

TEN THESES ON THE PANAMA CANAL TREATIES

"The difference between North American domination of the country and Washington's control of the Zone.... is that in the former the colonialism is informal and indirect, while in the latter it is formal and direct." (Walter LaFeber: "The Panama Canal. The crisis in Historical Perspective." Oxford University Press. N.Y. 1978.) (Preface P.X)

Introduction:

These ten theses concerning the Panama Canal Treaties were presented at the First Patriotic Forum in the Faculty of Architecture of the National University of Panama on April 27th. 1978. (I)

1. The formulation of this analysis in a thesis format is merely a methodological resort given the short time available for exposition and the need to group logically and dynamically the abundant information, while at the same time, this method allows the approximation of a structural framework of analysis. (2), (3) and (4)

2. It is necessary to state right from the start that any consideration of these theses and their critical analysis as an "anti-government position" would be an over-simplistic interpretation. This work starts from the assumption that in moments of national crisis, one obviously thinks and analyses more earnestly, but perhaps also with greater lucidity than in moments of well-being. To keep silent today would be a cowardly and unpatriotic attitude.

FIRST THESIS

The Treaties should be analysed within the new policy of the United States towards Latin America.

- The United States have lacked a consistent Latin American policy since the failure of the Alliance for Progress (1966).
- Failure of the new dialogue, sponsored by Kissinger (1973-75). He had tried to use the Panama Canal (the Kissinger-Tact Agreement) to reinforce this new dialogue in Tlatelolco.
- Carter hopes to establish " a new era of relations with Latin America". "The ratification of the new Treaties will open up a new era in the relations of the United States, not only with Panama, but with all the nations of the hemisphere." (Letter by President Carter to General Torrijos, 18th. April 1978; taken from the Chancery Communique.)

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The recent book (1978) by the Cornell University lecturer, Walter LaFeber, (cited in the Preface), dedicates an excellent chapter, (Chapter 6, Torrijos, Kissinger and Carter, P.160) to analysing the Latin American policy of the United States and the essential role which the problem of the Panama Canal has played within it.

"To Linowitz and Vance, as to Kissinger, Panama presented a small, if formidable, obstacle to be cleared on the way to the ultimate goal of developing a workable economic relationship with Latin America." (P.193)

"If the Canal problem was solved, Latin America could again act as the laboratory for United States policies in the developing nations." (Carter before the Senate Foreign Relations Committee, Nov.23rd.1976: P.194)

"Top Carter Administration officials therefore viewed the Panama crisis as a key to their entire foreign policy." (P.195)

The meeting for the Canal Treaties agreement, held in Washington (Sept. 1977) and attended by Latin American Heads of State, was to be the start of this "new era". (See Carter's speech). Using the occasion provided by the meeting for the Treaties, the "resurrection of the OAS" (Organisation of American States) suggests a new attempt to put into effect one of the most discredited yet efficient mechanisms of North American control over Latin America.

SECOND THESIS

The Canal Treaties as "test", "model" and "example" of this New Era and of the new forms of imperialist negotiation and structural domination.

- Kissinger, whilst in Panama, described the Canal Treaties as "test", "model" and "example" of the new relationship between the United States and Latin America. It is therefore important to analyse the prototype of this new relationship between the United States and Panama and the foreseeable consequences for other Latin American countries.

- The United States refused to negotiate with Panama and put off its approval of any agreement whilst Panama's negotiating power was at its height. The Security Council meeting in Panama symbolised this moment, (March 1973) when the United States was forced to veto the Security Council's resolution, despite the contrary position of its usually most unconditional allies. Moreover, during this period, Panama maintained a strong international position:

a) With the strong political support of all the Latin American countries, especially from Allende's Chile, Perón's and Campora's Argentina, Velaszo Alvarado's Peru, and Cuba.

b) Firm political support of the non-aligned countries, who took up the Panamanian case as a symbol of the Third World's stru-

ggle for its rights, especially in relation to control over natural resources and the New International Economic Order (NIEO).

Moreover, 1973 was the period of greatest internal political cohesion in Panama and of greatest popular support for General Torrijos' regime. This was mainly due to a decade of economic growth, (sustained at 8% annually), a foreign debt which at that time was about the Latin American average per capita, and to a whole set of economic projects which seemed to promise the maintenance of the "Panamanian miracle".

- The United States manipulated the initiative of the negotiations, forcing Panama to approve the Treaties at a time of extreme economic weakness for Panama, when the country was without negotiating strength and without any alternatives. Since 1974, Panama has been in a strong economic recession, with two consecutive years of zero growth rate and two years with negative growth; with the largest foreign debt per capita in Latin America; with the failure of several economic projects (the sugar mills) and the postponement of others (copper mines, container port, pipeline, highways, tourist projects etc.), which placed the government on the edge of a financial crisis in 1977. Politically, the October regime of 1968 suffered the natural wane of being 10 years in power with a clear decline in popular support and the visible need for a reorganisation of its ranks and political plans.

Internationally, Panama found itself with a political reality substantially different from that of five years previously with the militarization of Latin America and the National Security regimes. Rather than to give support to Panama, the Washington meeting was used by the Latin American Heads of State to reach a tactical reaccomodation with the Carter Administration. Moreover, the support of the non-alligned countries for Panama was very weak due to the new focus of attention in Africa and to political divisions among various tendencies concerning African politics, but perhaps mainly due to Panama's ambiguity with respect to the Non-Alligned Bloc since the Summit Meeting in Sri-Lanka.

c) The United States have negotiated the Treaties using all the means at the disposal of a world power; economic, political and international variables, both within Panama and the United States, and at the level of international financial organisations etc. (Visit of the Senators to Panama, the Hearings broadcast direct, the credit pressures, the assessment of "friendly" governments instead of consulting the opinion and really organising the Panamanian people etc.)

Panama, at certain times, knew how to work the international variable, but there was no consistency in this policy, nor did it arrive at the logical conclusion of taking the Treaties to the United Nations' General Assembly.

