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Panama

Submitted by

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DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE

Concurred in by the  
UNITED STATES INTELLIGENCE BOARD

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## PANAMA

### THE PROBLEM

To consider the prospect for political stability and for the Canal treaties between now and the scheduled inauguration of a new president in October 1968.

### CONCLUSIONS

A. Increased tension and political turbulence are likely as the presidential campaign and the issue of new Canal treaties impinge on a situation none too stable in the first place.

B. The small number of elite families, long in political and economic control, may be hard pressed in the elections of May 1968 to keep one of their own in the presidency and to retain dominance of the National Assembly. The challenge will come from Arnulfo Arias, whose anti-elite Panameñista Party is the country's only mass movement. The danger of serious disorders will probably become somewhat greater than at present, and could become much greater.

C. Although there are a great many important political variables in Panama, the timing of the completion of the treaty negotiations will be a crucial factor in determining the extent of political unrest as well as the chances for ratification and implementation of the treaties.

D. In view of such uncertainties on the political scene, there will clearly be major problems in getting the Canal treaties completed, ratified, and then held to by the government succeeding that of President Robles. Unless the treaties are ratified before October 1967, there is small chance of getting satisfactory treaties completed until after a new administration takes office in October 1968.



## DISCUSSION

1. The coming 18 months looks to be, at best, a delicate period in Panama's political affairs and in its relations with the US. The political campaign for the election of a new president and National Assembly in May 1968 will become fully active later this year. And the issue of new Canal treaties with the US is likely to reach a crux during this same period. The interrelationship of these two factors, as well as their combined impact on a political situation none too stable in the first place, is fraught with a wide range of implications.<sup>1</sup>

2. The terms of the Canal treaties as they are finally worked out will, of course, be fundamental to the way the Panamanians react. But the timing can also be of great importance in the interaction of the treaties and Panamanian political developments. So after sketching some brief background on the problem of the treaty negotiations and on the way the political campaign is shaping up, we shall consider the different implications of three timing possibilities. (See III below.)

### I. BACKGROUND ON THE NEGOTIATIONS

3. Underway nearly two and a half years, the present negotiations aim at supplanting the basic treaty made in 1903 at the time the US established Panama as an independent country. Panamanians years ago came to regard the old treaty as exploitative and debasing. Three separate documents are now under negotiation: (a) a new treaty governing the administration, operation, earnings, etc., of the present Canal; (b) a treaty that would provide the basis for eventual construction of a sea level canal; and (c) a treaty on base rights and status of forces. It is the plan of the negotiators on both sides that for purposes of approval and ratification the three treaties be completed at the same time and considered as a single package. In view of the nature and number of the issues involved, there are obvious difficulties in reaching agreements which can be passed by both the Panamanian National Assembly and the US Senate.

4. The negotiations have been difficult and protracted, because of the complexity of the issues involved and the importance of these issues, especially to the Panamanians. Almost all Panamanians, rich and poor alike, have a strongly emotional attitude toward the Canal. They feel that the US has special obligations to Panama which it has failed to honor; they think they should have more jobs and a lot more money from the operation of the Canal—which they rightly regard as their country's greatest asset. (It generates some two-fifths of

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<sup>1</sup> For the US, there could be repercussions beyond Panama itself: other countries, particularly in the hemisphere, will be interested in whether or not new arrangements can be made between the US and Panama in tidy, civilized fashion, and some provisions of these new treaties may come to be used as standards for other international negotiations. Moreover, the question of compensation to Panama raises the question of an increase in Canal tolls—a matter of great economic importance not only to shipowners but to various Latin American countries, especially Chile, Peru, and Ecuador.

[REDACTED]

Panama's gross national product and two-thirds of its foreign exchange.) They want explicit recognition of their sovereignty everywhere in their own country. They want a new arrangement as to US use of military bases on their territory. Finally, they believe that the present Canal, and a new sea level canal if constructed across their territory, should sooner or later belong to them.

5. The US has been forthcoming on many of the points at issue; its offers represent for Panama substantial improvements over the existing treaty arrangements. At the same time, negotiators of each side have recognized that the positions of the other are circumscribed by practical limitations, and progress in the negotiations has been encouraging in recent months. Although major points of disagreement persist, there is hope that these can be worked out fairly soon—perhaps in time for the treaties to be presented to the Panamanian National Assembly for ratification by September 1967. The Panamanian negotiators at present are confident that they can secure ratification of the treaties, provided the negotiations are completed early this summer. Yet the attitudes of many Panamanians and of the Panamanian press make it almost certain that, however generous the treaty provisions seem from the US point of view, there will be major difficulties in obtaining ratification by the National Assembly. These difficulties will increase as the political campaign gains momentum.

