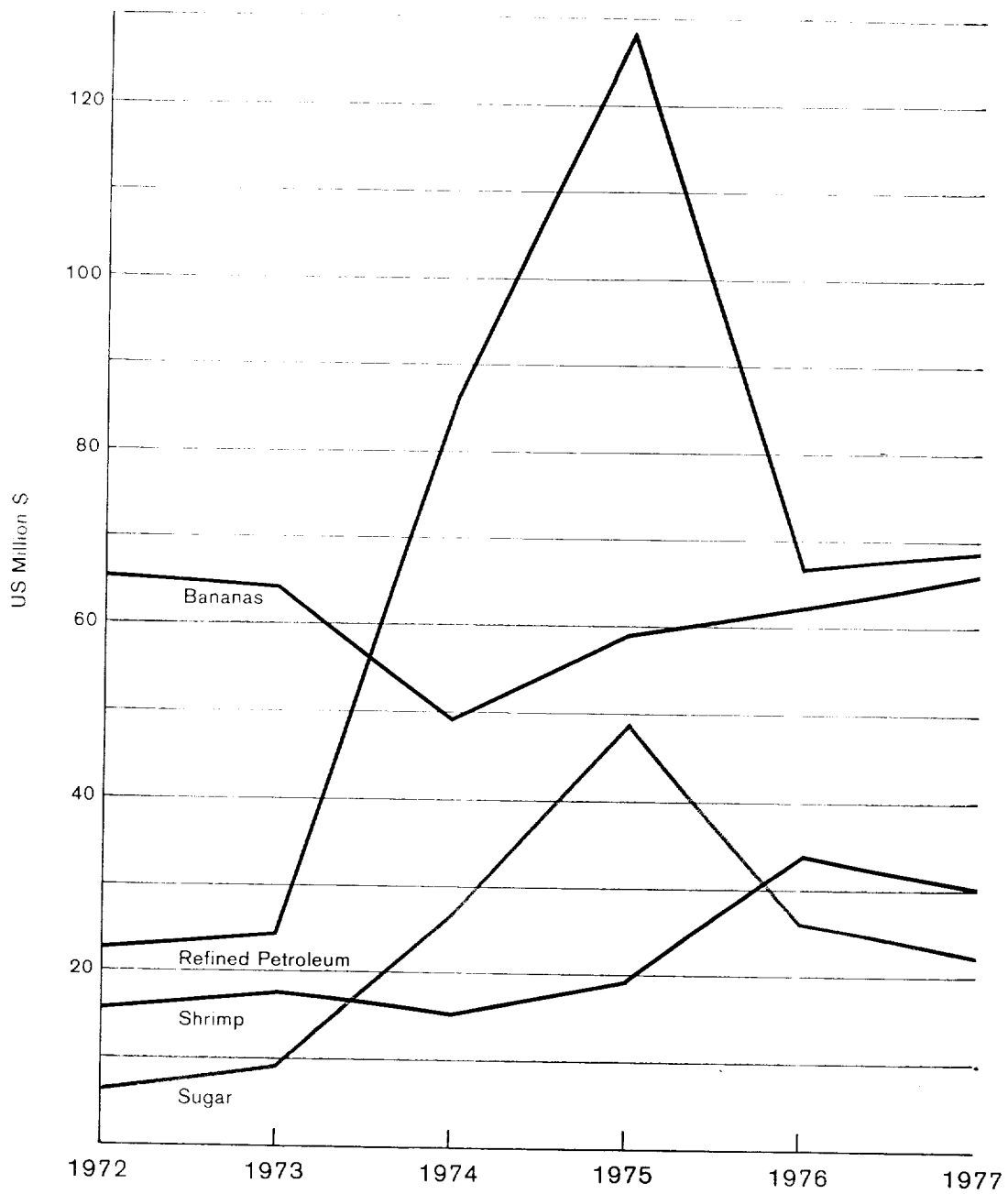
Panama's Exports of Principal Commodities

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US Million \$

	1972	1973	1974	1975	1976	1977
Bananas	65	64	49	59	62	66
Refined petroleum	22	24	86	128	66	68
Shrimp	15	17	15	19	34	30
Sugar	6	9	27	49	26	22

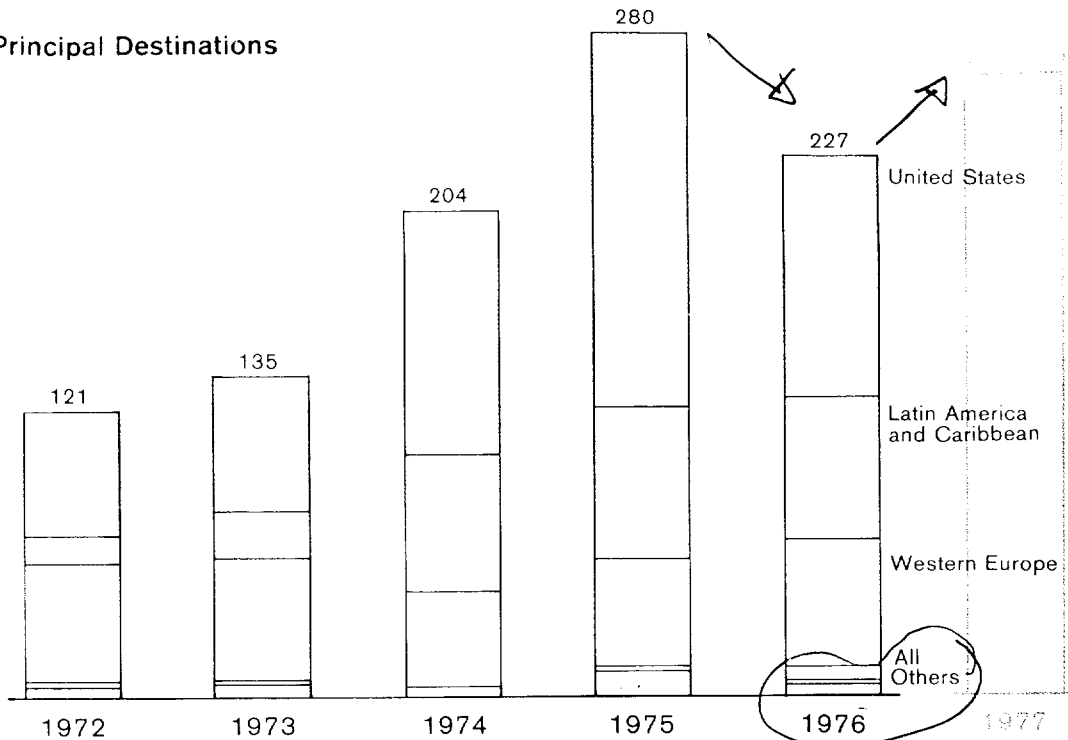
### Panama's Export of Principal Commodities



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### Exports by Principal Destinations

Million US \$



### Imports by Principal Areas of Origin

Million US \$