- The United States are still continuing the whole process concerning the Treaties and are negotiating the interpretation and implementation of several shamefully ambiguous clauses. Whatever might be the political decision of the government on a new Plebiscite and the

ratification of the Treaties to lower one's guard or popular awareness during the present negotiatory stage of interpretation and implementation of the Treaties would be a serious political error.

THIRD THESIS

The Treaties have served to reveal the divisions and internal fighting within North American imperialism, showing that the present economic crisis and its foreseeable intensification in 1980 have weakened the United States' hegemonic and monopolistic power in the world.

The economic miserliness of the Senate's proposals evidently shows that the great times when the Empire was generous to its friends no longer exist.

The following three aspects summarise this relative loss of US hegemony in the world:

a) The persistent North American economic recession, which increased towards the end of 1973, causes the great power to maintain a reduced rate of economic growth, a persistent balance of payments deficit, a growing external debt, a high level of unemployment and a weakening of its currency. The few points of economic reactivity have been very localised; while warnings of a worsening of the economic recession towards a world economic crisis for 1980 are repeated increasingly more in international economic circles.

b) The internal divisions of North American capitalism, between the sector of transnational capital (Transnational Corporations and Banks, which obtain a substantial amount and even the majority of their profits in the world market,) and the sector of national capital (domestic firms, which obtain the vast majority of their profits in the North American internal market.) The transnational sector is represented politically by the Trilateral Commission, which has 16 members in the present government, including Carter, Mondale, Vance, Brzezinski, Brown, Blumenthal, Young etc. The Trilateral Commission and the Council of the Americas (5) have been the two principal forces supporting the Treaties, while the more domestic and traditional sector of North American capitalism, represented by Reagan, Thurmond, Allen etc. opposed the agreements.

c) The political divisions between the Democrats and Republicans, together with existing tensions from the national demoralization produced by the defeat of Vietnam, Watergate, the CIA scandals, the corruption of the Multinational Corporations, Nixon's dismissal and the serious decline in popular support for Carter, all combined around the discussions of the Treaties, converting the theme of the Canal into an internal political issue. " The debate in our Senate

has been the most extensive ever accomplished for any treaty in the history of the United States, and as you know, it has been a vigorous debate. The Treaties have provoked difficult and emotive themes within our nation, distinct from that just of the Canal and our Treaties with Panama". (Carter's letter to Torrijos, April 18th. 1978; taken from the Chancery Communique)

Moreover, the internal divisions in Carter's own Administration, between the State Department - more concerned with the need for a coherent foreign policy - and the Departments of Trade, Industry and Treasury etc., more worried about the internal situation of inflation, unemployment, deficit and the dollar crisis - did not allow for the strength and political consistency, which an old and difficult problem required.

An analysis of the Canal Treaties serves to show Latin America the internal tensions within North American capitalism, and at the same time, the possible models of relationships between the United States and the Latin countries. Moreover, the "Trilateral" style of transnational capital did not manage to hegemonise the situation on account of the economic recession and the forecast of a world crisis. While the more traditional sector of the nationalist domestic capitalism was forced to maintain North American economic hegemony over Latin America based on explicit National Security regimes. (6)

FOURTH THESIS

The Treaties have granted the United States permanent economic monopoly over the use of Panama's major natural resource (its geographical position). Moreover, they are extremely miserly in their economic compensation to Panama.

Defenders of the Treaties have accepted that politically and jurisdictionally the Treaties are not good for Panama. ("just about swallowable" (potable) was the ambiguous phrase coined.)

Given the precarious and uncertain economic situation of Panama, economic reasons seem to have been the principal motive for accepting the Treaties, although in order not to wound national dignity nor contradict the solemn declarations issued previously the economic argument has not been emphasised.

The analysis is divided into three parts, which summarise the principal economic effects of the Treaties. (7)

A. The neutrality concept of the Canal Treaty implies security and efficiency. The efficient operation of the Canal involves, on one hand, "rules and regulations that shall be just, equitable and reason-

able and limited to those necessary for safe navigation and efficient, sanitary operation of the Canal"(Art.III Ia) and on the other, "tolls.....(that) shall be just, reasonable (and) equitable"(Art.III Ic).

The apparent innocuousness of the repeated concepts "just, reasonable and equitable", which qualify the tolls and regulations to be applied for the efficient operation of the Canal, means in fact that the historic tariffs, which have been in operation in the lock Canal, shall apply permanently after the Treaties to this Canal "and to any other international waterway that may be built either partially or wholly in the territory of the Republic of Panama"(Art.I) This means that the artificially low tolls, which the United States unilaterally and monopolistically established with the 1903 Treaty, on a non-profit basis, will remain permanently over this or any other Canal.

Since the United States is the principal user of the present Canal and foreseeably of the Sea-Level Canal, the non-commercial and artificially low tolls will be a permanent subsidy of several thousands of millions of dollars annually for North American and international trade, at the expense of Panama's major natural resource. Panama will remain permanently excluded from the possibility of administering the Canal economically, by being prevented from establishing tolls according to the economic laws of supply and demand of international trade, which is applied to any other product or service in any other country of the world.

Article III (Ia) of the Neutrality Treaty clearly establishes that Canal regulations will be "limited to those necessary for safe navigation and efficient, sanitary operation of the Canal", excluding all reference to profits or its economic viability.

The interpretation presented here has been discussed with many Panamanian and North American economists, along with international jurists, who consider it appropriate and correct. This interpretation has even been the one the United States have consistently maintained throughout the history of the Canal negotiations, with respect to the significance of "just, reasonable and equitable" tolls.

If any doubt about this interpretation still remains, the Amendment to Paragraph (Ic) of Article III is very explicit. "Any adjustment to the tolls for the use of the Canal ", * requires two aspects to be taken into consideration, both of which appear reasonable. These are the costs of the Canal and its competitiveness in relation to other means of transport. But, there are three other factors showing the monopolistic and imperialistic character of the Treaties, which are exclusively tied to the "safeguard of the vital interests of the United States". (A phrase previously used both by Kissinger and by Ambassador Scali, US Ambassador to the Security Council meeting in Panama, when referring to the efficient use of the Canal.)