## II. THE POLITICAL CAMPAIGN

### Parties of the Elite

6. The small number of elite families who have long controlled political affairs (and most of the economy as well) are likely to have more trouble than usual electing one of their own as president in May 1968. They continue to control almost all the officially recognized political parties, but these elite parties are small, personalistic, lacking in ideological content, and without strong identification on the part of their members. They win elections by coalition. President Robles was the candidate of an eight-party coalition. They also use government patronage and pressure, powerful private interest groups, superbly complicated electoral and balloting procedures, their control of the Electoral Tribunal, and their control of the Guardia Nacional—Panama's only uniformed security force. One problem for candidates of the elite is that they do not do well among the younger voters—and a considerable additional number has become eligible since Robles manipulated and squeaked to a disputed victory in 1964.

7. Robles has displayed political courage. He has tried to instill integrity in the government and to effect financial reform and economic development. Yet he has not obtained much popular support. The economy has made strong gains in GNP and personal consumption during his administration, but urban unemployment is still high. The masses in Panama City and Colon remain sharply conscious of the differences between their lot and that of the elite—and the differences between their lot and that of Americans living in the Canal Zone. Robles still has considerable political leverage by virtue of his influence in selecting the governing coalition's presidential candidate (Robles cannot

[REDACTED]

succeed himself). As time goes on, however, he will lose leverage in the government, in the National Assembly, and within elite party circles where maneuvering to choose a candidate has already begun.

8. The number of would-be presidential candidates among the elite is narrowing down to perhaps four or five serious contestants. All or almost all the elite parties may finally agree to swing behind a single one of these, especially if their leaders think that Arnulfo Arias' chances of election are good. Such a degree of unity would be least likely in the event that General Bolívar Vallarino, commander of the Guardia Nacional, insisted on running and obtained the support of several parties. A major split among the elite parties would be highly advantageous for the big, anti-elite Panameñista Party.

#### Arnulfo Arias and His Panameñistas

9. Arnulfo Arias heads the only political mass movement in the country. Even the official returns in 1964 gave him 38 percent of the total votes cast for president.<sup>2</sup> (The largest of the elite parties individually had about a third that percentage.) Loosely organized, the Panameñistas are more of a protest movement than a political party. Their strength is among the underprivileged and the young, especially in the towns and cities. They have no well defined program; they want a better shake for themselves and they are against the elite. They admire Arnulfo's oratory and forceful manner, and they look up to him as the only important politician in Panama who has held firm in his opposition to the oligarchy. He generally has the use of several newspapers and radio stations owned by his family and friends to keep up contact with the faithful.

10. Arnulfo himself, now 65 years old, is an unpredictable and opportunistic person who inspires either great loyalty or great hate. He has occasionally made speeches and taken actions contrary to US interests, and from time to time has sanctioned a measure of cooperation between Panameñistas and Communists. Nevertheless we believe that he is not sympathetic to Communist ideas, and that he recognizes the practical necessity of reasonably good relations between his country and the US. Educated as a physician (he is a graduate of Harvard Medical School), he has been active in Panamanian politics for more than 30 years. He has twice been president and twice been removed from office—among other reasons, for using authoritarian measures and trying to change the constitution to expand his powers. Many influential Panamanians fear that if he regained power he would use it to disrupt their patterns of control and to settle old political and personal vendettas.

11. Out of office, Arnulfo has shown considerable caution, restraint, and tactical skill. In office he has proved himself difficult and authoritarian. He is regarded by many as basically a combative man with a compulsion to dominate. It seems important to him to demonstrate the qualities of virility; he is vain and enjoys the role of demagogue. While he has a number of devoted aides, he runs the

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<sup>2</sup>The Panameñistas, however, have only about one-fourth of the seats in the National Assembly.

[REDACTED]

Panameñista movement essentially as a one-man show and has designated no successor to his leadership.

12. Persisting in his claim that he was robbed of the presidency in the tabulation of the election results in 1964, Arnulfo has refused to recognize Robles as the legal head of government. He has maintained that since the Robles government is not legal, neither are its actions. And he has made this point specifically and repeatedly about the Canal treaty negotiations with the US. Thus, while he has not been strongly critical of the US or the offers it might be making in the course of the negotiations, he has established a beginning position for attacking the government. He is not so much opposed to the treaties *per se* as to the Robles regime. Conceivably some kind of deal might be made whereby he would not attack the treaties; this might happen, for example, if he could be convinced that the presidential elections of 1968 would be free and fair.