These conditions are: The effect of tolls on the "domestic fleets" (which Panama does not possess); the effect on the various geographical areas of each one of the parties, (referring clearly to the impact on the North American Intercoast Traffic, which transits the Canal); and the interest of both parties in increasing international trade to the maximum. This last condition interests Panama in so much as it increases its income from the use of the Canal; while it interests the United States as principal power and world economic agent, and as principal user of the Canal, (which with tolls artifi-

*(Taken from the Spanish version of the Treaties issued by the Chancery, Panama)

cially low subsidises its Canal traffic and increases noticeably its international competitiveness.) This means that the whole policy of the tolls has been set with exclusive reference to the dominant interests of the United States.

Reservation 3, on referring to Paragraph 2 (D) of Article III, claims categorically that "toll ratesneed not be set at levels designed to produce revenues to cover the payment to Panama, described in Paragraph 4 (C) of Article XIII".

According to LaFeber, the astonishing support for the Treaties by the American Institute of Merchant Marine (AIMS), which encompasses 35 companies which control and operate half the North American merchant fleet, is due to the surprising maintenance of frozen tolls. The President of AIMS, James J. Reynolds, in order for his support of the Treaties "demanded that the Canal be secure and - particularly - the tolls for shipping be kept as low as possible". (P.215)

This means that the tolls are not set to either produce an economic profit nor fulfil the legal obligations assumed by the Treaties of paying Panama up to \$10 millions a year from the Canal receipts(Article XIII 4c). The Chancery's comment implicitly recognises this by being forced again to recur to the "good faith principle" of the United States. Nevertheless, a clear threat is obviously implied "if they act with miserly spirit"....."which might produce a crisis situation". A good start to the new era of friendship and cooperation.

These amendments leave no doubt that the tolls policy will determine the future viability of the present Canal and any other waterway constructed on the Isthmus. Therefore, Panama has granted and/or the United States has usurped in perpetuity the right of economic monopoly over the use of Panama's major natural resource.

B. The second aspect analyses the economic consequences of Permanent Neutrality. "The same regime of neutrality shall apply to any other international waterway that may be built either partially or wholly in the territory of the Republic of Panama," (Article I), "notwithstanding the termination of any other Treaties entered into by the two Contracting Parties." (Article IV)

The economic effects of this perpetuity, disguised under the term "permanent", are dramatic for Panama. Besides the concession of the above mentioned permanent monopolistic rights, they exclude the possibility of Panama, by itself or with another nation or group of nations, constructing an economically viable Sea-Level Canal.

This type of permanent neutrality established over the Isthmus explains the surprise of why the United States "freed" Panama from a negotiatoy condition, which was imposed on, and accepted with difficulty by the Panamanian negotiators; that is the concession of negotiating in this Treaty the problem of the Sea-Level Canal, which was not a cause of conflict between Panama and the United States.

Panama was forced to accept the inclusion of the Sea-Level Canal theme in the negotiations in July 1977; this being the theme over which there most problem at the Presidents' meeting in Bogota, where Panama had to accept Paragraphs I and 2 of Article XII of the Canal Treaty "as the only way of arriving at an agreement" (Chancery

Communique, April 26th, 1978).

The surprising Reservation 5 to Paragraph 2 of Article VII is interpreted by the Chancery as very advantageous for Panama. It claims that the "route monopoly granted to the United States is extinguished forever." (Ibidem)

According to the Chancery, the United States renounces the "route monopoly" due to the fact that "the Senate considered that it was too much that a small nation like Panama should veto (the United States) in its negotiatory capacity." (Ibidem).

A serious economic analysis of this reservation arrives at conclusions totally opposed to those of the Chancery.

I. Reservation 5 frees the United States to construct a Canal in Panama or anywhere else on the continent, but it does not free Panama, since Panama nor any other nation of the world can be interested in the construction of an economically unviable Sea-Level Canal. A Sea-Level Canal constructed in Panama cannot be viable by itself, given that the tolls are controlled by the Neutrality Treaty, which implies the economic limitation of not allowing the charging of commercially viable tolls, thus negating any possibility of producing profit.

What nation in the world can be interested in the construction of a Sea-Level Canal in Panama, implying the huge investment of about \$10 thousand millions if the neutrality and tolls of that Canal are controlled by the United States?

What real possibility can Panama have of obtaining international financing for the construction of a Sea-Level Canal, if the tolls, and therefore the viability of such investment, do not enable the recovery of the amount invested within a reasonable time limit? What entity can invest in a Sea-Level Canal if the possibilities are limited of obtaining a profit according to commonly accepted financial practices of the capitalist system itself? What nation can be interested in investing in a Sea-Level Canal in Panama if the United States have the right to intervene militarily for reasons of security, which include a workers' strike and even a "go-slow".

2. The United States maintains its "route monopoly" over the Isthmus, given that it is the only nation that can obtain subsidies and indirect economic benefits from the present Canal or from a Sea-Level Canal, to an amount even greater than the direct benefits which could be obtained with commercial tolls in any kind of Canal.

The United States, while unilaterally freeing itself with Reservation 5 from the obligation of constructing a Sea-Level Canal in Panama, keep Panama legally tied by a Permanent Neutrality Treaty, (which cannot be modified "notwithstanding the termination of any other treaties" (Article IV), to the construction of a Sea-Level Canal with the one and only country which can obtain economic benefits from it - the United States. Moreover, the United States have obtained by the Treaty legal justification to militarily intervene in Panama, not only for security reasons, but also for economic and social motives thanks to the DeConcini Reservation, which - as he himself has said - has not been substantially affected by the later decrees and declarations of the Senate.

C. What has been defined here as the Miserly Treaty will become obvious on analysing the particular economic stipulations of the Treaty. These however are of less structural significance than the aspects indicated previously.

I. Panama's original economic demand in the negotiations (August 1977) was for \$1020 millions as initial payment and \$300 millions annuity. Faced with Carter's categorical refusal, the Panamanian negotiators reduced Panama's aspirations to \$450 millions as initial payment and an annuity for 23 years of \$150 millions. The net figure finally obtained is less than \$50 millions a year, coming fundamentally from the 0.30 cents per ton transiting the Canal, given that \$10 millions are for payment of services and the other \$10 millions are highly speculative, depending on the generation of profits from the Canal, which has not happened in the past five years.

2. By Reservation 4, which unilaterally postpones the Treaty coming into effect for almost a year, until October 1st, 1979, Panama will miss out on receiving the first \$50 millions, which it would have received if the original Treaty had not been modified.

3. Reservations 2 and 3 to Article XIII, Paragraph 4, stipulates that "no funds may be drawn from the United States Treasury" nor will the accumulated balances be paid from the annual sum of \$10 millions, payable to Panama from the surplus from the Canal. These Reservations leave Paragraph 4 (D) without any real meaning, since Panama remains completely dependent on the discretion of the United States as to whether it receives the \$210 millions which it is due during the 21 years of operation of the original Treaty.

It is possible that the United States intends to fulfil Clause 4 of Article XIII and obtain an economic surplus from the Canal; but, not by increasing the level of tolls, but by reducing costs by means of lowering or fixing the salaries of the Panamanian workers, which will no longer be pegged to the United States level of salaries as in the past. The miserliness would be truly outrageous if the United States attempts "to compensate Panama" at the cost of the living standards of its workers.

4. Reservation 6 requires the repayment to the United States Treasury of the interest from funds invested by the North American government not only in the new Panama Canal Commission but also from funds invested during the years of the old Panama Canal Company, at annual rates determined by the Secretary of the US Treasury.

The Chancery is aware that various studies have shown that investment in the Canal has been more than amply capitalised. Nevertheless, the North American Treasury still considered in 1971 that there was a sum of \$706 millions "unrecovered".

Panama will also have to confront the problem of the Zone's accounting system, about which the author has written on several occasions. Even the General Accounting Office (GAO) of the North American government has denounced the Canal Company for using "double counting" and "unduly high costs". (8)

Reservation 6 could create serious conflicts and contradictions with Article XIII (i), by which the Canal should revert to

Panama on December 31st. 1999 " free of liens and debts". This Reservation 6, as interpreted by the United States, could suppose that on reaching the year 2000, Panama would find itself with a serious overdue debt to the North American Treasury. "The good faith principle" which governs the fulfillment of the Treaties and which the Chancery again presents as a safeguard, is a quality which stands out by its very absence in all the Reservations, amendments and understandings of these Treaties.

5. The miserliness of this Treaty seems obvious in the humiliating Understanding 5: "Nothing in the Treaty, in the Annex or Agreed Minute relating to the Treaty obligates the United States to provide any economic assistance, military grant assistance, security supporting assistance.....to the Republic of Panama". After 75 years of association with Panama, of having obtained huge economic, political and strategic benefits by using the geographical position of Panama, on starting a new era of relationships between the two countries, the Senate adds this superfluous amendment, humiliating to both countries, clarifying nevertheless the content of the "good faith principle, which governs the fulfillment of the Treaties." (Chancery Communique).

FIFTH THESIS

The Treaties have negotiated more than the Canal itself. They include the modern presence of the United States in Panama, assuring the stability of the Transnational Service Platform, essential for the transnationalization era of the Latin American economies. (9)

The Transnational Service Platform now established in Panama is the culmination of the historical process of the utilization of Panama's privileged geographical position by the dominant economic and political forces of the international market. The Railway, the Canal, the Colon Free Zone and above all the International Financial Centre are the modern forms of the utilization of Panama's geographical position in an era of transnationalization of the world economy, dominated by transnational financial capitalism. The Canal today is an important but secondary and declining sector before the Transnational Service Platform in Panama.

- The importance of the new components of this Transnational Service Platform can be visualised from these briefly sketched

statistics:

1. The International Financial Centre, with more than 80 transnational banks, \$13,000 millions in deposits, more than \$1,500 millions of annual credits to Panama (the State budget is only about \$500 millions). The Financial Centre brings with it important insurance business, lawyers and accounting firms, which register and administer more than 55,000 "paper companies", which operate from Panama. All this also encourages a strong business-type tourism.

2. The Colon Free Zone, with about 700 international companies and a commercial volume of more than \$1,000 millions a year.

3. An ideal monetary system for transnational operations, with the dollar as the national currency, no Central Bank, nor legal regulations or controls.

4. The Canal trade, with 14,000 annual transits, acquires a new significance with the complement of the Financial Centre, the Colon Free Zone, the fiduciary services, the thousands of "paper companies" (or "make-shift companies" - "compañías brujas"), the third largest merchant fleet in the world, registered under the Panamanian flag, etc.

The stability of this aggregate of operations on the most important commercial and strategic crossroads of the Continent, at a time of rapid transnationalization of production and world finances, especially those of Latin America, is what has really been negotiated in these Treaties.

LaFeber's book also reinforces this thesis when he argues that the \$1,800 millions the United States have invested in Panama make Panama the fourth largest receiver of US investment in Latin America, despite its small size and population (1.8 million). If the \$8,000 millions of investment in the Canal Zone (more than \$4,000 millions in military bases) are also included, Panama would then be the country with the highest US investment in Latin America.

LaFeber also points out the importance of what has been defined here as the Service Platform. "Banking resources, the hundreds of North American-owned merchant ships registered for reasons of cost under the Panamanian flag, and the multinationals' use of Panama for trade and tax purposes multiplied the country's economic importance." (P.214)

LaFeber insists above all on the power of Panama's banking sector. "As the debt grew, so did Torrijos' dependence on the banks." "Only large Canal revenues could rescue the governmental debt." (P.202)

A simple economic analysis of Panama's role in this process would be naive and disorientated if the enormous strategic-military importance of Panama's position in the Continent was not considered. It is well-known in Panama that the military aspects have been the most prickly and difficult to manage in the negotiations.