### III. THE TREATIES AND PANAMANIAN POLITICS: SCENARIOS OF INTER-ACTION

13. We mentioned earlier the importance that timing with regard to the negotiations would have on the likely future course of developments. Here we will consider the outlook in three different cases: (a) if the treaty negotiations are completed this summer and the treaties submitted to the Panamanian National Assembly by September; (b) if the negotiations are completed, but the Robles government chooses not to submit them for ratification before the election; and (c) if the negotiations are not completed before the election.

#### Case A: *Treaties Submitted to the Assembly by September 1967*

14. In spite of the major issues still outstanding, the Robles government hopes that the treaty negotiations can be completed in June or not long thereafter. It plans to call a special session of the National Assembly to consider ratification, and to call it before the regular annual Assembly session which convenes the beginning of October. The administration's chances of keeping the Assembly under control would be significantly better in a special than in the regular session, both because the rules of procedure would make obstructionist tactics more difficult and because election campaigning would not have reached its highest pitch by the time the special Assembly met. Robles and his lieutenants have begun to plan for systematic means of lining up support in the Assembly and informing the public about the treaties, especially their most favorable aspects.

15. It is nonetheless difficult to predict what the outcome in such a special session would be. Robles' supporters claim that they can swing more than two-thirds of the members on issues of vital importance.<sup>3</sup> Yet Robles has not

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<sup>3</sup>The Panamanian Government is not yet certain how many votes will be required to secure ratification. Panama's Constitution specifies that only a simple majority is required for the ratification of treaties, but some argue that the procedural rules of the National Assembly require a two-thirds vote.

[REDACTED]



had strong Assembly support on any measures for a long time, and at the end of the last regular session in January the Assembly overrode administration objections to pass several minor bills of highly nationalistic content. Robles claims, however, that he decided not to make a fight on the latter occasions and to reserve his strength for Assembly action on the treaties. In connection with his visit to the Inter-American Summit Meeting, he managed to get a vote of confidence from his coalition parties for his government's handling of the negotiations. We do not doubt that one way or another Robles can bring strong pressure to bear on most of the deputies, but working against this will be a desire of many of them to enhance their own political fortunes. And in Panama the nationalistic, anti-Yankee stance is the time-tested vote-getter.

16. Arnulfo would probably open up with propaganda charges against whatever features of the treaties seemed most vulnerable—while still insisting that the whole business was illegal. He might call upon the Panameñistas for mass demonstrations at the National Assembly building, or he might "permit" these to occur spontaneously. In either event, Panama's small Communist groups, whose strength is concentrated at the University, would almost certainly become involved and would probably seek to encourage any tendencies to disorders or rioting.<sup>4</sup> Panameñista demonstrations of major size would put additional pressure on assemblymen to vote against ratification. Such tactics succeeded once before: in 1947 the National Assembly, responding to the presence of a protesting mob all around the building, rejected a renewal of the wartime base agreement with the US. The chance of these tactics succeeding again might depend on whether an incident occurred or was provoked which raised anti-US feeling to a high pitch. Without such an incident, General Vallarino's Guardia Nacional probably can control demonstrations so that the Assembly can deliberate and vote in relative peace.<sup>5</sup>

17. There are cogent reasons, on the other hand, why Arnulfo might choose to avoid so vigorous a challenge to the government at so early a date. He has recently been acting with considerable discretion, and apparently regards his ability to get votes as good. At the present stage, the Guardia Nacional looks strong and unified; certainly it would be prepared for trouble in connection with the special session of the Assembly. Arnulfo might see considerable

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<sup>4</sup> The Communist parties are small and illegal. The party which leans toward Moscow has no more than 500 members, of whom perhaps half are activists. The pro-Peking group has less than 100, most of them students. The importance of the Communists is in their ability to intensify and broaden civil disturbances already begun; they do not have the ability, which the Panameñistas probably do have, to turn such disturbances into a popular rising against the government.

<sup>5</sup> The Guardia, Panama's only uniformed security service, has a personnel strength of some 4,400. It is a disciplined and fairly competent organization; its training and equipment has improved appreciably over the past year. The Robles government has usually called the Guardia into action as promptly as required, and it has dealt effectively with civil disturbances. In the event of prolonged and widespread disorders, however, the Guardia probably could not maintain control without US assistance.

[REDACTED]

advantage to himself in deferring his major challenge at least until the election campaign was in full swing.