The traditional concept of hemispheric security required the presence in the Canal Zone of the 14 US military bases, occupying 85% of the Zone territory. With the transnationalization of the

Latin American economy, the possibilities of direct US military intervention on the Continent have declined, so as not to prejudice its image or global interests. Of the 784 direct US military interventions in Latin America registered by the Mexican sociologist Pablo Gonzalez Casanova, possibly that of the Dominican Republic (1965) is to be the last. The new concept of security hopes to achieve the same control by means of training and equipping the Latin American Armed Forces themselves, both materially and especially ideologically, which would allow a more discrete control, and a low profile, over the Continent. The Treaty provides for a reduction in the physical military occupation of the Canal Zone. However, at the same time, it obtains, by means of the "joint defence" with the Panamanian National Guard, a greater influence over the Panamanian Armed Forces, which will be entrusted with maintaining secure and efficient the operation, not only of the Canal but also of the Panamanian economy. The Neutrality Treaty, not only the DeConcini Reservation, provides for the legalization of any North American intervention in Panama if this security or efficiency was affected by whatever cause. This legal cover would try to disguise the bad political and economic image of such intervention.

SIXTH THESIS

The Treaties are not going to solve Panama's socio-economic development problems, but rather will increase the dependency, vulnerability and deformation of the Panamanian economic structure by reinforcing the Transnational Service Platform.

The fourth thesis analysed how the Treaties remove from Panama control over its major natural resource. This sixth thesis aims to briefly prove an even more serious aspect; that is that the Treaties increase and aggravate the structural defects of Panama's underdevelopment. (10)

The structural significance of the Treaties can be summarised in just two words: Stability and Guarantees. The stability and guarantees are required for the efficient functioning of the increasingly more complex and sophisticated aggregate of operations of the Transnational Service Platform. This stability can provoke an economic recovery, which will by necessity be structurally dependent, vulnerable and cyclical, given the openness of operations, the lack of

control and compensatory domestic policies necessary to maintain a minimum of relative autonomy.

As a first and superficial confirmation of this interpretation, one should note the increase in foreign economic activity in the country within a few days of the Senate's ratification; the new banking credits to Panama and above all the visit on June 20th. of the prominent members of the Council of the Americas, four days after Carter's visit for the exchange of ratification instruments. This flow of capital and representatives of Transnational Corporations began on February 12th with the meeting in Panama of Business International, an association which comprises 175 Transnational Corporations.

A more detailed analysis clearly shows that the Trilateral Commission, the Council of the Americas and transnational financial capitalism, especially the Transnational Banks, have been the promoters and fabricators of the Treaties, with the help of qualified personnel, such as Carter, Linowitz and the rest of the Trilateral representatives in the North American government.

Again, LaFeber's study is recommended, which with abundant and recent information confirms the true interests behind the Treaties: The Chamber of Commerce, the Council of the Americas, the American Institute of Merchant Marine (AIMS), the committee formed by Senator McGee "The Business and Professional Committee for a New Panama Canal Treaty", which groups together more than two dozen multinational companies, etc. (P. 214 and following.)

It is impossible in a few lines to prove that the reinforcement of the Transnational Service Platform cannot for structural reasons produce economic and social development even though it can produce dependent, vulnerable and cyclical economic growth.

A rough sketch indicating the line of this argument can be briefly synthesised in two points:

a) The superior differential profitability of the transnational services of the Transnational Service Platform, in relation to the profitability of the agricultural and industrial sectors. This differential profitability already provokes a concentration of capital, other resources and productive factors in the Transnational Service Platform and in the metropolitan area, creating a macrocephalic service sector with serious social consequences in the distribution of personal sectoral and regional income, with norms of foreign consumption and technology which increase the propensity to import and sharpen the chronic and permanent balance of payments deficit. These structural phenomena began almost a decade ago and can now be checked with empirical data. They are not therefore mere future speculations.

b) The economic policies of the government will not be able to substantially affect nor correct this type of development, given the dominant power of the Financial Centre over the public sector. Besides this reason of political economy, another reason is the structural inability of the public sector to regulate the Transnational Service Platform, which by definition and nature requires a non-regulated nor regulable fiscal and legal set-up.

The official economic policies and the Panamanian National Development Plan have tried in the last five years to make use of the economic growth of the Transnational Service Platform to reorientate part of the benefits towards the productively marginalised sectors and regions, and towards solving social problems (health, education, housing, rural development etc.) Several social achievements have been obtained, but the government has failed even in its slight attempts to fiscalise and accumulate public capital from the Transnational Service Platform to be used for development projects. Moreover, the government fell into the easy downward slide into external indebtedness, which has progressively weakened the negotiating strength of the public sector with respect to the economic interests represented in the Transnational Service Platform and also the government's bargaining position vis a vis the United States.

Those who consider this analysis as anti-government have not understood it. What is claimed here is that if this dominant and unregulated economic structure of the Transnational Service Platform is maintained at the service of the transnationalization process of Latin America, with or without a Treaty, with a military or civilian government, Panama cannot achieve its real independence nor sovereignty, nor maintain its identity and achieve national maturity.

A modern dependent and vulnerable neocolonialism will be Panama's future.

SEVENTH THESIS

The Treaties bear substantial economic and political reaccommodations for Panama, which favour the domestic sectors tied to transnational capital (Transnational Service Platform). At the same time, they allow sectors of CONEP* to reincorporate themselves again into the power nucleus, against the interests of the popular classes.

What has historically been the uniting "religion" of the Panamanian people, the Canal, which allowed a certain type of "national unity" has begun to break up and create internal divisions as a result of the Treaties.

*CONEP - Consejo Nacional de Empresas Privadas (National Council for Private Enterprise)

The Treaties, by reinforcing the Transnational Service Platform, aid the economic and political strengthening of the sector of Panamanian capitalism most connected to transnational capital, (the groups of the Financial Centre, the Colon Free Zone, International Services etc.) Moreover, the more domestic sectors of Panamanian capitalism (industrialists, cattle-ranchers, construction sectors and medium-sized businesses, etc.) have supported the Treaties right from the very start as they are aware that they will be among the principal beneficiaries: economically, because the Treaties reincorporate into Panama part of the market and lands of the Canal Zone and are going to reactivate the paralysed Panamanian economy; and politically, because as a result of pressure from the United States government, they will again be incorporated into Panamanian political life, from which they have been excluded as a group since 1968.

The transnational group of Panamanian capitalism has such an economic hegemony over the country that it can dispense with direct political control and will exercise it indirectly by means of structural mechanisms, (financing, international contacts and "know-how", control of technology and marketing, etc.) This sector has been the principal economic support for the government during the past ten years.

The more national sector of Panamanian capitalism was excluded from political power in 1968, after the failure and divisions of the traditional parties. This non-hegemonic sector needs the political apparatus for the functioning of its economic interests. The Treaties have provided the situation which brings together these two sectors of the dominant class. At the same time, there has been an attempt at a political pact, which would allow them to participate in the government after the August 1978 elections. (II)

The popular sectors, (who have especially suffered from the economic crisis and are aware of the decline of a government which they felt spoke a language nearer to their interests), for their part are disorganised, non-mobilised, divided and confused. Faced with this power imbalance one can foresee a greater deterioration in the political bargaining power of the popular classes in the near future.

General Torrijos's promises, no doubt sincere and well-intentioned, of giving "the most collective use possible" to the economic benefits of the Treaties seem to be structurally impossible to realise. Some symbolic achievements might be obtained (children's parks, popular housing in the Zone etc.) but the planning for and utilization of the Zone and its benefits will be administered, be it in public or private hands, in response to the fundamental interests of transnational capital, with greater participation also for the sectors of more domestic capital.

EIGHTH THESIS

The social recuperation of the Canal and "its most collective use possible" will be unattainable without a recuperation of political power and control by the popular organisations.

Panama's peculiar economic structure, which is different from the rest of Latin America, and the sharp penetration of transnational capital in the country, does not allow any structural change, nor even a progressive evolution towards structural forms of more autonomous and stable development, without there being a collective political decision capable of joining together and organising the masses of the Panamanian people.

The changes require a massive participation and an organisation capable of analysing new popular models of development, where the superfluous and artificial will not be attended while the basic needs of the majority are not satisfied.

Neither the good will of the leaders nor the intelligence of the planners is capable of overcoming a structural problem of the magnitude of that of Panama, if there is no popular participation, organisation and control over the model and objectives of development.

NINTH THESIS

The efficient social and autonomous use of Panama's geographical position is the fundamental task of this generation. The national and social recuperation of the Canal should be directed towards this and not diverted towards a transnationalised modernization with new forms of dependency.

In this thesis a few brief suggestions are presented to orientate one's thoughts towards the possibility of a "new era" for the Panamanian people.

The already foreseeable obsolescence of the old Lock Canal opens up favourable alternatives for replanning Panama's future econ-

omic structure, and the need to suggest new forms of economic and political insertion in the international market.

Three generative principles of this economic replanning and two technical alternatives can open up new historic perspectives:

1. The economic benefits of the new technical utilization of the geographical position should be distributed in productive forms among the Panamanian population in an inverse relation to the present income distribution. This means that the 10% of the population that at present controls nearly 50% of the national income will receive a minimal proportion of the Canal benefits in relation to the 33% of the population who at present receive only 5% of the national income.

2. The economic benefits coming from the geographical position should be utilised to diversify Panama's productive apparatus, with a concept of social efficiency which modifies and surpasses mere market profitability.

3. To achieve the minimum of economic autonomy that a nation needs, Panama should diversify its international links, lessening the oppressive specific weight of the United States over the country, and increasing its economic connections with Latin America, socialist countries, Third World countries, the EEC (European Economic Community) and Japan.

The first principle would tend towards achieving the just and active participation of all the regions and citizens of Panama within the national economy.

The second would be towards breaking the internal dependence on the metropolitan area, using the comparative advantages of Panama's geographical position to revitalise the productive sectors at present marginalised on account of the macrocephalia of the transnational services.

The third principle would seek the diversification of Panama's natural international dependency (small strategic country with very specific resources,) increasing the negotiating power of Panama and decreasing the structural conditioning which the United States' influence creates over the country.

There exists two possible technical alternatives to replace the Lock Canal, which at the same time imply political and social alternatives. Both need to be studied seriously so as not to improvise again and to be able to negotiate with more strength in the future:

I. A Panamanian Sea-Level Canal without political restrictions, so that Panama can benefit to the maximum from its natural resources.

The technical problems involved in a Sea-Level Canal can be summarised as follows:

a) To analyse the negative effects of a Sea-Level Canal on Panama, given that it could result in a decline in economic activity for the Isthmus and its terminal cities, due to the boats not stopping over to refuel and reprovision.

b) Certainly a Sea-Level Canal would produce a serious reduction in employment, given that only 3,000 workers would be needed instead of the present 15,000.

c) The ecological effects of a Sea-Level Canal could be very serious for marine life and for the fishing industries of Panama and the Caribbean.

d) The finance necessary for the construction of a Sea-Level Canal, \$10,000 millions, is outside Panama's possibilities. However, this could imply the creation of economic ties with a bloc of countries, comprising Latin America, the non-alligned countries, the EEC and Japan, thus breaking the North American circle of dependency. A Sea-Level Canal financed by Latin America and the Arab world, for example, which connected the Suez and Panama Canals, falls within the new type of policies, which the Third World is beginning to maintain within the framework of the New International Economic Order.