18. Ratification of the treaties would be a political coup for Robles and would markedly improve the chances of a candidate of the elite to win the elections. Attempts by Arnulfo to upset the results by force would almost certainly be put down. If the treaties should be submitted to the Assembly and rejected entirely or in major part, however, they would have to be renegotiated at a later date and under different circumstances. The Robles coalition would begin the campaign with a serious defeat and this setback would probably tend to accentuate frictions and the possibility of violence. Anti-US sentiment would probably increase as Panamanians accused the US of having attempted to foist unacceptable treaties on them. Since the prospect of negotiating new treaties would not be good for months to come, insistent demands would probably be made on the US for more generous dealings under the present treaty in the meantime.

19. If Arnulfo should be elected in May 1968 and permitted to take office the following October, he would probably find one means or another to call into question any treaties that had been ratified. He would want to put his own imprint upon the results of negotiations he had previously denounced as illegal. He might demand additional concessions from the US. And, in any event, it is likely that the aftermath of the elections, especially if they were close, would be troubled. Thus we would anticipate a tense period from May to October next year, with some chance that Panama would not hold to all the provisions of the Canal treaties even though they had been duly approved and ratified.

**Case B: Negotiations Completed Before May 1968 but Treaties not Submitted for Ratification**

20. If the treaties should not be presented for ratification by September of 1967, they would become the *de facto* campaign platform of the elite party coalition. In the unlikely event that the elite candidate won an honest popular election on this platform, the treaties would doubtless pass the Assembly after October 1968 with considerable political and even popular support. But the situation, it seems to us, would increase the opportunities for Arnulfo and others to make effective political attack, and would, at the same time, maximize the chances for a split in the elite.

21. Arnulfo could probably manage to use the regular National Assembly session which convenes in October 1967 as a sounding board for criticism of the Robles administration. Opposition campaign meetings, as well as demonstrations undertaken by the Panameñistas on the one hand and the Communists on the other, would tend to have a heightened anti-US content. There would be danger of sizable disorders in Panama City and Colon, and perhaps of riots spilling over into the Canal Zone. In this situation, chances would go up that Arnulfo might win an election victory so large that it would be difficult to steal except by the most transparent devices. The elite might

[REDACTED]

thus be faced with the choice of permitting him to win and take office in October 1968, or using the Guardia and risking large-scale violence to keep him out or throw him out once he took office.

22. In short, we do not think the prospects which emerge in this Case B look at all favorable, either in terms of Panamanian political affairs or in terms of the likelihood of obtaining durable approval of the treaties.

#### **Case C: Negotiations Not Completed Before the Election of May 1968**


23. By the time of the elections, it would be nearly three and a half years since the negotiations began—most of the tenure of Robles' administration. The government would be attacked for incompetence and lack of diligence. Robles might choose to defend his record by breaking off the negotiations and denouncing the US for allegedly having delayed them unnecessarily. On the other hand, he might try to explain that they were extremely complicated and that his government had proceeded with caution to avoid jeopardizing the interests of Panama. In either case, some of the elite, and some of the politicians running for seats in the Assembly or otherwise actively engaged in the campaign, would probably assail the US for recalcitrance. The anti-US content of the political campaign would probably be high, and some among the elite might encourage anti-US demonstrations or incidents.

24. The elite coalition would nevertheless be in a fairly strong position to respond to attacks by Arnulfo. He could accuse it of trying to sell out the country's interests, but not of having done so. Indeed, it could counter by claiming that its determination to protect Panamanian interests made quick agreement to US proposals out of the question. Arnulfo, for his part, could go back to the claim that he and only he could negotiate fair and enduring treaties with the US. While there would be danger of serious disorders, we believe it would be less than in Case B.

25. In the event that the elections should bring a new elite government to power, future treaty negotiations would be complicated by such anti-US positions as members of the elite might have taken during the campaign. The delay itself might lead the Panamanians to seek larger concessions from the US, and a new set of negotiators is not likely to be more reasonable than Robles' group has been. There would, even so, be mitigating factors. The domestic pressures would be somewhat lower on a government which had a full term ahead before the next elections. And in this case no government, whether Arnulfo's or the elite's would have campaigned against specific provisions of treaties already agreed upon which the US would be negotiating once more with Panama.

#### **IV. POSTLUDE**

26. In sum, there are bound to be difficulties in securing new Canal treaties and, at the same time, maintaining political stability in Panama. The political climate will almost certainly become more volatile as the presidential campaign



swings into full activity, and the danger of serious disorders will probably increase. Prospects, both for stability and for the treaties, will, of course, vary with circumstances—not all of them predictable. With respect to the timing of completion of treaty negotiations, we would note that the disadvantages in Case B above are more apparent and the advantages less apparent than those in the alternative cases.

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