2. A "Land Bridge", formed by a pipeline, a conveyor belt for solids, a highway and a modern Panama-Colon railway, to absorb 30-40% of the Lock Canal's cargo. The union of the Lock Canal with the Land Bridge could compete with a Sea-Level Canal and efficiently satisfy the demands of international trade. (I2)

The Land Bridge formed by this union of various means of transport across the Isthmus would absorb all the oil cargo by means of the pipeline, or at least the cargo from the large supertankers, which cannot transit the Lock Canal. The transit costs per barrel, by means of the pipeline, are even lower than the present artificially low tolls charged by the present Canal.

The conveyor belt for solids would transport minerals and solids across the Isthmus. The new highway and modern Panama-Colon railway connected to the new container ports, the expansion of the Colon Free Zone and the new Tocumen airport would allow the rapid transit of containers and other merchandise.

The total cost of the entire "Land Bridge" project would be about \$1,500 millions (15% of the cost of a Sea-Level Canal) with the following advantages:

a) The finance could be raised by Panama, since it is in the same order as that of the Cerro Colorado Mine - the copper mine.

b) It would create about 6,000 additional jobs to those already existing in the Lock Canal; that is to say some 17,000 jobs more than with the Sea-Level Canal.

c) It would not have the ecological problems of the Sea-Level Canal. (I3)

d) It can be constructed in phases according to the traffic needs, thus facilitating its financing. The project, nevertheless, should always be considered as an alternative packet to the Sea-Level Canal.

e) It would be a project clearly and exclusively Panamanian, with which Panama could, for the first time, begin a national utilization of the country's major natural resource and could begin to apply the principles of a new social development within the country.

Nevertheless, both alternatives are eliminated as economically and politically impossible by the Neutrality Treaty. As was explained in the Fourth Thesis, the Treaty limits the possibility of a viable Sea-Level Canal. The "Land Bridge" alternative at first sight seems to be outside the clauses of the Treaty by not being a waterway. However, the viability of the Land Bridge is limited and conditioned by the possibility of establishing commercial tolls in the Lock Canal, since the two complement each other and form part of a single economic packet. If the Canal's tolls remain artificially low, the transport alternatives offered by the Land Bridge must remain competitive and limited by this level of tolls destined not to produce any economic benefits. Thus, the economic viability of the Land Bridge is destroyed by the Neutrality Treaty.

The Neutrality Treaty, therefore, destroys even the possibility of Panama considering other technical alternatives for the utilization of its major natural resource.

TENTH THESIS

The Treaties do not eliminate the historic causes of conflict between the United States and Panama, and even create new and more serious ones. Therefore, the Treaties ought to be considered juridically null for having been imposed; legally invalid for having been modified by the amendments and reservations; economically miserly and monopolistic; ethically unjust and politically more imperialistic even than that of 1903.

The aim of the negotiating process, begun in 1964, was the "elimination of the causes of conflict" created between the United States and Panama by the Bunau-Varilla Treaty.

The principal scholars of the Treaties categorically affirm that these Treaties do not eliminate the original causes of conflict, but rather that they create new ones, such as the legalization of the North American military presence in the Isthmus, a unilateral and interventionist neutrality, etc. (14)

The Treaties originally presented to the plebiscite of the Panamanian people seem less colonialistic but more subtly imperialistic than that of 1903. Today, with the amendments and reservations, the subtleties have disappeared and the neocolonial and imperialist character of the Treaties appears in all its crudity.

As a Christian, I must recognise that what has affected me most about the Treaties has been the immorality and the imposition of a nation and a President, who claims to represent Western Christian values, trying to present these Treaties as a model of the new international relationships between the industrialised countries and the Third World.

This long and painful negotiatory process, which Panama has lived through during the past 14 years, has greatly helped the discovery of what is the fundamental problem of the country. The problem is not the Canal, but the domination which, with various and changing historical mechanisms, both external and internal, maintains Panama tied to the economic and political interests of its great northern neighbour.

The popular slogan "The Struggle Continues" shows the attitude of the Panamanian people in maintaining themselves alert and ready to fight for Panama's real independence and sovereignty. It is an important cry of warning to the peoples of Latin America and the third World, that this "model and example" of the New Era is no more than a new style, more subtle and certainly more structural, of imperialist domination.

NOTES

The First Patriotic Forum was organised by the Coordinating Committee of the Independent University Movement (Comité Coordinador del Movimiento Universitario Independiente - CCMUI). The speakers in the Forum (Secundino Torres Gudiño, Hugo Víctor, Xabier Gorostiaga, Julio Yau, César Quintero, Carlos Iván Zúñiga and Jorge Turner) represented the various ideological and political tendencies, which signed the "Open Letter to the People and Government of Panama", April 20th. 1978 criticising the Canal Treaties.

The same methodology was used in 1974 in the X Congress of Latin American Planning, held in the Legislative Palace, Panama, where the author representing the Ministry of Foreign Affairs of which he was economic advisor at that time, presented the "Ten Theses on the Canal Zone and Panamanian Underdevelopment". The ten theses on the economy of the Canal tried to show how the Canal has been the main cause of Panama's underdevelopment and dependency. The wide acceptance of this methodology induced the author to use it again. (See the publications: Comercio Exterior, Mexico, Oct. 1974; Tareas, Panama, No. 31; Diálogo Social, Panama, No. 70; Tercer Mundo, Buenos Aires, No. 2; Ministry of Labour, Panama 1975. Also in the magazines, SIC of Venezuela, ECA of El Salvador, Horizontes of the Dominican Republic, Víspera of Uruguay etc. The English translation appeared in "Panama's Struggle for Independence", EPICA, Washington DC, 1975). For a more detailed analysis on the economy of the Canal, see the author's book: "Panamá y la Zona del Canal". Tierra Nueva, Buenos Aires, 1975.

- 3) The discussion on this problem of the Treaties was also held in the United States in the Institute of Policy Studies (Washington) on April 16th., the day of the ratification of the Neutrality Treaty; in the Department of Economics of the American University (Washington); in New York, in the Medgar Evers College, organised by The Panama Task Force; in Boston, in the University of Harvard; in the Harvard Science Center; in the University of Boston, in a Seminar for Social Scientists of the Latin American Center; in the University of Massachusetts, organised by the Latin American Center; in the University of Columbia, New York, organised by the Latin American Center; before the Editorial Board and also the Staff of the publication, Monthly Review in New York.
The Latin American Permanent Seminar (SEPLA) in Mexico city began a series of seminars on the Latin American Reality, with a discussion of the Canal Treaties presented by Lic. Marco A. Gandásegui hijo and the author of these theses. Moreover, various discussions on the theme of the Treaties were realised in ILET (Latin American Institute of Transnational Corporations) while the author prepared the second edition of the book on "Los Centros Financieros en los Países Subdesarrollados" (Financial Centres in Underdeveloped Countries), which serves as the theoretical basis for the presentation of Panama as a Transnational Service Platform, which is mentioned in several theses.
- (4) My special thanks for the comments and criticisms of Dr. Ronald Müller, Dr. Barbara Stallings, Dr. Shane Hunt, Phillip Wheaton, Thomas Quigley, Dr. Gonzalo Arroyo and Gregorio Selser, among others, who for their part are not responsible for the limitations and simplifications of this formative schemat. The deficiencies are the sole responsibility of the author.
- (5) On the Trilateral Commission, the Bilderbergers, the Council of the Americas, the modern economic crisis, the new imperialist forms of domination, I recommend the two volumes: "Carter y la lógica del Imperialismo", edited by Hugo Assmann in the editorial EDUCA, Costa Rica 1978. Also see the articles on this theme in the magazine Diálogo Social Nos. 85 and 97.
- (6) Concerning the two possible styles of domination over Latin America, see the author's work in Tareas No. 42 "Notas para la metodología de un diagnóstico del capitalismo latinoamericano".
- (7) For the Spanish version of these theses the amendments, reservations and understandings were taken from the 'Chancery Communique', published in La Estrella of Panama, April 26th. 1978, for lack still of an official version in Spanish. For the English translation, the official version issued by USIS (United States Information Service) was used. The best actual research source on the Treaties and their implications are the five volumes: "Panama Canal Treaties. Hearings before the Committee on Foreign Relations, US Senate", Washington, January 1978.
- (8) In the author's book "Panamá y la Zona del Canal" it is shown, even citing official North American sources, that already in 1951 the Canal Company had recovered all the costs and interests with a positive balance of \$40 millions. But the accounting system of the Canal Company with its peculiarities can create distorting conclusions of reality.
- (9) This is too ambitious and complex a theme for a short thesis. For those interested the author's work is recommended: "Los Banqueros del Imperio", EDUCA, Costa Rica 1978 and especially the more recent and corrected version "Los Centros Financieros en los Países Sub-

desarrollados", ILET, Mexico, May 1978. An English version of this book "Financial Centres in Underdeveloped Countries" will be published by LAB (Latin American Bureau) London. They have also published an excellent Special Brief: "Panama and the Canal Treaty", March 1978.

A more journalistic version can be found in Le Monde Diplomatique, Sept. 1978 and also in the Panamanian publications Tareas and Diálogo Social.

Concerning the role of the banks in the Treaties negotiations see the article by Murray N. Rothbard: "The Treaty that Wall Street Wrote", Enquiry Dec. 5th 1977. The initial quotation of the article is very significant. "If you think that the new Panama Canal Treaties signify the end of the Dollar and Big Stick Diplomacy, think again!!!" On the role of the Financial Centre in Panama, see the article by Robin Pringle, editor of The Banker: "Banking in the Land of Balboa", The Banker, Oct. 15th, 1975, London.

Concerning the characteristics of Panamanian underdevelopment see the author's work, "La Zona del Canal y el Subdesarrollo Panameño", Tareas No. 29; Herbert de Souza "Notas Sobre la Situación Socio-Política de Panamá", Tareas No. 35; Orlando Nuñez Soto and Carmen Guevara "Desarrollo y Contradicciones de la Acumulación Capitalista en Panamá", Graduation thesis, Costa Rica. (Summary in the Panama publications Tareas, No. 41 and Diálogo Social No. 88)

The CONEP communique, published in the Matutino, May 6th, 1978 is very significant, especially the eighth explanation. In it they speak of giving "a start to a whole New Era for the country"..... "Faced with our domestic problems, now is the time to do it earnestly and within the framework defined by our institutions." At the time of the English translation of these ten theses, June 1978, the political pact had been even further developed as a result of the CONEP meeting in Contadora, Panama, May 1978.

This proposition, called "The Panamanian Alternative to a Sea-Level Canal" was proposed by the author and taken up by the then Minister J.A. Tack for discussion at the National Cabinet in 1974, where it was approved. Nevertheless, the preliminary study, realised in 1975, did not respond to the terms of reference and the project was shelved. In the first week of May, the North American Senate rejected, only to approve the following day (May 5th.), a proposal of \$8 millions to finance a team of three North Americans and three Panamanians to bring up to date the study of the Sea-Level Canal, realised in 1970 by the North American government, opening up the debate once again. It is important to note that the initiative is again in the hands of North Americans.

The author consulted with the following ecological groups of the United States concerning the Panamanian alternative of the Land Bridge. The ecological groups Izaak Walton League, National Wildlife Federation, The Sierra Club, Friends of the Earth and Environmental Policy Center proved themselves to be very favourable to the proposal and ready to support it in the United States, since they consider the ecological consequences of a Sea-Level Canal as very serious. See the studies and declarations of Carlos Bolívar Pedreschi, Julio Yao, Carlos Iván Zúñiga, Secundino Torres Gudiño, Miguel Antonio Bernal, Aquilino Boyd, Hugo Víctor, Ricardo Raugel, etc., together with the condemnatory declarations of the Cloister of Lecturers of the Law Faculty, of a large group of Panamanian priests, University associations and groups, etc.....